



San Jacinto River Authority



Comprehensive Annual Financial Report

For the Fiscal Year Ended

August 31, 2019

Prepared by the Accounting Department
Montgomery County, Texas



San Jacinto River Authority
1577 Dam Site Road
Conroe, Texas 77304

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INTRODUCTORY SECTION



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San Jacinto River Authority

ADMINISTRATIVE OFFICE
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(T) 936.588.3111 • (F) 936.588.3043

December 12, 2019

Board of Directors
San Jacinto River Authority
Montgomery County, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the San Jacinto River Authority (SJRA or Authority) for the fiscal year ended August 31, 2019. The purpose of the CAFR is to provide reliable financial information about the SJRA to the SJRA's Board of Directors, customers, general public, and other interested parties. The SJRA's Accounting Department has prepared the CAFR in accordance with generally accepted accounting principles (GAAP). Management assumes full responsibility for the completeness and reliability of the information contained in the CAFR, based upon a comprehensive framework of internal controls that are established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective of such internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

An independent auditor, Knox Cox & Co, L.L.P., Certified Public Accountants, has issued an unmodified ("clean") opinion on the SJRA's financial statements for the year ended August 31, 2019. The independent auditor's report is located at the front of the financial section of the CAFR.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profiles of the Government

The San Jacinto River Authority is a conservation and reclamation district, body politic and corporate, and a governmental agency of the State of Texas created and operating under the provisions of a series of acts compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, whose area comprises all of the territory within the watershed of the San Jacinto River and its tributaries, except that portion of the watershed lying within the boundaries of Harris County. Such geographical area consists of all of Montgomery County and parts of Waller, Grimes, Walker, San Jacinto, Liberty, and Fort Bend counties.

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Conroe, Texas 77305
(T) 936.588.1111
(F) 936.588.1114

GRP DIVISION
P.O. Box 329
Conroe, Texas 77305
(T) 936.588.1662
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i

WOODLANDS DIVISION
P.O. Box 7537
The Woodlands, Texas 77387
(T) 281.367.9511
(F) 281.362.4385

HIGHLANDS DIVISION
P.O. Box 861
Highlands, Texas 77562
(T) 281.843.3300
(F) 281.426.2877

The SJRA is governed by a board of seven directors appointed to six-year staggered terms by the Governor of the State of Texas. The SJRA has statutory power for developing, conserving, and protecting the water resources of the San Jacinto River watershed. The SJRA provides a variety of services including water and wastewater treatment; municipal, industrial and agricultural raw water supply; water quality management and reservoir operations. These operations are accounted for in the division descriptions below.

The **General & Administration Division**, located in the general business office at Lake Conroe, consists of professional, technical, accounting, administrative, and support staff working under the direction of the General Manager. The General & Administration Division's primary function is to provide management and support services to the SJRA's five operating divisions (listed below).

The **Highlands Division** is located in East Harris County and operates a pump station at Lake Houston. Raw water from Lake Houston is diverted into the SJRA's extensive 27-mile system of canals and a 1,400 acre reservoir for delivery to industrial, municipal, and agricultural customers. The Highlands Division operates a pump station to transfer raw water from the Trinity River via the Coastal Water Authority to the Highlands Division's East Canal. The Highlands System also includes a pump station to transfer raw water from the Trinity River via the Coastal Water Authority (CWA) to the Highlands Division's South Canal.

The **Lake Conroe Division** is situated seven miles west of Interstate 45 at the Lake Conroe dam. The SJRA supplies raw water from Lake Conroe, which was built as a water supply reservoir and completed in 1973. The lake is exclusively operated by the SJRA; however, the City of Houston owns two-thirds of the permitted water rights in the reservoir and participates in two-thirds of the Lake Conroe costs. In addition to operating and maintaining the dam, this Division handles the licensing, regulation, and enforcement functions related to onsite sewage facilities immediately around Lake Conroe, boat sanitation, piers, boat slips, boathouses, marinas, and other facilities operated or constructed around or on Lake Conroe. The Lake Conroe Division collects fees associated with these permits and licenses.

The **Woodlands Division** is located in southern Montgomery County and provides wholesale water supply and wastewater treatment services to the 117,305 person community of The Woodlands (The Howard Hughes Corporation data as of January 2019). To provide these services, the SJRA operates wastewater treatment plants, lift stations, water wells, water plants, water booster pump stations, elevated and ground storage tanks, and miles of wastewater conveyance and water transmission facilities. The Woodlands Division purchases surface water from the Groundwater Reduction Plan (GRP) Division to blend with groundwater provided by the water wells.

The **Groundwater Reduction Plan (GRP) Division**, with its office located at the Lake Conroe dam, is responsible for implementing an alternative water supply program for its participants that meets the groundwater reduction requirements of the Lone Star

Groundwater Conservation District (LSGCD) and ensure reliable, long-term water supplies for its participants in Montgomery County. The GRP Division designed, constructed, operates, maintains, and administers a surface water treatment plant and transmission lines. The GRP Division withdraws raw surface water from Lake Conroe, treats it to meet or exceed drinking water standards, and then transmits it to selected customer cities and water utilities within Montgomery County.

The **Flood Management Division** was created in the spring of 2018 pursuant to a directive from Governor Greg Abbott. The purpose of the Flood Management Division is to develop short-term and long-term regional flood management strategies within the San Jacinto River Basin. The intent is to build partnerships with federal, state, and local governmental entities; identify funding options and/or revenue sources; and coordinate, collaborate, and partner with other flood management entities within the San Jacinto River Basin.

ECONOMIC CONDITION AND OUTLOOK

The Texas Economy. According to the Texas Comptroller of Public Accounts Key Economic Indicators as of August 2019: Unemployment Rate for Texas was 3.4% while the U.S. was 3.7%; Measures of Inflation, the change in CPI from previous year for Texas was 1.8% while the U.S. was 1.7%; and Consumer Confidence Index for Texas was 4.7% while the U.S. was -0.4%. The Comptroller issued the “The Gulf Coast Region: 2018 Regional Report” and the “2018 Texas Regional Report” showing population growth to be 16.1% in the Region vs. 12.6% for Texas and 5.5% for the U.S. for 2010-2017. In addition, the Bureau of Economic Analysis data, showed the Per Capita Personal Income Growth to be 3.0% for Houston-The Woodlands-Sugar Land Metropolitan Statistical Area, 2.6% for Texas, and 3.6% for the U.S. for 2016-2017.

The Local Economy. The SJRA’s boundaries include the entire watershed of the San Jacinto River and its tributaries excluding Harris County. The SJRA serves many customers in the greater Houston area and is authorized to operate in Harris County east of the San Jacinto River. The SJRA receives only grants and bonds from state funding and does not collect any type of taxes. Continued population growth within SJRA’s service area will necessitate the demand for water. With the SJRA’s service area located between Houston and Dallas, two rapidly growing major metropolitan areas, the need for future water supplies and reliable planning is vital, and as a result, the SJRA’s Board of Directors and staff are working diligently to plan for future water supplies in order to better assure the region’s future economic vitality.

FINANCIAL INFORMATION

Management of the SJRA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the SJRA are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is

designed to provide reasonable assurance, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As demonstrated by the statements and schedules included in the financial section of this report as well as the Management Discussion and Analysis (MD&A) also included herein, the SJRA continues to meet its responsibility for sound financial management. The SJRA encourages readers to closely review each section of this report including the review provided by the MD&A in order to have a thorough understanding of the SJRA, its activities, financial position, and results of operations.

MAJOR INITIATIVES

For the Year. During Fiscal Year 2019, SJRA modified its reserves policies to fine-tune the Operating and Emergency Reserves. In addition, this change eliminated the Capital Reserves and instead created three Repair and Replacement Funds for the Highlands, Lake Conroe, and General and Administration Divisions. These funds were created to pay for large ongoing and planned projects through predetermined transfers to stabilize rate increases and decrease the compounding effects of recurring debt financing. This change is a major shift in strategy for the Highlands Division which historically has funded most major projects through bond funds, to a more sustainable pay-as-you-go strategy.

The Highlands Division completed the rehabilitation of the Lake Houston Pump Station discharge pipes, and installed bypass piping at Siphon 7 to accommodate installation of a bridge crossing and removal of Siphon 7 by the Texas Department of Transportation. The Highlands Division began replacement of the siphon located at East Canal and Wallisville Road with anticipated completion in Fiscal Year 2020. This siphon project was required due to a road widening project being performed by Harris County and has been partially funded by contributions from Harris County.

During Fiscal Year 2019, SJRA continued planning for adequate, long-term water resources for the San Jacinto River Basin, including Montgomery County, along with the planning necessary for the development of additional future supplies of water. This initiative was evident in the work of SJRA staff with committees related to instream surface water flows, fresh water inflows for bays and estuaries, review of water quality standards, regional water planning, and watershed protections plans.

The Woodlands aging Wastewater System is in need of rehabilitation. The Woodlands issued \$42.9 million in bonds on November 7, 2017, to address major rehabilitation needs. This is in addition to the continued annual rehabilitation of the system that is paid for by the Woodlands Repair and Replacement Fund. During Fiscal Year 2019, the Woodlands Division began improvements to the Sludge Dewatering and Solids Processing units at Wastewater Treatment Plant No. 1. The Woodlands Division

has also begun design for the rehabilitation of the Bear Branch Gravity Sewer Main, and the replacement of Aeration Basins 1 and 2 at Wastewater Treatment Plant No. 1.

The Lake Conroe Division has completed repairs to the Lake Conroe dam crest road. The Lake Conroe Division also completed the flood protection planning study utilizing grant funds and interlocal funds as part of the Texas Water Development Board Flood Protection Plan Grant awarded on August 25, 2016. The Lake Conroe Division was awarded a second phase of the Texas Water Development Board Flood Protection Plan Grant on November 12, 2018, for a Reservoir Forecasting Tool.

For the Future. In November 2009, the LSGCD adopted final regulations that required certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how large volume groundwater users intended to meet a January 2016 deadline for the reduction of groundwater use and conversion to alternative water supplies. The SJRA met this regulatory requirement with the development of a long-term approach that will provide a compliance solution for participants within the county who choose to join. The SJRA plan was designed so that any large volume groundwater user in the county could join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required GRP Pumpage Fee and GRP Surface Water Fees monthly. For fiscal year 2019, the GRP Pumpage Fee was set at \$2.64 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. The GRP Surface Water Fee was set at \$2.83 per thousand gallons of surface water received by the participating entity. It is anticipated that these fees will increase in the future if costs are incurred for planning and implementation of future phases as needed and operation, maintenance and repair of the necessary infrastructure to continue to deliver surface water and contributions to reserves. SJRA's Board approved the Fiscal Year 2020 rates to increase the GRP Pumpage Fee to \$2.73 per thousand gallons and the GRP Surface Water Fee to \$3.15 per thousand gallons. The total cost of the entire surface water system that was constructed to meet the 2016 deadline was \$490 million. As of the end of the 2019 fiscal year, 149 participants have joined the SJRA GRP representing approximately 80 percent of the water use in Montgomery County. The GRP Division was responsible for implementing the surface water program, constructing, operating, and maintaining the necessary infrastructure that started delivering surface water in mid-September 2015, ahead of the January 1, 2016 deadline.

The Highlands Divisions upcoming initiatives will include the replacement of Siphons 25, 26, and 29, which have been identified as needing replacement due to age, structural condition, and potential for failure. Replacement of these siphons will result in additional hydraulic capacity and reduce head loss across the siphon structure. The Highlands Division will also continue levee improvements to the South Canal from Siphon 21 to 2,500 feet downstream, and to the Main Canal between Siphon 24 and 27. The Division will also be performing rehabilitation of the existing intake screen channel at the Lake Houston Pump Station.

During Fiscal Year 2020, the Lake Conroe Division will be replacing thirty rollers on each of the five dam spillway gates. Lake Conroe will also be performing a stability

analysis of the dam's primary spillway, and a volumetric survey of Lake Conroe. Projects to repair the Lake Conroe service outlet structure and conduit, as well as continuing rehabilitation of the westside diversion channel, are also planned for Fiscal Year 2020.

Acknowledgements

Independent Audit. Section 49.191 of the Texas Water Code requires an annual audit of the SJRA's accounting records by a certified public accountant or public accountant holding a permit from the Texas State Board of Public Accountancy and selected by the Board of Directors. The firm Knox Cox & Co., LLP was selected to conduct the FY2019 financial audit. We appreciate their professionalism, timeliness, and assistance in completing this report. Copies of this report will be filed with the TCEQ, State Comptroller, State Auditor, and Texas Water Development Board.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the SJRA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2018. This was the tenth consecutive year that the SJRA has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.


In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate for Fiscal Year 2019.

Acknowledgements. We congratulate our employees for another successful year of operation. Without their dedication and professionalism, we could not have provided such a high level of service to the customers of the SJRA service area. The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated staff of the SJRA's Accounting Department.

Sincerely,



Jace A. Houston
General Manager



Tom Michel
Director of Financial and
Administrative Services



Pam J. Steiger, CPA
Controller

SAN JACINTO RIVER AUTHORITY

Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**San Jacinto River Authority
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

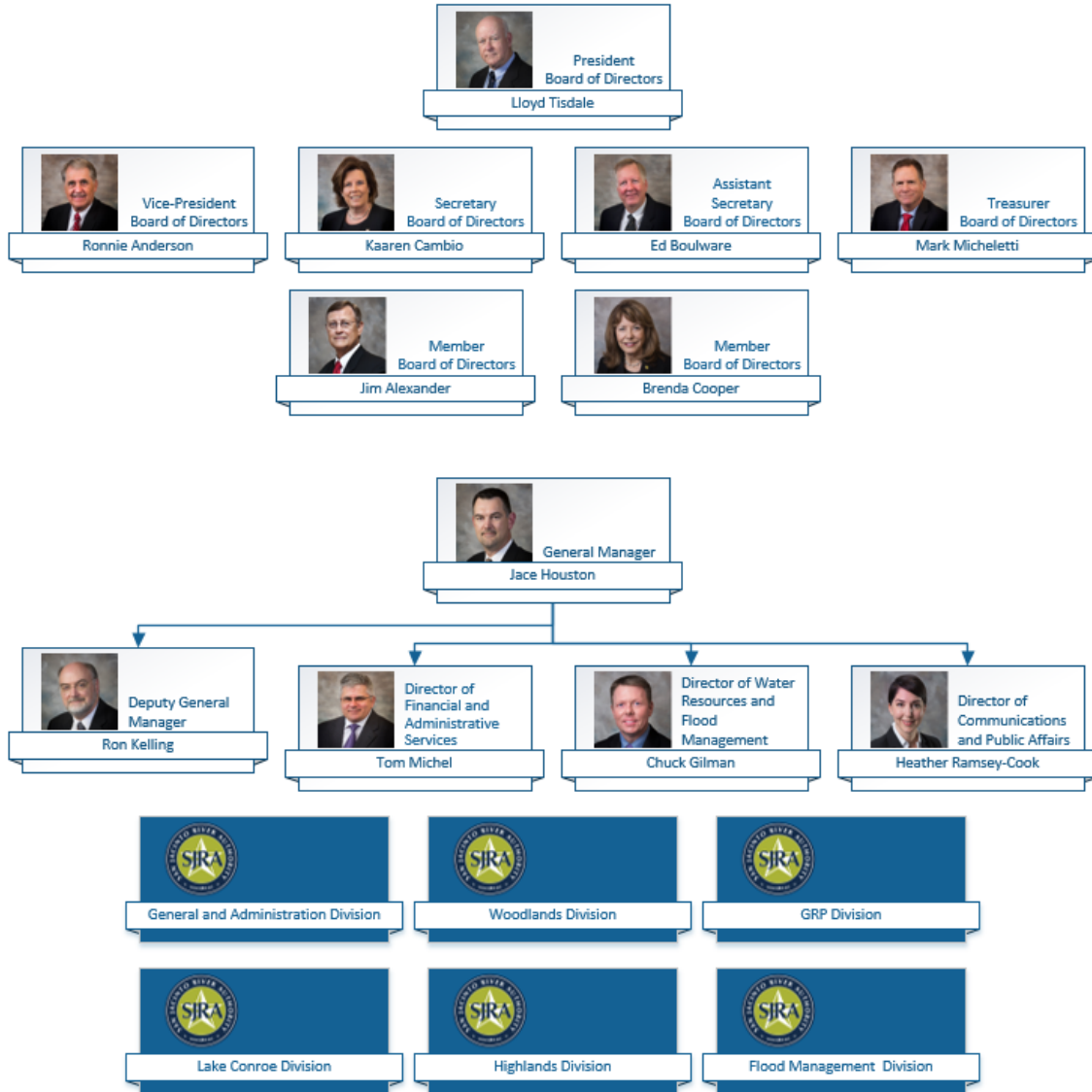
August 31, 2018

Christopher P. Morill

Executive Director/CEO

SAN JACINTO RIVER AUTHORITY

Organizational Chart



SAN JACINTO RIVER AUTHORITY

Board of Directors

	<u>Term Expires</u>
Lloyd B. Tisdale, President	2019
Ronnie Anderson, Vice President	2021
Kaaren Cambio, Secretary	2019
Ed Boulware, Assistant Secretary	2023
Mark Micheletti, Treasurer	2023
Jim Alexander, Member	2019
Brenda Cooper, Member	2021

The San Jacinto River Authority is governed by seven directors, appointed by the Governor of the State of Texas. Each director serves a six-year term, and may continue to serve after such term until a successor is appointed.

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FINANCIAL SECTION





Certified Public Accountants

8410 Highway 90A, Suite 150 | Sugar Land, Texas 77478

main: 346-772-2860 | fax: 346-772-2853

Independent Auditors' Report

Board of Directors
San Jacinto River Authority
Montgomery County, Texas

We have audited the accompanying financial statements of the business-type activities of the San Jacinto River Authority, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the San Jacinto River Authority'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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 entity'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 entity'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 business-type activities of the San Jacinto River Authority, as of August 31, 2019, and the respective changes in financial position and cash flows thereof for the year 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 management's discussion and analysis and required supplementary information on pages 5-12 and 62-68 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Jacinto River Authority's basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the San Jacinto River Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the San Jacinto River Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Jacinto River Authority's internal control over financial reporting and compliance.



Sugar Land, Texas
December 12, 2019

SAN JACINTO RIVER AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

The management of the San Jacinto River Authority (the "Authority") offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended August 31, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's total assets and deferred outflows were \$822.4 million; of this amount, approximately \$625.4 million represents net capital assets and \$197.0 million represents cash and cash equivalents and other current, noncurrent, and deferred assets.
- Liabilities for the Authority totaled \$648.4 million of which \$604.2 million accounts for obligations under long-term debt.
- The Authority's total assets exceeded liabilities by approximately \$172.7 million. This amount represents net position; of this amount, \$58.0 million is net investment in capital assets. An additional \$80.9 million is restricted net position and the remaining \$33.8 million represents unrestricted net position.
- Operating revenues, net of eliminations, for the Authority at year-end were \$101.1 million. The major revenue sources, net of eliminations, were wholesale water and wastewater treatment service fees to Woodlands' MUDs of \$34.1 million; Groundwater Reduction Plan fees of \$35.5 million; untreated water sales to industrial, municipal and agricultural customers of \$16.5 million; and capacity charges of \$9.7 million.
- Operating expenses totaled \$70.5 million. Highlights within operating expenses were salaries, wages and employee benefits of \$18.0 million, operating supplies of \$12.0 million and depreciation of \$24.2 million.
- Non-operating expenses exceeded non-operating revenues by approximately \$20.2 million. This was primarily attributable to interest expense paid on bonds that totaled \$25.1 million as of year-end.
- The Authority received capital contributions of \$1.5 million from Harris County for improvements to Wallisville Road Siphon in the Highlands, and contributions from the five Woodlands MUDs surrounding Bear Branch flowage easement.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements include three components: 1) business-type financial statements, 2) notes to the financial statements, and 3) required supplemental information. This report also contains other supplemental information in addition to the basic financial statements.

ENTERPRISE FUNDS

Enterprise Funds are used to report the same functions presented as business-type activities in the basic financial statements. The Authority's major Enterprise Funds are presented by division as follows:

- Raw Water Supply
- Highlands Division
- Lake Conroe Division
- Woodlands Division
- Groundwater Reduction Plan Division
- Flood Management Division
- General and Administration Division
- Bear Branch
- Region H

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

STATEMENT OF NET POSITION

The Statement of Net Position for the Authority is presented as one of the required basic financial statements. The Statement of Net Position includes all of the Authority's assets and liabilities. A major function of the Statement of Net Position is to measure the ability of the Authority to meet its current and long-term obligations. In the Statement of Net Position, the difference between total assets and total liabilities is titled as Net Position.

State and local governments report the net value or "Net Position" in these major categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The Governmental Accounting Standards Board (GASB) believes the users of the Authority's financial statements should know whether "Net Position" was invested in capital assets, are restricted for future use, or their future use is unrestricted.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a financial statement position. In the case of the Authority, assets exceeded liabilities by \$172.7 million at the close of the most recent fiscal year.

	As of August 31, 2019 and 2018	
	<u>2019</u>	<u>2018</u>
Assets		
Current assets	\$ 189,791,792	\$ 189,989,820
Noncurrent assets	4,160,106	472,943
Capital assets	<u>625,379,733</u>	<u>635,401,186</u>
Total Assets	<u>819,331,631</u>	<u>825,863,949</u>
Deferred Outflows of Resources	3,039,942	1,765,608
Liabilities		
Current liabilities	40,221,219	36,599,829
Noncurrent liabilities	<u>608,169,775</u>	<u>628,147,190</u>
Total Liabilities	<u>648,390,994</u>	<u>664,747,019</u>
Deferred Inflows of Resources	1,279,558	2,139,126
Net Position		
Net Investment in Capital Assets	57,974,629	51,689,036
Restricted:		
Debt service	62,578,926	58,101,252
Construction	15,756,478	
Other	2,604,742	2,418,869
Unrestricted	<u>33,786,246</u>	<u>48,534,255</u>
Total Net Position	<u>\$ 172,701,021</u>	<u>\$ 160,743,412</u>

- Noncurrent assets increased to \$4.2 million which represents a 780% increase from the prior year primarily due to a reclassification of past due accounts from Current Accounts Receivable to Long-Term Accounts Receivable. Within Current and Noncurrent Assets, Accounts Receivable has two GRP customers that are not paying the full invoiced amount and are part of current lawsuits. The Authority has commenced litigation in an effort to collect the past due amounts as well as late fees and interest thereon.

<u>Balance Status</u>	<u>City of Conroe</u>	<u>City of Magnolia</u>
Current	\$ 1,321,272	\$ 71,852
Past Due	3,062,355	154,743
Late Fees & Interest	<u>607,539</u>	<u>31,760</u>
Total at August 31, 2019	<u>\$ 4,991,166</u>	<u>\$ 258,355</u>

- An Allowance for Bad Debt was created for past due amounts owed by CWE Utilities L.L.C. in the amount of \$183,649.
- Capital assets decreased by \$10.0 million, primarily due to the net effect of increase in Water Systems primarily for improvements at the Highlands Lake Houston Pump Station,

an increase in Construction in Progress from ongoing capital improvements projects, and an increase in accumulated depreciation.

- Current liabilities increased by \$3.6 million, a 10% increase primarily due to an increase in accounts payable and accrued liabilities – unrestricted, and an increase in the current portion of bonds.
- Noncurrent liabilities decreased by \$20.0 million, a 3% decrease primarily due to making the scheduled payments on existing bonds.
- Total liabilities decreased by \$16.4 million, a 2% decrease from the prior year primarily due to the net effect of an increase in accounts payable and accrued liabilities, an increase in the current portion of bonds payable, and a decrease in long-term debt.

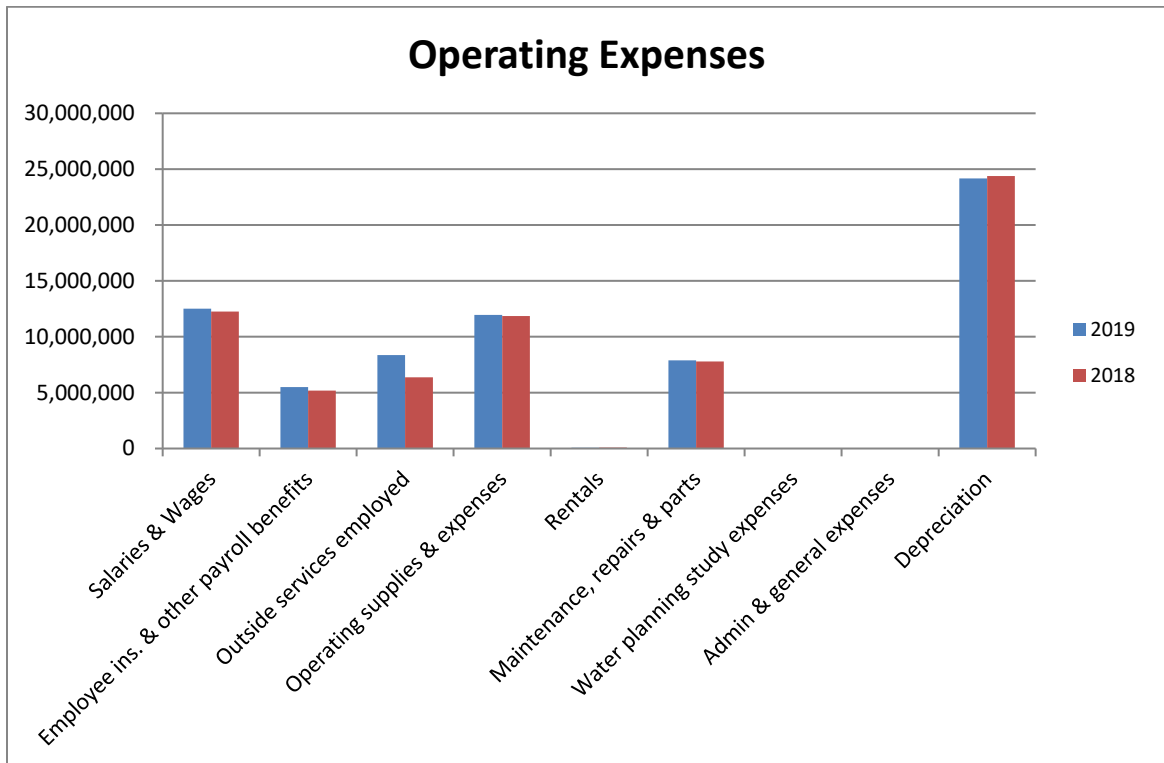
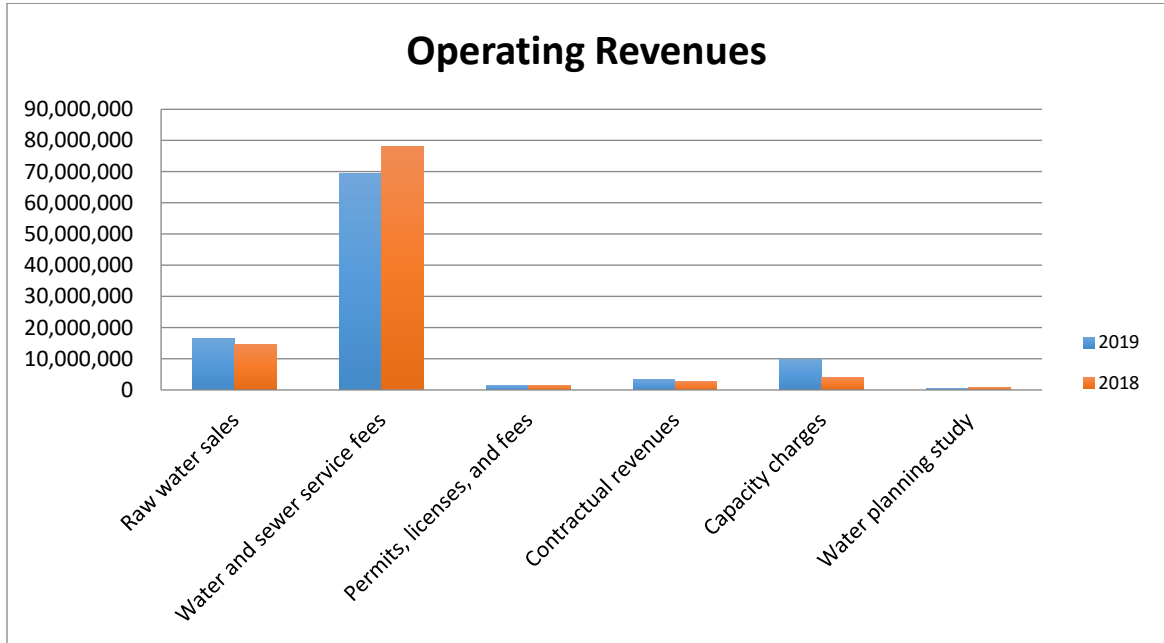
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for all the Authority's Divisions. The Authority does not seek to earn a profit in the long term. However, the Authority must cover its operations, maintenance and other costs while providing sufficient reserves annually from fees and charges since the Authority does not levy or collect any tax revenue. The Statement of Revenues, Expenses and Changes in Net Position measures how well annual costs are covered by fees and charges.

For the Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues:		
Raw water sales	\$ 16,651,533	\$ 14,692,012
Water and sewer service fees	69,595,114	77,933,431
Permits, licenses and fees	1,424,817	1,334,353
Contractual revenues	3,314,511	2,617,142
Capacity charges	9,646,449	3,846,463
Water planning study (Region H)	470,686	667,766
Total Operating Revenues	<u>101,103,110</u>	<u>101,091,167</u>
Operating Expenses:		
Salaries and wages	12,511,453	12,255,875
Employee insurance and other payroll benefits	5,493,433	5,179,617
Outside services employed	8,366,993	6,367,524
Operating supplies & expenses	11,958,973	11,849,544
Rentals	67,175	80,229
Maintenance, repairs and parts	7,891,447	7,792,350
Water planning study expenses (Region H)	1,732	1,479
Depreciation	24,170,719	24,381,708
Total Operating Expenses	<u>70,461,925</u>	<u>67,908,326</u>
Operating Income	30,641,185	33,182,841
Nonoperating Revenues		
(Expenses)	(20,232,484)	(26,677,605)
Contributed Capital	<u>1,548,908</u>	<u>1,490,397</u>
Net Income	11,957,609	7,995,633
Net position at beginning of year	<u>160,743,412</u>	<u>152,747,779</u>
Net Position at End of Year	<u>\$ 172,701,021</u>	<u>\$ 160,743,412</u>

The following charts illustrate the breakdown of the Authority's Operating Revenues and Operating Expenses, respectively.



- Outside services employed increased by \$2.0 million, an increase of 31% over the previous year. This increase is primarily due to legal expenses related to ongoing litigation.

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

The Authority's net capital assets as of August 31, 2019 totaled \$625.4 million. This investment in capital assets includes land; water permits and rights; office furniture, fixtures and equipment; other machinery and equipment; automobiles and trucks; buildings; dams and appurtenances; water systems; wastewater utility systems; capital improvement plans; and construction in progress. The total decrease in the Authority's investment in net capital assets for the current fiscal year was \$10.0 million, a 2% decrease.

Major capital asset events during the current fiscal year included the following:

- The Authority added \$0.9 million for Water Systems primarily related to improvements to the Lake Houston Pump Station in the Highlands and security improvements at water facilities in the Woodlands.
- The Authority added \$12.6 million for Construction in Progress for capital projects primarily related to improvements at Wallisville Siphon and Siphon 7, solids processing and sludge dewatering improvements at Wastewater Treatment Plant No. 1, and disinfection system improvements at Wastewater Treatment Plant No. 2.

	2019	2018
Capital Assets - at cost		
Land	\$ 30,373,066	\$ 30,372,062
Water permits and rights	30,947,801	30,947,801
Office furniture, fixtures & equip	5,432,723	5,305,790
Other machinery and equipment	4,286,826	4,071,140
Automobiles and trucks	3,034,322	2,834,824
Buildings	26,405,741	26,400,045
Dams and appurtenances	10,136,107	10,136,107
Water systems	598,277,239	597,405,346
Wastewater utility systems	101,454,254	101,653,954
Capital improvement plans	376,882	376,882
Construction in progress	24,329,626	11,737,350
Less accumulated depreciation	<u>(209,674,854)</u>	<u>(185,840,115)</u>
Total Capital Assets	<u>\$ 625,379,733</u>	<u>\$ 635,401,186</u>

Additional information on the Authority's capital assets can be found in Note 4 to the financial statements.

LONG-TERM DEBT

As of August 31, 2019, the Authority had long-term debt of \$604.2 million. The debt primarily represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

As of August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Long-Term Debt		
First Lien Bonds-		
less current maturities	\$ 599,500,000	\$ 621,040,000
Notes payable less current	1,371,935	1,698,617
Unamortized bond premium	<u>3,282,047</u>	<u>3,563,734</u>
Total Long-Term Debt	<u>\$ 604,153,982</u>	<u>\$ 626,302,351</u>

Additional information on the Authority's long-term debt can be found in Notes 5 and 6 to the financial statements.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller of the San Jacinto River Authority; P.O. Box 329; Conroe, Texas 77305.

BASIC FINANCIAL STATEMENTS



SAN JACINTO RIVER AUTHORITY

STATEMENT OF NET POSITION

August 31, 2019

<u>Assets and Deferred Outflows</u>	Business Type Activities -				
	<u>Total</u>	<u>Eliminations</u>	Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
Current Assets					
Cash and cash equivalents					
Unrestricted	\$ 23,121,349	\$	\$	\$ 12,270,891	\$ 3,469,082
Restricted:					
Debt service	72,838,721			8,784,118	
Construction	74,901,610			15,706,261	2,948,217
Other	2,807,885				
Accounts receivable, net	14,072,777	(2,444,352)	1,748,580	334,443	1,033,132
Inventory	253,331			7,559	
Prepaid expenses	1,796,119		566	63,066	56,496
Total Current Assets	189,791,792	(2,444,352)	1,749,146	37,166,338	7,506,927
Noncurrent Assets					
Accounts receivable - long-term	4,160,106				
Capital Assets- at cost					
Land	27,874,278			5,487,756	5,403,469
Land Improvements	2,498,788				
Water permits and rights	30,947,801		30,947,801		
Furniture, fixtures and equipment	5,432,723			318,257	189,356
Other machinery and equipment	4,286,826			1,943,516	298,578
Automobiles and trucks	3,034,322			341,723	157,688
Buildings	26,405,741			1,629,536	243,321
Dams and appurtenances	10,136,107				8,326,858
Water systems	598,277,239			71,139,392	6,747
Wastewater utility systems	101,454,254				
Capital improvement plans	376,882				
Construction in progress	24,329,626			8,556,096	78,943
Accumulated depreciation	(209,674,854)			(15,753,291)	(4,290,289)
Total Capital Assets	625,379,733		30,947,801	73,662,985	10,414,671
Deferred Outflows of Resources					
Deferred pension related items	3,039,942				
 Total Assets and Deferred Outflows	 \$ 822,371,573	 \$ (2,444,352)	 \$ 32,696,947	 \$ 110,829,323	 \$ 17,921,598

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Flood Management Division	Bear Branch	Region H	General and Administration Division
\$ 4,139,520	\$ 1,067,961	\$	\$	\$	\$ 2,173,895
7,219,924	56,834,679				
53,332,054	1,688,025				1,227,053
2,105,505			281,730	284,116	136,534
5,421,737	7,749,395				229,842
200,571	45,201				
369,054	768,099		1,949		536,889
<u>72,788,365</u>	<u>68,153,360</u>		<u>283,679</u>	<u>284,116</u>	<u>4,304,213</u>
	4,160,106				
1,829,065	14,306,656		847,332		
28,095	2,470,693				
1,080,350	2,367,532				1,477,228
1,318,127	711,661				14,944
1,250,398	517,902	38,957			727,654
2,814,140	15,601,688				6,117,056
			1,809,249		
105,741,671	421,210,755				178,674
101,454,254					
376,882					
14,975,284	74,088				645,215
<u>(124,823,927)</u>	<u>(61,145,952)</u>	<u>(7,791)</u>	<u>(361,959)</u>		<u>(3,291,645)</u>
<u>106,044,339</u>	<u>396,115,023</u>	<u>31,166</u>	<u>2,294,622</u>		<u>5,869,126</u>
					3,039,942
<u>\$ 178,832,704</u>	<u>\$ 468,428,489</u>	<u>\$ 31,166</u>	<u>\$ 2,578,301</u>	<u>\$ 284,116</u>	<u>\$ 13,213,281</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF NET POSITION

August 31, 2019

	Business - Type Activities -				
	Total	Eliminations	Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
<u>Liabilities</u>					
Current Liabilities					
Accounts payable and accrued liabilities - unrestricted	\$ 7,286,143	\$ (2,444,352)	\$ 24,098	\$ 1,355,587	\$ 823,142
Restricted for Debt service:					
Current portion of bonds	21,540,000		1,385,000	2,085,000	
Current portion of notes	325,925				
Accrued interest payable	10,398,556		138,761	911,108	
Restricted for Construction:					
Accounts payable					
Retainage payable	530,329			258,778	
Unearned revenue	140,266		3,631		104,936
Total Current Liabilities	40,221,219	(2,444,352)	1,551,490	4,610,473	928,078
Noncurrent Liabilities					
Net Pension liability	1,988,734				
Net OPEB liability	2,027,059			386,921	725,317
Total Noncurrent Liabs	4,015,793			386,921	725,317
Long-Term Debt					
First lien water revenue bonds - less current maturities	602,782,047		7,542,884	54,969,289	
Notes payable less current	1,371,935				
Total Long-Term Debt	604,153,982		7,542,884	54,969,289	
Total Liabilities	648,390,994	(2,444,352)	9,094,374	59,966,683	1,653,395
Deferred Inflows of Resources					
Deferred inflows related to pension and OPEB	1,279,558				
<u>Fund Equity</u>					
Net Position					
Net investment in capital assets	57,974,629		22,019,917	20,428,166	10,414,671
Restricted:					
Debt service	62,578,926			7,873,010	
Construction	15,756,478			11,628,013	2,948,217
Other	2,604,742				
Unrestricted	33,786,246		1,582,656	10,933,451	2,905,315
Total Net Position	172,701,021		23,602,573	50,862,640	16,268,203
Total Liabilities, Deferred Inflows and Fund Equity	\$ 822,371,573	\$ (2,444,352)	\$ 32,696,947	\$ 110,829,323	\$ 17,921,598

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Flood Management Division	Bear Branch	Region H	General and Administration Division
\$ 4,672,738	\$ 2,380,845	\$ 14,202	\$ 49,609	\$ 123,784	\$ 286,490
4,050,000	14,020,000				325,925
791,134	8,557,553				
224,746					46,805
				31,699	
<u>9,738,618</u>	<u>24,958,398</u>	<u>14,202</u>	<u>49,609</u>	<u>155,483</u>	<u>659,220</u>
					1,988,734
<u>767,570</u>					<u>147,251</u>
<u>767,570</u>					<u>2,135,985</u>
73,579,462	466,690,412				1,371,935
<u>73,579,462</u>	<u>466,690,412</u>				<u>1,371,935</u>
<u>84,085,650</u>	<u>491,648,810</u>	<u>14,202</u>	<u>49,609</u>	<u>155,483</u>	<u>4,167,140</u>
					1,279,558
81,522,185	(82,907,364)	31,166	2,294,622		4,171,266
6,428,790	48,277,126				1,180,248
2,105,505			234,070	128,633	136,534
<u>4,690,574</u>	<u>11,409,917</u>	<u>(14,202)</u>			<u>2,278,535</u>
<u>94,747,054</u>	<u>(23,220,321)</u>	<u>16,964</u>	<u>2,528,692</u>	<u>128,633</u>	<u>7,766,583</u>
<u>\$ 178,832,704</u>	<u>\$ 468,428,489</u>	<u>\$ 31,166</u>	<u>\$ 2,578,301</u>	<u>\$ 284,116</u>	<u>\$ 13,213,281</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended August 31, 2019

	Business - Type Activities -				
	Total	Eliminations	Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
Operating Revenues:					
Water sales:					
Industrial and Municipal	\$ 16,532,985	\$ (2,231,013)	\$ 18,763,998		\$
Irrigation	118,548		118,548		
Water and sewer service fees	69,595,114	(14,173,854)			
Permits, licenses and fees	1,424,817				1,217,717
Contractual revenues	3,314,511				3,314,511
Capacity charges	9,646,449				
Water planning grant	470,686				
Total Operating Revenues	<u>101,103,110</u>	<u>(16,404,867)</u>	<u>18,882,546</u>		<u>4,532,228</u>
Operating Expenses:					
Salaries and wages	12,511,453		143,824	1,878,203	1,865,552
Employee insurance and other payroll benefits	5,493,433		56,124	783,744	845,995
Outside services employed	8,366,993	(14,173,854)	174,260	504,991	1,493,512
Operating supplies and expenses	11,958,973	(2,231,013)	237,933	354,555	298,643
Rentals	67,175	(35,321)		4,101	34,829
Maintenance, repairs & parts	7,891,447			1,381,208	1,170,766
Water planning grant expenses	1,732				
General and admin. expenses allocated			41,911	399,870	875,317
Depreciation	24,170,719			2,210,899	191,270
Total Operating Expenses	<u>70,461,925</u>	<u>(16,440,188)</u>	<u>654,052</u>	<u>7,517,571</u>	<u>6,775,884</u>
Operating Income (Loss)	<u>30,641,185</u>	<u>35,321</u>	<u>18,228,494</u>	<u>(7,517,571)</u>	<u>(2,243,656)</u>
Nonoperating Revenues (Expenses)					
Interest income	1,856,573		1	136,722	523
Gain (Loss) on disposal of assets	1,854,993			365,316	204,830
Other revenues	861,342	(35,321)	779	24,910	206,176
Amortization of bond premium/discounts	281,686		33,438	15,133	
Bond issuance costs					
Interest expense	(25,087,078)		(336,958)	(2,190,071)	
Total Nonoperating Revenues (Expenses)	<u>(20,232,484)</u>	<u>(35,321)</u>	<u>(302,740)</u>	<u>(1,647,990)</u>	<u>411,529</u>
Income (Loss) Before Contributions and Transfers	10,408,701		17,925,754	(9,165,561)	(1,832,127)
Transfers			(16,146,116)	12,099,732	4,536,102
Capital Contributions	1,548,908			1,259,375	
Change in Net Position	<u>11,957,609</u>		<u>1,779,638</u>	<u>4,193,546</u>	<u>2,703,975</u>
Net Position at Beginning of Year	160,743,412		21,822,935	46,669,094	13,564,228
Net Position at End of Year	<u>\$ 172,701,021</u>	<u>\$</u>	<u>\$ 23,602,573</u>	<u>\$ 50,862,640</u>	<u>\$ 16,268,203</u>

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Flood Management Division	Bear Branch	Region H	General and Administration Division
\$	\$	\$	\$	\$	\$
34,140,900	49,628,068				
207,100					
9,646,449					
				470,686	
<u>43,994,449</u>	<u>49,628,068</u>			<u>470,686</u>	
4,602,523	3,057,187	259,597	39,165		665,402
2,037,126	1,300,034	110,051	16,448		343,911
16,395,319	2,891,245	30,363	24,840	466,042	560,275
3,509,584	8,970,759	3,236	3,595		811,681
28,811	785				33,970
4,575,731	615,637		64,931		83,174
				1,732	
753,987	397,955	74,606	14,752		(2,558,398)
6,635,673	14,854,293	7,791	21,705		249,088
<u>38,538,754</u>	<u>32,087,895</u>	<u>485,644</u>	<u>185,436</u>	<u>467,774</u>	<u>189,103</u>
<u>5,455,695</u>	<u>17,540,173</u>	<u>(485,644)</u>	<u>(185,436)</u>	<u>2,912</u>	<u>(189,103)</u>
644,487	648,948		6,667		419,225
610,929	648,238				25,680
169,037	470,575				25,186
226,103	7,012				
<u>(1,912,175)</u>	<u>(20,567,369)</u>				<u>(80,505)</u>
<u>(261,619)</u>	<u>(18,792,596)</u>		<u>6,667</u>		<u>389,586</u>
5,194,076	(1,252,423)	(485,644)	(178,769)	2,912	200,483
		522,867			(1,012,585)
			289,533		
<u>5,194,076</u>	<u>(1,252,423)</u>	<u>37,223</u>	<u>110,764</u>	<u>2,912</u>	<u>(812,102)</u>
<u>89,552,978</u>	<u>(21,967,898)</u>	<u>(20,259)</u>	<u>2,417,928</u>	<u>125,721</u>	<u>8,578,685</u>
<u>\$ 94,747,054</u>	<u>\$ (23,220,321)</u>	<u>\$ 16,964</u>	<u>\$ 2,528,692</u>	<u>\$ 128,633</u>	<u>\$ 7,766,583</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended August 31, 2019

	Business - Type Activities -				
	Total	Eliminations	Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
Cash Flows from Operating Activities					
Cash received from customers	\$ 100,079,203	\$ (16,404,867)	\$ 18,466,597	\$ (316,640)	\$ 3,504,826
Cash payments to suppliers for goods and services	(26,709,034)	16,440,188	(434,688)	(1,500,000)	(2,709,689)
Cash paid for employee services	(17,967,834)		(199,948)	(2,626,596)	(2,645,278)
Other revenues	861,342	(35,321)	779	24,910	206,176
Net Cash Provided (Used) by Operating Activities	56,263,677		17,832,740	(4,418,326)	(1,643,965)
Cash Flows from Noncapital Financing Activities					
Transfers			(16,146,116)	12,099,732	4,536,102
Net Cash Provided (Used) by Noncapital Finance Activities			(16,146,116)	12,099,732	4,536,102
Cash Flows from Capital and Related Financing Activities					
Principal paid on bonds	(19,350,000)		(1,330,000)	(2,035,000)	
Principal paid on notes	(312,995)				
Interest paid	(25,295,688)		(356,625)	(2,211,253)	
Proceeds from bond sales					
Bond issue expenses					
Acquisition of facilities and equipment	(14,149,266)			(5,057,168)	(54,043)
Proceeds from the sale of assets	1,854,993			365,316	204,830
Capital contributions/(distributions)	1,548,908			1,259,375	
Net Cash Provided (Used) by Capital and Related Financing Activities	(55,704,048)		(1,686,625)	(7,678,730)	150,787

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Flood Management Division	Bear Branch	Region H	General and Administration Division
\$ 43,828,913	\$ 47,214,849	\$ (74,606)	\$ (14,752)	\$ 346,085	\$ 3,528,798
(25,062,906)	(11,135,365)	(39,656)	(68,311)	(505,203)	(1,693,404)
(6,569,520)	(4,357,221)	(369,648)	(55,613)		(1,144,010)
169,037	470,575				25,186
<u>12,365,524</u>	<u>32,192,838</u>	<u>(483,910)</u>	<u>(138,676)</u>	<u>(159,118)</u>	<u>716,570</u>
		522,867			(1,012,585)
		522,867			(1,012,585)
(2,335,000)	(13,650,000)				(312,995)
(1,933,729)	(20,713,576)				(80,505)
(8,177,450)	(178,421)	(38,957)			(643,227)
610,929	648,238				25,680
			289,533		
<u>(11,835,250)</u>	<u>(33,893,759)</u>	<u>(38,957)</u>	<u>289,533</u>		<u>(1,011,047)</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended August 31, 2019

	Business - Type Activities -				
	Total	Eliminations	Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
Cash Flows from Investing Activities					
Interest earned	1,856,573		1	136,722	523
Net Cash Provided by Investing Activities	<u>1,856,573</u>		<u>1</u>	<u>136,722</u>	<u>523</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,416,202			139,398	3,043,447
Cash and equivalents at beginning of year	<u>171,253,363</u>			<u>36,621,872</u>	<u>3,373,852</u>
Cash and Equivalents at End of Year	<u>\$ 173,669,565</u>	<u>\$</u>	<u>\$</u>	<u>\$ 36,761,270</u>	<u>\$ 6,417,299</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 30,641,185	\$ 35,321	\$ 18,228,494	\$ (7,517,571)	\$ (2,243,656)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Other revenues and expenses	861,342	(35,321)	779	24,910	206,176
Depreciation	24,170,719			2,210,899	191,270
(Increase) decrease in receivables	1,605,075	2,444,352	(373,369)	83,230	(92,724)
(increase) decrease in inventory	216			3,517	
(Increase) decrease in prepaid expenses and deposits	836,961		(549)	(2,566)	20,899
Increase (decrease) in net pension liability	1,985,768				
Increase (decrease) in accounts payable and accrued liabilities	(1,704,242)	(2,444,352)	(21,946)	743,904	267,162
Increase (decrease) in OPEB liability	185,186			35,351	66,269
Increase (decrease) in deferred outflows	(1,274,334)				
Increase (decrease) in deferred inflows	(859,568)				
Increase (decrease) in unearned revenue	(184,631)		(669)		(59,361)
Total Adjustments	<u>25,622,492</u>	<u>(35,321)</u>	<u>(395,754)</u>	<u>3,099,245</u>	<u>599,691</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 56,263,677</u>	<u>\$</u>	<u>\$ 17,832,740</u>	<u>\$ (4,418,326)</u>	<u>\$ (1,643,965)</u>

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Flood Management Division	Bear Branch	Region H	General and Administration Division
644,487	648,948		6,667		419,225
644,487	648,948		6,667		419,225
1,174,761	(1,051,973)		157,524	(159,118)	(887,837)
65,622,242	60,642,638		124,206	443,234	4,425,319
<u>\$ 66,797,003</u>	<u>\$ 59,590,665</u>	<u>\$</u>	<u>\$ 281,730</u>	<u>\$ 284,116</u>	<u>\$ 3,537,482</u>
\$ 5,455,695	\$ 17,540,173	\$ (485,644)	\$ (185,436)	\$ 2,912	\$ (189,103)
169,037	470,575				25,186
6,635,673	14,854,293	7,791	21,705		249,088
588,451	(2,015,264)				970,399
(6,345)	3,044				
(30,359)	484,900		(28)		364,664
					1,985,768
(516,757)	855,117	(6,057)	25,083	(37,429)	(568,967)
70,129					13,437
					(1,274,334)
					(859,568)
				(124,601)	
<u>6,909,829</u>	<u>14,652,665</u>	<u>1,734</u>	<u>46,760</u>	<u>(162,030)</u>	<u>905,673</u>
<u>\$ 12,365,524</u>	<u>\$ 32,192,838</u>	<u>\$ (483,910)</u>	<u>\$ (138,676)</u>	<u>\$ (159,118)</u>	<u>\$ 716,570</u>

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SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the San Jacinto River Authority (the "Authority"), a governmental agency and political subdivision of the State of Texas, conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the more significant policies consistently applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The reporting entity refers to the scope of activities, organizations and functions included in the financial statements. The Authority is a separate, self-supporting governmental unit and is administered by a Board of seven members who are appointed by the Governor of the State of Texas. There are no dependent functions or agencies that meet any of the criteria for inclusion in the reporting entity in accordance with the requirements of the GASB.

B. Business-Type Activities

The business-type activities and the related accounts of the Authority are organized on the basis of Enterprise Funds, each of which is considered a separate accounting entity. The operations of each Enterprise Fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses, as appropriate. These Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost of providing services to customers on a continuing basis (expenses, including depreciation) be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, debt service or other purposes.

The Enterprise Funds maintained by the Authority are described below:

General and Administration Fund ("General and Administration Division")

The General and Administration Division, located in the general business office at Lake Conroe, consists of professional, technical, accounting, administrative and support staff working under the direction of the General Manager. The General and Administration Division provides management and support services to the SJRA's five operating divisions, Region H and Bear Branch and their time and salary and benefit costs are allocated to each division based on time worked. The majority of the growth occurring during and after 2010 (see Number of Employees by Division, pages 92-93) was directly related to the planning and implementation of a groundwater reduction program in response to regulations adopted by the Lone Star Groundwater Conservation District. The Authority now performs in-house services that were not provided in 2010.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Raw Water Fund ("Raw Water Enterprise")

This Enterprise consists of the Highlands and Lake Conroe Divisions plus revenue and expenses associated with the Authority's overall raw water supply system that are not otherwise divisible between the Highlands Division and the Lake Conroe Division (Raw Water Supply). The Enterprise accounts for the long-term water sale contracts to industrial, agricultural and municipal customers from its raw water supplies. Most of the sales contracts contain provisions for the quantities of water, take or pay whether or not the water is used by the customers. Some of the sales contracts contain options and reservations for the additional purchases of near-term future water supplies by customers. In all such contracts, the Authority has reserved the right from time to time to adjust its rates for the sale and for reservation of raw water.

Highlands Fund ("Highlands Division")

This fund accounts for the long-term water sale commitments to several industrial, agricultural and municipal customers from its water resources in the Reservoir and Canal System located in Highlands, Texas.

Lake Conroe Dam and Reservoir Fund ("Lake Conroe Division")

The Authority contracted with the City of Houston for the joint construction of Lake Conroe. Under the terms of the contract, the City of Houston advanced two-thirds of the financing of such construction and owns two-thirds of permitted water rights of Lake Conroe. The Authority, in whom the legal title to the physical properties is vested, owns the remaining one-third of the permitted water rights. The Authority operates Lake Conroe for the benefit of the customers it serves and for the benefit of the City of Houston and the customers they serve. The operating costs of Lake Conroe are generally borne one-third by the Authority and two-thirds by the City of Houston. The accompanying financial statements include only the costs of the Authority's ownership interest in Lake Conroe; therefore, the costs of the City of Houston's two-thirds interest of \$24,988,613 in Lake Conroe are excluded from the capital asset totals presented.

For operating Lake Conroe, the Authority is reimbursed for two-thirds of the net annual costs and expenses (after credits for revenues received from recreational facilities and other Lake Conroe sources except the sale of water) incurred by the Authority for maintenance, operation and capital outlays of Lake Conroe. Due to the joint ownership interests in capital assets, the accompanying financial statements present only the Authority's share in capital assets of Lake Conroe.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Woodlands Division Fund (“Woodlands Division”)

This fund accounts for the wholesale water and wastewater treatment plants (Central Plants) and major water production, storage and distribution facilities and wastewater collection and conveyance equipment (Central Lines) located in The Woodlands, Texas. As described below, the Central Plants and Central Lines (collectively, the Central Facilities) are provided to this fund through purchases at actual costs of reserve capacity rights in such Central Facilities by the eleven municipal utility districts located in The Woodlands, Texas. Some of the costs of reserve capacity were reduced by federal grants received by the Authority for the initial cost of construction and expansion of wastewater treatment facilities comprising a part of the Central Facilities. The Woodlands Division participates in the groundwater reduction program administered by the Authority’s GRP Division. The GRP pumpage fee and surface water fee income and related payments are reflected in the eliminations column of the financial statements.

All activities necessary to provide wholesale water and sewer services from such assets are accounted for in this fund, including operations, maintenance, financing and related debt service, and billings to and collections from the participating municipal utility districts. The basic agreement with the municipal utility districts provides for wholesale water and wastewater service billings based upon the recovery of the actual expenses incurred for the operations, maintenance and contingency reserves for the Central Facilities, exclusive of depreciation of such assets, as well as capacity charges for the purchase of reserved capacity rights. As of August 31, 2019, the following municipal utility districts have purchased reserve capacity in such Central Facilities: Montgomery County Municipal Utility District Nos. 6, 7, 36, 39, 46, 47, 60 and 67, The Woodlands Municipal Utility District No. 1, The Woodlands Metro Center Municipal Utility District, and Harris-Montgomery Counties Municipal Utility District No. 386 (Montgomery County side only).

In the initial 1975 agreement and supplemental agreements thereto between the Authority and The Woodlands Development Company (Company) including its successors, the Company agreed to advance monies to the Woodlands Division, to the extent that funds were not otherwise available to finance the costs of the expansions to the Central Facilities. Such agreements also stipulate that sums advanced to the Woodlands Division by the Company shall be reimbursed to the Company from capacity charges received from the participating municipal utility districts. Since 1989, the Company has not been called upon to make any advances for such purposes, and substantially all prior advances by the Company have been fully reimbursed. The participating municipal utility districts make payment of capacity charges for purchased reserved capacity rights by contributing their respective pro rata shares of costs, in cash by contributing additional facilities in kind, or by payment of their pro rata shares of the debt services costs on contract revenue bonds issued by the Authority to finance the costs of Central Facilities.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Flood Management Fund (“Flood Management Division”)

The Flood Management Division was created in the spring of 2018 to develop short-term and long-term regional flood management strategies within the San Jacinto River Basin. The intent is to build partnerships with federal, state, and local governmental entities; identify funding options and/or revenue sources; and coordinate, and partner with other flood management entities within the San Jacinto River Basin.

Groundwater Reduction Plan Fund (“Groundwater Reduction Plan Division”)

As authorized by the Board of Directors, the Authority developed a Groundwater Reduction Plan (GRP) on behalf of all large volume groundwater users (LVGU’s) within Montgomery County who choose to join. Individual LVGU’s in Montgomery County will be able to comply with the Lone Star Groundwater Conservation District (LSGCD) regulatory requirements to submit a GRP by participating in the Authority’s GRP. The projected water demand of all participating LVGU’s is included in the planning for the Authority’s regionalized surface water treatment and transmission system. The specific requirements for this planning are set forth in the LSGCD’s District Regulatory Plan. In order to join the Authority’s GRP, individual LVGU’s had to execute a GRP contract with the Authority obligating them to pay groundwater pumpage fees and/or surface water fees. The revenues from participant fees cover all costs associated with implementing the GRP program.

On October 16, 2009, a Water Supply Contract with City of Houston was fully executed by the Mayor of the City of Houston. The agreement allows the Authority to purchase surface water from the City’s two-thirds share in Lake Conroe. The Authority will pay a reservation fee for water that is reserved from the City but not actually used in a given year. The reservation fee will be a prorated amount based on one-half of the City’s share of the annual O&M and capital expenses for the Lake Conroe Division. The term of the agreement is for 80 years, with a continuation of service upon expiration under similar terms.

Bear Branch Fund (“Bear Branch”)

The Authority owns and maintains the Bear Branch Reservoir System (Bear Branch) which provides elements of a storm water management system within a portion of The Woodlands, Texas service area. The Authority purchased the assets of Bear Branch from the Woodlands Land Development Company, LP in April 2000. All activities necessary to maintain and improve Bear Branch assets are accounted for in this fund. As of August 31, 2019, contracts have been signed with Montgomery County Municipal Utility Districts Nos. 7, 46, 47, 60 and 67 to purchase their agreed to proportionate share of reserve capacity rights for storm water detention resulting from the construction and maintenance of Bear Branch System.

Region H Fund (“Region H”)

Under an agreement with the Texas Water Development Board, the Authority is the designated contracting agency and group-appointed administrator of the Region H Water Planning Group.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

C. Measurement Focus and Basis of Accounting

The Enterprise Funds have a net income or economic resources measurement focus and are accounted for using the accrual basis of accounting, under which revenues are recognized when they are earned including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the Statement of Net Position.

The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Authority applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in checking, savings, money market accounts and Public Funds Investment Pools and securities per the Authority's Investment Policy.

Restricted funds consist of construction and debt service funds derived from bond and debt issuances, operational revenues designated for specific purposes by the SJRA Board and other funds with contractual or legal constraints.

E. Accounts Receivable

The allowance for doubtful accounts is established to provide an estimate of bad debts charged to revenues. Losses are charged against the allowance when Management believes the collectibility of a receivable is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by Management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. As of August 31, 2019, the Authority has record \$183,649 in bad debts.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

F. Depreciation

Depreciation is provided for in amounts sufficient to relate the cost of the depreciable property to operations on a straight-line basis over their estimated useful lives in the Enterprise Funds. The depreciation for the Lake Conroe Division is based only on the one-third ownership interest of the Authority in such assets. The Authority's policy is to capitalize assets with an initial installed cost exceeding \$5,000 and useful life of five years or greater. The useful lives by the type of assets are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Office furniture, fixtures and equipment	5 years
Other machinery and equipment	5-10 years
Automobiles and trucks	5-10 years
Buildings	50 years
Dams and appurtenances	100 years
Water systems	30 years
Wastewater utility systems	30 years
Capital improvement plans	20 years

The Authority's Management considers its water permits and rights permanent in nature and since these intangible assets have no evident limited life, no amortization is being recognized.

G. Unamortized Bond Premium or Discount

Included within long-term debt is unamortized bond premium or discount. The bond premiums or discounts are being amortized over the life of the related obligation on the straight-line method.

H. Date of Management's Review

Subsequent events have been evaluated through December 12, 2019, which is the date the financial statements were available to be issued.

I. Net Position

Net position represents the difference between assets and liabilities. Investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent bond proceeds.

Net positions are reported as restricted when there are limitations imposed on their use by the SJRA Board or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position represents the remaining portion of net position.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A summary of **net investment in capital assets** as of August 31, 2019 follows:

	Capital Assets - Net of Depreciation	Notes and Bonds Payable	Total
General and Administration Division	\$ 5,869,126	\$ (1,697,860)	\$ 4,171,266
Raw Water Supply	30,947,801	(8,927,884)	22,019,917
Highlands Division	73,662,985	(53,234,819)	20,428,166
Lake Conroe Division	10,414,671		10,414,671
Woodlands Division	106,044,339	(24,522,154)	81,522,185
Groundwater Reduction Plan Division	396,115,023	(479,022,387)	(82,907,364)
Flood Management	31,166		31,166
Bear Branch	2,294,622		2,294,622
Total	\$ 625,379,733	\$ (567,405,104)	\$ 57,974,629

A summary of net position restricted for **debt service** as of August 31, 2019 follows:

	Restricted Cash for Debt Service	Liabilities Payable from Restricted Cash for Debt Service	Total
Highlands Division	\$ 8,784,118	\$ (911,108)	\$ 7,873,010
Woodlands Division	7,219,924	(791,134)	6,428,790
Groundwater Reduction Plan Division	56,834,679	(8,557,553)	48,277,126
Total	\$ 72,838,721	\$ (10,259,795)	\$ 62,578,926

A summary of net position restricted for **construction** as of August 31, 2019 follows:

	Restricted Cash for Construction	Bonds Payable	Liabilities Payable from Restricted Cash for Construction	Total
General and Administration Division	\$ 1,227,053	\$	\$ (46,805)	\$ 1,180,248
Raw Water Supply				
Highlands Division	15,706,261	(3,819,470)	(258,778)	\$ 11,628,013
Lake Conroe Division	2,948,217			2,948,217
Woodlands Division	53,332,054	(53,107,308)	(224,746)	
Groundwater Reduction Plan Division	1,688,025	(1,688,025)		
Total	\$ 74,901,610	\$ (58,614,803)	\$ (530,329)	\$ 15,756,478

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A summary of net position restricted for **other** as of August 31, 2019 follows:

	Emergency Reserve	Grants & Other	Total
General and Administration Division	\$	\$ 136,534	\$ 136,534
Woodlands Division	2,105,505		2,105,505
Bear Branch		234,070	234,070
Region H		128,633	128,633
Total	\$ 2,105,505	\$ 499,237	\$ 2,604,742

A summary of net position – **unrestricted** as of August 31, 2019 follows:

	Designated			
	Operating Reserve	Emergency	Undesignated	Total
General & Administration Div.	\$ 1,519,213	\$ 500,003	\$ 259,319	\$ 2,278,535
Raw Water Supply			1,582,656	1,582,656
Highlands Division	2,567,211	2,500,017	5,866,223	10,933,451
Lake Conroe Division	968,765	2,500,017	(563,467)	2,905,315
Woodlands Division	824,852		3,865,722	4,690,574
Flood management			(14,202)	(14,202)
Groundwater Reduct. Plan Div.			11,409,917	11,409,917
Total	\$ 5,880,041	\$ 5,500,037	\$ 22,406,168	\$ 33,786,246

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

All cash, savings, money market accounts and Public Funds Investment Pools are in various financial institutions and are carried at cost. Marketable securities are held at U.S. Bank and are carried at market value.

	Book Balance	Bank Balance	Insurance & Market Value of Collateral
Collateral held by pledging banks in the Authority's name	\$ 35,555,482	\$ 36,239,009	\$ 53,700,487
Cash equivalents, not requiring pledging by banks, money funds & Pools	138,114,083	138,114,083	N/A
Total Cash and Cash Equivalents	\$ 173,669,565	\$ 174,353,092	

The aforementioned cash equivalents are secured by U.S. Government obligations and investment pools do not require collateral to be held by the financial institution.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Investment Policy

The Authority has adopted a written Public Funds Investment Act policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investments of the Authority are in compliance with its investment policy.

Investments

River authorities in Texas are authorized to make investments as follows:

- Obligations of the U.S. or its agencies
- Obligations of the state of Texas or its agencies
- Obligations guaranteed by the U.S. or the state of Texas
- Certificates of deposit of federally insured banks and savings and loans domiciled in Texas
- Various others meeting specific requirements

The Authority invested in obligations of the U.S. or its agencies as of August 31, 2019.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The Authority has been authorized by the Board of Directors to invest in the Pools. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 79, investment pools use amortized cost (which excludes unrealized gains and losses) to compute share price. An external investment pool qualifies for amortized cost reporting if it transacts with its participants at a stable net asset value per share and meets various portfolio maturity, quality, diversification liquidity and pricing requirements. Investments in pools are deemed to have a weighted average maturity of one day. At August 31, 2019, the Authority participated in TexPool (\$41,363,006) and TexStar (\$5,332,907).

Interest Rate Risk

In accordance with its investment policy, the Authority manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolio to less than two years, in order to meet cash requirements for ongoing operation. The Authority's investments in the state investment pools via TexPool and TexStar were rated AAAM by Standard and Poor's.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Credit Risk – Investments

In accordance with its investment policy, the Authority minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities.

NOTE 3 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The individual interfund receivables/payables as of August 31, 2019 follow:

	<u>Receivables</u>	<u>Payables</u>
Enterprise Funds:		
Raw Water Supply	\$	\$
General and Administration Division	193,857	604
Highlands Division	283,588	26,938
Woodlands Division	29,898	2,050,658
Groundwater Reduction Plan Division	1,937,009	359,823
Region H		9
Bear Branch		6,320
	<u>\$ 2,444,352</u>	<u>\$ 2,444,352</u>

Interfund balances and transfers primarily result from payroll transactions with related employee benefits, and GRP pumpage fees and GRP surface water fees. Payroll transactions and related employee benefits become the basis for expenses of the divisions and departments which use the services. Beginning in fiscal year 2010, interfund transactions record the monthly groundwater pumpage and surface water fees which is sources of revenue to the GRP Division and expenses of the Woodlands Division.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

The following table summarizes the changes in the components of capital assets:

	<u>Balance at Sept. 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Aug. 31, 2019</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 27,873,274	\$ 1,206	\$ (202)	\$ 27,874,278
Water permits and rights	30,947,801			30,947,801
Construction in progress	11,737,349	11,666,939	925,338	24,329,626
Total Capital Assets Not Being Depreciated	<u>70,558,424</u>	<u>11,668,145</u>	<u>925,136</u>	<u>83,151,705</u>
Capital Assets Being Depreciated:				
Land improvements	2,498,788			2,498,788
Furniture, fixtures and equipment	5,305,790	126,933		5,432,723
Other machinery and equipment	4,071,140	215,686		4,286,826
Automobiles and trucks	2,834,824	305,252	(105,754)	3,034,322
Buildings	26,400,045	5,696		26,405,741
Dams and appurtenances	10,136,107			10,136,107
Water systems	597,405,346	1,248,592	(376,699)	598,277,239
Wastewater utility systems	101,653,954	35,965	(235,665)	101,454,254
Capital improvement plans	376,882			376,882
Total Capital Assets Being Depreciated	<u>750,682,876</u>	<u>1,938,124</u>	<u>(718,118)</u>	<u>751,902,882</u>
Less Accumulated Depreciation for:				
Roads	785,471	124,457		909,928
Furniture, fixtures and equipment	3,776,042	325,418		4,101,460
Other machinery and equipment	2,432,176	388,148		2,820,324
Automobiles and trucks	2,413,478	234,232	(103,774)	2,543,936
Buildings	4,101,064	573,393		4,674,457
Dams and appurtenances	3,794,699	138,245		3,932,944
Water systems	107,589,232	19,188,083	(133,358)	126,643,957
Wastewater utility systems	60,710,384	3,198,743	(98,848)	63,810,279
Capital improvement plans	237,569			237,569
Total Accumulated Depreciation	<u>185,840,115</u>	<u>24,170,719</u>	<u>(335,980)</u>	<u>209,674,854</u>
Total Capital Assets Being Depreciated, Net	<u>564,842,761</u>	<u>(22,232,595)</u>	<u>(382,138)</u>	<u>542,228,028</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 635,401,185</u>	<u>\$ (10,564,450)</u>	<u>\$ 542,998</u>	<u>\$ 625,379,733</u>

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – UNAMORTIZED BOND PREMIUM OR DISCOUNT

A summary of changes in the unamortized bond premium or discount follows:

	Original Bond Premium or (Discount)	Balance at Sept. 1, 2018	Current Year Amortization	Balance at Aug. 31, 2019
Raw Water Supply				
Water Revenue Refunding Bonds:				
Series 2010	\$ 421,941	\$ 185,062	\$ 29,610	\$ 155,452
Series 2012	70,827	46,261	3,829	42,432
Total Raw Water Supply	<u>492,768</u>	<u>231,323</u>	<u>33,439</u>	<u>197,884</u>
Highlands Division				
Water Revenue Bonds:				
Series 2010	130,316	89,017	5,161	83,856
Series 2013	265,830	211,531	10,031	201,500
Series 2014	(1,348)	(1,126)	(59)	(1,067)
Total Highlands Division	<u>394,798</u>	<u>299,422</u>	<u>15,133</u>	<u>284,289</u>
Total Raw Water Enterprise	<u>887,566</u>	<u>530,745</u>	<u>48,572</u>	<u>482,173</u>
Woodlands Division				
Special Project Revenue Refunding Bonds:				
Series 2010	103,982			
Series 2010	252,508	53,168	24,048	29,120
Series 2014	1,183,116	885,820	72,807	813,013
Series 2014	2,488,017	1,946,577	129,248	1,817,329
Total Woodlands Division	<u>4,027,623</u>	<u>2,885,565</u>	<u>226,103</u>	<u>2,659,462</u>
GRP Division				
Special Project Revenue Bonds:				
Series 2011	114,995	83,397	4,353	79,044
Series 2016	69,788	64,027	2,659	61,368
Total GRP Division	<u>184,783</u>	<u>147,424</u>	<u>7,012</u>	<u>140,412</u>
Totals	<u>\$ 5,099,972</u>	<u>\$ 3,563,734</u>	<u>\$ 281,687</u>	<u>\$ 3,282,047</u>

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT

A summary of changes in bonds payable follows:

	<u>Interest Rates</u>	<u>Original Issuance</u>	<u>Balance at Sept. 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at Aug. 31, 2019</u>	<u>Due Within One Year</u>
Raw Water Supply							
Water Revenue Refunding Bonds:							
Series 2010	3.00-4.25%	14,000,000	\$ 7,705,000	\$	\$ 1,030,000	\$ 6,675,000	\$ 1,075,000
Series 2012	2.00-3.00%	3,710,000	2,355,000		300,000	2,055,000	310,000
Total Raw Water Supply			<u>10,060,000</u>		<u>1,330,000</u>	<u>8,730,000</u>	<u>1,385,000</u>
Highlands Division							
Water Revenue Bonds:							
Series 2010	3.00-4.38%	25,380,000	20,430,000		820,000	19,610,000	845,000
Series 2013	2.00-5.00%	6,730,000	6,010,000		190,000	5,820,000	195,000
Series 2014	2.00-3.50%	5,360,000	5,045,000		165,000	4,880,000	165,000
Series 2015	0.89-4.28%	29,000,000	27,320,000		860,000	26,460,000	880,000
Total Highlands Division			<u>58,805,000</u>		<u>2,035,000</u>	<u>56,770,000</u>	<u>2,085,000</u>
Total Raw Water Enterprise			<u>68,865,000</u>		<u>3,365,000</u>	<u>65,500,000</u>	<u>3,470,000</u>
Woodlands Division							
Special Project Revenue Refunding Bonds:							
Series 2010	4.00-5.00%	4,440,000	1,520,000		485,000	1,035,000	505,000
Series 2014	2.00-5.00%	11,355,000	9,385,000		560,000	8,825,000	580,000
Series 2014	3.00-5.00%	26,700,000	23,505,000		1,290,000	22,215,000	1,325,000
Series 2017	0.00-1.710%	42,895,000	42,895,000			42,895,000	1,640,000
Total Woodlands Division			<u>77,305,000</u>		<u>2,335,000</u>	<u>74,970,000</u>	<u>4,050,000</u>
Groundwater Reduction Plan Division							
Special Project Revenue Bonds:							
Series 2009	0.85-2.66%	21,500,000	19,865,000		1,650,000	18,215,000	1,665,000
Series 2011	3.00-5.25%	83,155,000	74,595,000		2,355,000	72,240,000	2,450,000
Series 2011A	1.47-4.97%	67,470,000	56,920,000		2,245,000	54,675,000	2,310,000
Series 2012	1.47-4.62%	175,000,000	150,345,000		5,225,000	145,120,000	5,360,000
Series 2012A	1.67-4.62%	165,000,000	154,270,000		1,120,000	153,150,000	1,160,000
Series 2013	0.53-4.76%	39,850,000	36,055,000		990,000	35,065,000	1,010,000
Series 2016	2.00-4.00%	2,305,000	2,170,000		65,000	2,105,000	65,000
Total Groundwater Reduction Plan Division			<u>494,220,000</u>		<u>13,650,000</u>	<u>480,570,000</u>	<u>14,020,000</u>
Total Bonds Payable			<u>\$ 640,390,000</u>	<u>\$</u>	<u>\$ 19,350,000</u>	<u>\$ 621,040,000</u>	<u>\$ 21,540,000</u>

Of the \$621,040,000 of bonds payable, \$599,500,000 is considered long-term and \$21,540,000 is considered current.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The Water Revenue Bonds within Raw Water Enterprise resolution requires that the gross revenues of the Authority, after deducting maintenance and operating expenses, shall be transferred in the following order:

- Debt Service Fund – No later than the fifth day preceding each maturity date, an amount sufficient to pay principal and interest on the outstanding Water Revenue Bonds.
- Debt Service Reserve Fund – On or before the fifth day of each month, such amounts in equal monthly installments, not less than one-sixtieth of the average annual sum payable in respect of the principal and interest scheduled to become due on the outstanding Water Revenue Bonds at the time of such computation.

The GRP Division Special Project Revenue Bond resolutions require that the gross revenues of the GRP, after deducting maintenance and operating expenses, shall be transferred in the following order:

- Debt Service Fund – No later than the fifth day preceding each maturity date, an amount sufficient to pay principal and interest on the outstanding Special Project Revenue Bonds in such fiscal year.
- Debt Service Reserve Fund – On a monthly basis, in equal monthly installments, an amount not less than one-sixtieth of the average annual sum payable in respect of the principal and interest scheduled to become due on the outstanding Special Project Revenue Bonds at the time of such computation.

The Woodlands Division Special Project Revenue Bond resolutions require that capacity charges be assessed, levied and made to and collected from the customers pursuant to the agreement on a monthly basis in an amount not less than one-twelfth of the scheduled amount of principal and interest to become due on the outstanding Special Project Revenue Bonds in such fiscal year.

The Woodlands Division 2017 Special Project Revenue Bond resolutions require that the gross revenues of the Woodlands, after deducting maintenance and operating expenses, shall be transferred in the following order:

- Debt Service Fund – No later than the fifth day preceding each maturity date, an amount sufficient to pay principal and interest on the outstanding Special Project Revenue Bonds in such fiscal year.
- Debt Service Reserve Fund – On a monthly basis, in equal monthly installments, an amount not less than one-sixtieth of the average annual sum payable in respect of the principal and interest scheduled to become due on the outstanding Special Project Revenue Bonds at the time of such computation.

Management believes the Authority is in compliance with the covenants of all bond issues.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Maturities of bonds payable for the next five fiscal years and thereafter follow:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Raw Water Enterprise			
2020	\$ 3,470,000	\$ 2,465,528	\$ 5,935,528
2021	3,580,000	2,356,879	5,936,879
2022	3,700,000	2,238,116	5,938,116
2023	3,840,000	2,109,052	5,949,052
2024	3,970,000	1,973,707	5,943,707
2025-2029	14,275,000	8,165,197	22,440,197
2030-2034	15,965,000	5,244,228	21,209,228
2035-2039	14,545,000	1,834,921	16,379,921
2040-2043	2,155,000	45,662	2,200,662
	<u>\$ 65,500,000</u>	<u>\$ 26,433,290</u>	<u>\$ 91,933,290</u>
Woodlands Division			
2020	\$ 4,050,000	\$ 1,847,993	\$ 5,897,993
2021	4,130,000	1,756,674	5,886,674
2022	3,675,000	1,679,506	5,354,506
2023	3,755,000	1,592,454	5,347,454
2024	3,845,000	1,487,931	5,332,931
2025-2029	20,890,000	5,681,370	26,571,370
2030-2034	17,085,000	2,319,004	19,404,004
2035-2039	9,430,000	1,050,071	10,480,071
2040-2043	8,110,000	277,035	8,387,035
	<u>\$ 74,970,000</u>	<u>\$ 17,692,038</u>	<u>\$ 92,662,038</u>
Groundwater Reduction Plan Division			
2020	\$ 14,020,000	\$ 20,340,104	\$ 34,360,104
2021	14,430,000	19,930,199	34,360,199
2022	14,875,000	19,482,237	34,357,237
2023	15,375,000	18,983,208	34,358,208
2024	15,920,000	18,436,970	34,356,970
2025-2029	89,550,000	82,241,244	171,791,244
2030-2034	110,880,000	60,921,519	171,801,519
2035-2039	139,745,000	32,061,545	171,806,545
2040-2043	65,775,000	3,081,067	68,856,067
	<u>\$ 480,570,000</u>	<u>\$ 275,478,093</u>	<u>\$ 756,048,093</u>

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Notes Payable

The General and Administration Division entered into a loan commitment in 2010. The commitment from the bank was for \$4,000,000 for a term of 120 months, interest only at 5.7% through April, 2011 and 104 principal and interest payments of \$38,095 thereafter or until such time as all principal and interest on the unpaid balance has been repaid. On June 24, 2014, the Authority refinanced the loan commitment from the bank. The new loan commitment is for \$3,191,758 for a term of 120 months at 4.25%, principal and interest payments of \$32,792 until such time as all principal and interest on the unpaid balance has been repaid. The Authority's balance of the note at August 31, 2019 was \$1,697,860. Of the \$1,697,860 of Notes Payable, \$1,371,935 is considered long-term and \$325,925 is considered current.

Notes payable activity for the year ended August 31, 2019 follows:

Balance at beginning of year	\$	2,010,855
Additions		
Retirements		<u>(312,995)</u>
Balance at end of year	\$	<u>1,697,860</u>

Maturities of the loan commitments for the balances outstanding as of August 31, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General and Administration Division			
2020	\$ 325,925	\$ 67,579	\$ 393,504
2021	341,931	51,573	393,504
2022	356,749	36,755	393,504
2023	372,210	21,294	393,504
2024	301,045	5,452	306,497
	<u>\$ 1,697,860</u>	<u>\$ 182,653</u>	<u>\$ 1,880,513</u>

NOTE 7 – GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses represent the direct and related expenses incurred by and paid for the services of the administrative personnel and the expenses of the usage of the administrative plant and equipment of the Authority. Since the Authority is involved in different types of activities, and some of such activities are governed by contractual agreements, these types of expenses are accounted for separately from the different types of activities accounted for in the funds maintained by the Authority so that the Authority may comply with the contractual allocation of such expenses to the different activities of the funds maintained by the Authority for the year ended August 31, 2019.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – RETIREMENT PLANS

Defined Contribution Pension Plan

In August 2016, the Authority adopted the San Jacinto River Authority 401(a) Plan with ICMA-RC and also the existing 457(B) Deferred Compensation Plan from the Standard to ICMA-RC.

ICMA-RC is the trustee of the 401(a) and 457(b) Plans.

Eligibility. Employees hired prior to August 1, 2016 are covered under the Defined Benefit Pension Plan and are not eligible for the new 401(a) Plan. Employees hired on or after August 1, 2016 are eligible to receive employer contributions under the new 401(a) Plan. All employees are eligible to make elective deferrals to the existing 457(b) Plan.

Benefits Provided. The Authority provides a Fixed Employer Contribution of 8% earnings on behalf of each participant for the Plan year and provides Variable Employer Match of 100% up to 4% of employee elective deferrals made to the 457(b) Plan as a matching contribution to the 401(a) Plan.

Vesting. Participants are vested 25% after three years, 50% after four years, and 100% after five years of service in the 401(a) Plan. Participants are always 100% vested in the 457(b) Plan.

Contributions to each employee's 401(a) and 457(b) plans are invested in accordance with employee's instructions. Individual accounts are maintained for each participant.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Defined Benefit Pension Plan

Statement of Net Position

	<u>October 31, 2017</u>	<u>October 31, 2018</u>
Assets		
Cash and cash equivalents	\$ 2,047,415	\$ 2,438,627
Investments:		
Fixed income	5,345,804	5,748,727
Stocks	8,739,601	8,591,369
Real estate	809,961	997,891
Total Investments	<u>14,895,366</u>	<u>15,337,987</u>
Total Assets	<u>\$ 16,942,781</u>	<u>\$ 17,776,614</u>
Net Position Restricted for Pensions	<u>\$ 16,942,781</u>	<u>\$ 17,776,614</u>

Statement of Changes in Fiduciary Net Position

Additions	
Employer contributions	\$ 1,281,550
Total Contributions	<u>1,281,550</u>
Investment income (loss):	
Net increase in fair value of investments	<u>110,522</u>
Net Investment Income	<u>110,522</u>
Total Additions	<u>1,392,072</u>
Deductions	
Service benefits	551,303
Administrative expenses	<u>6,936</u>
Total Deductions	<u>558,239</u>
Net Increase (Decrease)	833,833
Net Position Restricted for Pensions	
Beginning of year (October 31, 2017)	<u>16,942,781</u>
End of Year (October 31, 2018)	<u>\$ 17,776,614</u>

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Method used to value investments. Investments are reported at fair value.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the San Jacinto River Authority Pension Plan and additions to/deductions from the San Jacinto River Authority Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the San Jacinto River Authority. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description (Pension Plan)

Plan Administration. The Authority's defined benefit pension plan, the San Jacinto River Authority Pension Plan (the "Plan"), provides retirement benefits to plan members and beneficiaries. The Plan is a single employer, noncontributory defined benefit plan. The Plan's benefit provisions were established and may be amended by the Authority's Board. The Plan is administered by a trustee for the benefit of the Authority's employees. The Authority does not have access to, nor can it utilize the assets of the Plan. The Trustee is responsible for making payments to the Authority's retired employees.

Lincoln National Life and Standard Insurance Co. are the trustees of the Plan. There is no stand alone pension plan report available, but a copy of the actuarial report, prepared by Milliman, is available upon request from the Authority. The Authority has contracted with Alliant Services to evaluate the Authority's pension plan and make recommendations regarding modernization, cost-control measures, and long-term strategies for retirement offerings.

Benefits Provided. The Plan is available to all active employees hired before August 1, 2016, who have completed one year of service and attained age 21. Normal retirement age is 65. The Plan also provides benefits for early and late retirement. The retirement benefit at normal retirement is equal to 1.00% of average monthly compensation up to a participant's covered compensation level plus 0.55% of average monthly compensation in excess of the covered compensation level multiplied by the number of years of credited service not to exceed 40 years. The retirement benefit is payable monthly during the life of the retired participant. The Plan also provides death and disability benefits. A member is 100% vested in the accrued benefit upon completion of 5 years of service.

Plan Membership. At November 1, 2017, there were 194 plan members including 151 active members, 15 terminated vested members, 23 retired members and 5 beneficiaries.

Contributions. Employees of the Authority do not contribute to the Plan. The Authority makes annual contributions to the Plan equal to the total of normal cost and the amount needed to fund the unfunded actuarial accrued liability over a ten year amortization period as determined from the actuarial valuation report.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Investments

Pension Plan Investment policy. It is the policy of the Authority's Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of August 31, 2019.

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	35%
Domestic Equities	50%
Foreign Equities	10%
Real Estate	<u>5%</u>
Total	100%

Rate of return. For the plan year ended October 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.62%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Calculation of Money-Weighted Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

<u>Interest</u>	<u>Net External Cash Flows</u>	<u>Periods Invested</u>	<u>Period Weight</u>	<u>Net External Cash Flows With Interest</u>
Beginning Value - November 1, 2017	\$ 16,942,781	12.00	1.00	\$ 17,048,552
Monthly Net External Cash Flows:				
November	(46,520)	12.00	1.00	(46,810)
December	(46,520)	11.00	0.92	(46,787)
January	1,235,030	10.00	0.83	1,241,426
February	(46,520)	9.00	0.75	(46,738)
March	(46,520)	8.00	0.67	(46,714)
April	(46,520)	7.00	0.58	(46,688)
May	(46,520)	6.00	0.50	(46,665)
June	(46,520)	5.00	0.42	(46,642)
July	(46,520)	4.00	0.33	(46,616)
August	(46,520)	3.00	0.25	(46,592)
September	(46,520)	2.00	0.17	(46,569)
October	(46,520)	1.00	0.08	<u>(46,543)</u>
Ending Value - October 31, 2018	\$ 17,776,614			<u>\$ 17,776,614</u>
Money-Weighted Rate of Return	0.62%			

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Return on assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2018.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
US Core Fixed Income	Barclays Aggregate	15.00%	1.99%
US Interm Bonds	Barclays IT Gvt/Credit	10.00%	1.62%
US Inflation-Indexed Bonds	Barclays US TIPS	5.00%	1.16%
US High Yield Bonds	BAML High Yield	5.00%	3.91%
US Large Caps	S&P 500	12.00%	4.16%
US Small & Mid Caps	Russell 2500	4.00%	5.06%
US Large Growth	Russell 1000 Growth	8.00%	4.69%
US Large Value	Russell 1000 Value	8.00%	3.88%
US Small Growth	Russell 2000 Growth	4.00%	6.10%
US Small Value	Russell 2000 Value	4.00%	4.64%
US MidCap Growth	Russell MidCap Growth	5.00%	5.35%
US MidCap Value	Russell MidCap Value	5.00%	4.20%
Foreign Developed Equity	MSCI EAFE NR	10.00%	4.99%
US REITs	FTSE NAREIT Equity REIT	5.00%	4.56%
Assumed Inflation - Mean			2.32%
Assumed Inflation - Standard Deviation			1.85%
Portfolio Real Mean Return			3.74%
Portfolio Nominal Mean Deviation			6.05%
Portfolio Standard Deviation			11.38%
Long-Term Expected Rate of Return			6.25%

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Net Pension Liability

	<u>October 31, 2017</u>	<u>October 31, 2018</u>
Total pension liability	\$ 16,945,747	\$ 19,765,348
Fiduciary net position	16,942,781	17,776,614
Net Pension Liability	\$ 2,966	\$ 1,988,734
Fiduciary net position as a % of total pension liability	99.98%	89.94%
Covered payroll	\$ 11,051,082	\$ 10,443,788
Net pension liability as a % of covered payroll	0.03%	19.04%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date taking into account any significant changes between the valuation date and the fiscal year end as prescribed by GASB 67 and 68.

Discount Rate

	<u>October 31, 2017</u>	<u>October 31, 2018</u>
Discount rate	6.25%	6.25%
Long-term expected rate of return, net of investment expense	6.25%	6.25%
Municipal bond rate	N/A	N/A

Other Key Actuarial Assumptions

	<u>October 31, 2017</u>	<u>October 31, 2018</u>
Valuation date	November 1, 2016	November 1, 2017
Measurement date	October 31, 2017	October 31, 2018
Inflation	2.30%	2.30%
Salary increases including inflation	5.00%	5.00%
Mortality	RP-2000 w/ generational projection per Scale BB	RP-2000 w/ generational projection per Scale BB
Actuarial cost method	Entry Age Normal	Entry Age Normal

Discount rate. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 6.25%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease	Current	1% Increase
	5.25%	Discount Rate	7.25%
		6.25%	
Total pension liability	\$ 22,668,151	\$ 19,765,348	\$ 17,371,850
Fiduciary net position	17,776,614	17,776,614	17,776,614
Net Pension Liability	\$ 4,891,537	\$ 1,988,734	\$ (404,764)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Balances as of August 31, 2018	\$ 16,945,747	\$ 16,942,781	\$ 2,966
Changes for the year:			
Service cost	1,243,286		1,243,286
Interest on total pension liability	1,119,847		1,119,847
Effect of economic/demographic gains or losses	1,007,771		1,007,771
Effect of assumptions changes or inputs			
Benefit payments	(551,303)	(551,303)	
Administrative expenses		(6,936)	6,936
Net investment income		110,522	(110,522)
Employer contributions		1,281,550	(1,281,550)
Balances as of August 31, 2019	\$ 19,765,348	\$ 17,776,614	\$ 1,988,734

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued San Jacinto River Authority financial report (i.e. GASB 67 disclosure requirements).

Pension Expense	September 01, 2018 to August 31, 2019
Service cost	\$ 1,243,286
Interest on total pension liability	1,119,847
Administrative expenses	6,936
Expected investment return net of investment expenses	(1,081,185)
Recognition of economic/demographic gains and losses	(9,678)
Recognition of assumption changes or inputs	25,637
Recognition of investment gains and losses	61,193
	\$ 1,366,036

As of August 31, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions made subsequent to measurement date	\$	\$ 1,318,812
Difference between expected and actual experience	859,702	906,994
Changes in assumptions	179,628	432,209
Net difference between projected and actual earnings		167,292
Total	\$ 1,039,330	\$ 2,825,307

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31:	
2019	\$ 96,854
2020	(2,904)
2021	(72,912)
2022	210,090
2023	15,959
Thereafter*	220,078

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Depletion Date Projection

GASB 67 and 68 generally require that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 and 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 and 68 (paragraph 29) do allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for the Authority.

- The Authority has a least a 5-year history of paying at least 100% of the Actuarially Determined Contribution (previously termed the Annual Required Contribution).
- The Actuarially Determined Contribution is based on a closed amortization period, which means that payment of the Actuarially Determined Contribution each year will bring the plan to a 100% funded position by the end of the amortization period.
- GASB 67 and 68 specify that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is Milliman's professional opinion that the detailed depletion date projects outlined in GASB 67 and 68 will show that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Authority provides other post-employment benefits (OPEB) for supplemental medical insurance coverage for certain retired employees and their dependents and grandfathered active employees. The OPEB plan is a single-employer defined benefit supplemental healthcare plan administered by the Authority. Section 49.069 of the Texas Water Code assigns the responsibility to establish and amend OPEB plan provisions to the Authority's Board of Directors. The Authority's Board of Directors also has the option to adopt the provisions of Subtitle F, Title 10, of the Texas Government Code, Chapter 2264 which allows modified reporting of the OPEB plan liability for the Authority's unfunded actuarial accrued liability. The OPEB plan was adopted by the Board of Directors on October 28, 1986. The policy was amended on October 25, 1989 to exclude employees hired after November 1, 1989.

As of September 1, 2018, actuarial valuation, nine former employees, dependents, and surviving spouses are receiving OPEB healthcare benefits. Four active employees and their dependents will receive this benefit if the employees continue working for the Authority until reaching the normal retirement age of 65.

The Authority issues this publicly available financial report that includes financial statements and required supplementary information for the OPEB plan.

Funding Policy

The contribution required from OPEB plan members may be amended by the Authority's Board of Directors. As of the date of this report, the OPEB healthcare plan is 100% funded by the Authority on a pay-as-you-go-basis. The Authority paid an estimated \$48,166 for OPEB medical insurance coverage for retired employees covered under the OPEB plan during the fiscal year ending August 31, 2019. After review, the Authority deems no reserve necessary for OPEB healthcare plan.

Benefits Provided

The Authority provides healthcare benefits for retirees and their dependents. Employees hired prior to 1990 and who are continuously employed by the Authority through age 65 are eligible for retiree health benefits. Spouses of eligible retirees are also eligible for coverage. Eligible retirees and spouses may choose to enroll in the fully insured Medicare Supplement medical plan. The benefit terms provide for payment of 100% of the total premium of the fully insured Medicare Supplement plan for eligible retirees and spouses.

Employees Covered by Benefit Terms

As of August 31, 2019, nine former employees, dependents, and surviving spouses are receiving OPEB healthcare benefits. Four active employees and their dependents will receive this benefit if the employees continue working for the Authority until reaching the normal retirement age of 65.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Total OPEB Liability

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 75.

OPEB Liability

	<u>August 31, 2018</u>	<u>August 31, 2019</u>
Total OPEB liability	\$ 1,841,872	\$ 2,027,059
Covered payroll	\$ 322,115	\$ 322,813
Total OPEB liability as a % of covered payroll	571.81%	627.94%

Discount Rate

The discount rate was based on the Bond Buyer General Obligation 20-bond municipal index.

Discount Rate

	<u>August 31, 2018</u>	<u>August 31, 2019</u>
Discount rate	3.96%	2.97%
20 Year Tax-Exempt Municipal Bond Yield	3.96%	2.97%

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of August 31, 2019 were based on the results of an actuarial experience study for the period November 1, 2011- November 1, 2015.

Other Key Actuarial Assumptions

	August 31, 2018	August 31, 2019
Valuation date	September 1, 2016	September 1, 2018
Measurement date	August 31, 2018	August 31, 2019
Inflation	2.30%	2.30%
Salary increases including inflation	5.00%	5.00%
Mortality	RP-2000 Mortality For Employees, Healthy Annuitants, and Dissabled Annuitants with generational projection per Scale BB	RP-2000 Mortality For Employees, Healthy Annuitants, and Dissabled Annuitants with generational projection per Scale BB
Actuarial cost method	Entry Age Normal	Entry Age Normal

Changes in OPEB Liability

	Total OPEB Liability
Balances as of September 1, 2018	\$ 1,841,872
Changes for the year:	
Service cost	20,070
Interest on total pension liability	72,789
Effect on economic/demographic gains or loss	(181,458)
Effect of assumptions changes inputs	321,952
Benefit payments	(48,166)
Balances as of August 31, 2019	\$ 2,027,059

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Sensitivity Analysis.

The following presents the total OPEB liability of the Authority, calculated using the discount rate of 3.96 percent, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.97 percent) or 1-percentage-point higher (3.97 percent) than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>1.97%</u>	<u>2.97%</u>	<u>3.97%</u>
Total OPEB Liability	\$ 2,435,019	\$ 2,027,059	\$ 1,702,206

The following presents the total OPEB liability of the Authority, calculated using the current trend rates, as well as what the Authority's total OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,664,194	\$ 2,027,059	\$ 2,496,048

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended August 31, 2019, the Authority recognized OPEB expense of \$(10,759) and \$37,996 for fiscal year 2018 and fiscal year 2019, respectively.

OPEB Expense

	<u>Year Ended August 31</u>	
	<u>2018</u>	<u>2019</u>
OPEB Expense		
Service cost	\$ 22,695	\$ 20,070
Interest on total OPEB liability	68,240	72,789
Effect of plan changes		
Recognition of economic/demographic gains and losses		(60,486)
Recognition of assumption changes or inputs	(101,694)	5,623
	<u>\$ (10,759)</u>	<u>\$ 37,996</u>

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

At August 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 120,971	\$
Changes in assumptions	119,257	214,635
Total	\$ 240,228	\$ 214,635

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended August 31:

2018	\$ (42,105)
2019	16,512
2020	
2021	
2022	

Thereafter*

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

NOTE 10 – MAJOR CUSTOMERS

Industrial and municipal water sales totaling \$16,771,144 were invoiced to the Authority's three largest customers of the Raw Water Supply Division. This accounts for 89% of the Raw Water Supply Division water sales revenues for the year ended August 31, 2019.

Revenues totaling \$3,314,511 accrued from the Authority's primary contractual partner (City of Houston) in the Lake Conroe reservoir project. This accounts for 73% of the Lake Conroe Division's operating revenues for the year ended August 31, 2019.

Water pumpage and surface water fees totaling \$24,744,587 were invoiced to the Authority's two largest customers of the Groundwater Reduction Plan Division. This accounts for 50% of Groundwater Reduction Plan Division's operating revenues for the year ended August 31, 2019.

Water and sewer service fees and capacity charges totaling \$35,571,463 were invoiced to the Authority's five largest customers of the Woodlands Division. This accounts for approximately 81% of The Woodlands Division's operating revenues for the year ended August 31, 2019.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – CONTINGENCIES

On June 20, 2016, the Authority adopted a Rate Order setting revised rates applicable to its GRP Participants. The rate revisions were effective on September 1, 2016.

On August 16, 2016, the City of Conroe, Texas, the second-largest rate payer in the Authority's GRP, adopted an ordinance that, among other things, directed City staff not to pay the revised rates adopted by the Authority.

On August 31, 2016, the Authority filed suit in the District Court of Travis County, Texas, pursuant to Chapter 1205 of the Texas Government Code, seeking a declaratory judgment that (i) the Authority is authorized to set rates for its GRP Participants pursuant to the procedures set forth in the contracts between the Authority and its GRP Participants (the "GRP Contracts"), (ii) the Authority adopted its fiscal year 2017 Rate Order, including the setting of its fiscal year 2017 rates, in accordance with the procedures set forth in the GRP Contracts, (iii) the Authority's fiscal year 2017 rates, the Rate Order, and the GRP Contract are legal and valid, and (iv) the City of Conroe's refusal to pay the fiscal year 2017 rate is illegal and invalid, and its failure to pay is a breach of its GRP Contract. The Cities of Conroe, Magnolia, and Splendor, Texas, along with two privately-owned water utilities, Quadvest, L.P. and Woodlands Oaks Utility, L.P., intervened in opposition to the Authority's suit.

In August 2018, the Third Court of Appeals, Austin, affirmed the trial court's ruling that it was a proper venue for the suit and had jurisdiction with respect to declarations (i) through (iii) described in the preceding paragraph. The Cities of Conroe, Magnolia, and Splendor, Texas petitioned the Texas Supreme Court for review of the Third Court's affirmance, and review was granted. Briefing materials have been filed with the Texas Supreme Court and oral argument is scheduled for January 9, 2020. The suit is currently stayed pending a ruling from the Texas Supreme Court. The Authority cannot predict the outcome of the suit at this time. As such, the Authority cannot make a statement regarding the impact the resolution of the suit may have upon the Authority's financial condition. The Authority has expended approximately \$1,270,855 in legal fees and costs related to the suit and additional expenditures are anticipated to be incurred by the Authority in the future.

During the Authority's fiscal years 2018 and 2019, the City of Conroe and City of Magnolia paid the fiscal year 2016 rates (not fiscal year 2018 or 2019 rates) and are incurring late fees and finance fees on unpaid balances. As of August 31, 2019, the past due balance (including late fees and interest) for the City of Conroe was \$3,669,894 and for the City of Magnolia was \$186,503. All other participants paid the fiscal year 2019 rates during the Authority's fiscal year 2019.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Commercial insurance coverage exceeded settlement amounts in each of the past three years.

Hurricane Harvey Litigation. There are twenty eight (28) active lawsuits that have been filed against the Authority in Harris County, Texas, on behalf of numerous property owners that allege, among other claims, that the release of water from the Lake Conroe Dam following the landfall of Hurricane Harvey caused flooding on their properties in violation of the Takings Clause of the Texas Constitution and/or violation of the Texas Private Real Property Rights Preservation Act. The Authority is contesting all of these claims vigorously and intends to continue to do so. In all of the filed lawsuits, the Authority has filed a motion to dismiss or a plea to the court's jurisdiction. All cases are in their early stages.

Quadvest, L.P. et al. v. San Jacinto River Authority, No. 19-09-12611, in the 284th Judicial District Court for Montgomery County, Texas. Quadvest, L.P., Woodland Oaks Utility, L.P., Everett Square, Inc., E.S. Water Consolidators, Inc., Utilities Investments Co., Inc., and T&W Water Service Company have filed a lawsuit against the Authority in Montgomery County, Texas, for breach of the parties GRP Contracts. Plaintiffs allege that the Authority has improperly set the rates it charges for groundwater pumpage and surface water usage under the GRP Contracts. The lawsuit is in its early stages, with the Court currently considering the Authority's request for a stay in light of ongoing, related litigation involving the same parties and contracts. See Note 11 for a summary of related litigation.

Quadvest, L.P. et al. v. San Jacinto River Authority, No. 4:19-CV-4508, in the U.S. District Court for the Southern District of Texas. Quadvest, L.P. and Woodland Oaks Utility, L.P. have filed a lawsuit against the Authority in federal court for violation of the federal antitrust laws in connection with Authority's GRP Contracts. Plaintiffs allege that SJRA conspired to monopolize raw water supplies in Montgomery County, Texas and to fix the prices of raw water. The lawsuit is in its early stages, with the Court currently considering a motion to dismiss all claims filed by SJRA.

The Authority is contesting all of the above lawsuits vigorously, and intends to continue to do so. The Authority cannot express a judgement as to the potential outcome of the lawsuits, estimate the amount or range of potential losses related to the lawsuits, or estimate legal expenses that may be incurred in contesting the lawsuits. No inference should be drawn from the foregoing.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – FUNDING FOR REGION H WATER PLANNING GRANT

Under an agreement with the Texas Water Development Board ("TWDB"), the Authority is the contracting agency and designated representative of the Region H Water Planning Group. Under the contract, the TWDB provides financial assistance to develop a regional water plan for Region H, a 15 county area, which includes most of the San Jacinto River watershed. The TWDB, fulfilling the requirements set forth in Senate Bills 1, 2 and 3, defines the scope of work to be included in the plan and the time frame for completion of the various tasks in the plan. Senate Bill 1 was enacted by the 75th Texas Legislature in 1997, Senate Bill 2 was enacted by the 77th Texas Legislature in 2001 and Senate Bill 3 was enacted by the 80th Texas Legislature in 2007. The TWDB rules provide that State funds will be used to pay 100% of the direct regional water plan costs. The Authority has received contributions from governments and other parties interested in the development of the plan that partially fund miscellaneous other Region H costs.

NOTE 14 – COMPENSATED ABSENCES

Vacation

As of August 31, 2019, employees of the Authority accrue vacation quarterly based on their hire date. Vacation is accrued as follows:

- 0-4.99 years of employment 20 hours per quarter
- 5-19.99 years of employment 30 hours per quarter
- 20 plus years of employment 40 hours per quarter

Employees will be allowed to accrue up to six (6) quarters of vacation time. Balances exceeding 6 quarters at the employee's current accrual rate will automatically be donated to the Sick Leave Pool, and employees will not be paid for unused vacation time unless otherwise authorized by the General Manager due to a declared Minor or Major Emergency Closing that prevents a previously scheduled vacation. Employees must use the accrued vacation in at least half (1/2) hour increments.

Upon separation of employment, employees will be paid for up to four quarters of unused vacation time. Unused vacation time over four quarters will be automatically donated to the Sick Leave Pool. The liability and annual expense for accrued vacation was calculated based on the employee's pay rate times the accrued vacation hours plus applicable employee benefits as of the end of the fiscal year.

Sick Leave

The Authority provides paid sick leave benefits to all eligible, Regular Full-time employees for periods of temporary absence due to illness, injuries, or scheduled medical appointments.

Accrual: Sick leave will accrue at the rate of eight hours per month. No more than 36 eight-hour days (288 hours) of accrued sick leave may be carried forward from one fiscal year to the next. Balances in excess of 36 days (288 hours) will be canceled on August

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

31 of each year.

Retirement/Termination: There is no payment for unused sick leave when an employee terminates employment for any reason other than normal retirement. When an employee is retiring and meets all the eligibility requirements under the Authority's Pension Plan to retire at their normal retirement date, that employee will be eligible for payment of their unused sick leave balance up to a 36 days (288 hours).

Compensatory Time

Non-exempt employees may accrue compensatory time (comp time) in lieu of being paid overtime compensation at the discretion of the Authority. Compensatory time is accrued at the rate of one and one-half times the number of hours worked in excess of 40 hours in the work week.

Accrued Compensatory time is limited based on the operational needs of the division. The actual overtime worked must be banked in a minimum of ½ hour increments. The maximum accrual per division is listed below:

Maximum Accruals:

General and Administration Employees – 20 actual hours = 30 compensatory time hours

Woodlands Employees – 20 actual hours = 30 compensatory time hours

Lake Conroe Employees – 40 actual hours = 60 compensatory time hours

Highlands Employees – 80 actual hours = 120 compensatory time hours

GRP Employees – 20 actual hours = 30 compensatory time hours

Compensatory time may be used for personal leave of absences that regular sick and/or vacation would not cover. Requests for use of compensatory time will be granted provided that operational needs are not compromised.

Payment of Compensatory Time

All employees who are reclassified from a non-exempt position to an exempt position will be paid all accrued compensatory time upon approval of the reclassification and will cease to be eligible for any additional overtime and/or compensatory time. Likewise, an employee who is promoted, transferred or demoted to another non-exempt position will be paid in full for any compensatory time accrued before the promotion, transfer or demotion becomes effective. Upon leaving employment with the Authority, a non-exempt employee will be paid for unused compensatory time at the employee's current hourly rate.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The following table shows the beginning liability balances, current year's expense and ending liability balance for each category of compensated absences:

	Sept. 1, 2018	Additions	Reductions	Aug. 31, 2019
Lake Conroe Vacation	\$ 32,914	\$	\$ 2,891.00	\$ 30,023
Highlands Vacation	17,290		8,347.00	8,943
General & Admin Vacation	201,420	28,769		230,189
Woodlands Vacation	90,925		4,450.00	86,475
GRP Vacation	53,280		6,880.00	46,400
Vacation Total	<u>395,829</u>	<u>28,769</u>	<u>22,568</u>	<u>402,030</u>
Lake Conroe Sick Leave				
Highlands Sick Leave				
General & Admin Sick Leave	41,531		28,966	12,565
Woodlands Sick Leave	1,837		124	1,713
GRP Sick Leave	19,008	69		19,077
Sick Leave Total	<u>62,376</u>	<u>69</u>	<u>29,090</u>	<u>33,355</u>
Lake Conroe Comp Time	1,762		101	1,661
Highlands Comp Time	4,562		2,152	2,410
General & Admin Comp Time	4,581		2,643	1,938
Woodlands Comp Time	1,037		435	602
GRP Comp Time	982	525		1,507
Compensatory Time Total	<u>12,924</u>	<u>525</u>	<u>5,331</u>	<u>8,118</u>
Total	<u>\$ 471,129</u>	<u>\$ 29,363</u>	<u>\$ 56,989</u>	<u>\$ 443,503</u>

The current year expense and ending fiscal year 2019 liability for compensatory time is calculated based on the total employee hours accrued times the end of fiscal year 2019 pay rate.

NOTE 15 – SUBSEQUENT EVENT

Subsequent to year end, the Authority issued \$6,680,000 Water Revenue Refunding Bonds, Series 2019A and \$16,715,000 Water Revenue Refunding Bonds, Series 2019B. The bonds mature between 2020 and 2035 and bear interest between 3% and 5%. Proceeds from the sale will be applied to refund a portion of the Authority's outstanding bonds.

REQUIRED SUPPLEMENTARY INFORMATION



SAN JACINTO RIVER AUTHORITY

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 67 & 68, DEFINED BENEFIT PENSION PLAN, SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Year Ended August 31, 2019

Fiscal Year Ending August 31	2019	2018	2017	2016
<u>Total Pension Liability</u>				
Service cost	\$ 1,243,286	\$ 1,200,814	\$ 1,045,193	\$ 1,000,263
Interest on total pension liability	1,119,847	1,057,429	938,603	882,137
Effect of plan changes				
Effect of assumption changes or inputs		535,907	(258,264)	
Effect of economic/demographic gains or (losses)	1,007,771	(376,723)	(467,654)	(336,786)
Benefit payments	(551,303)	(667,764)	(359,464)	(306,775)
Net change in total pension liability	2,819,601	1,749,663	898,414	1,238,839
Total pension liability, beginning	16,945,747	15,196,084	14,297,670	13,058,831
Total Pension Liability, Ending (a)	\$ 19,765,348	\$ 16,945,747	\$ 15,196,084	\$ 14,297,670
<u>Fiduciary Net Position</u>				
Employer contributions	\$ 1,281,550	\$ 1,446,275	\$ 1,225,120	\$ 1,222,436
Member contributions				
Investment income net of investment expenses	110,522	2,338,816	488,949	265,496
Benefit payments	(551,303)	(667,764)	(359,464)	(306,775)
Administrative expenses	(6,936)	(7,226)	(6,875)	(7,379)
Net Change in Plan Fiduciary Net Position	833,833	3,110,101	1,347,730	1,173,778
Fiduciary net position, beginning	16,942,781	13,832,680	12,484,950	11,311,172
Fiduciary Net Position, Ending (b)	\$ 17,776,614	\$ 16,942,781	\$ 13,832,680	\$ 12,484,950
Net Pension Liability, Ending (a)-(b)	\$ 1,988,734	\$ 2,966	\$ 1,363,404	\$ 1,812,720
Fiduciary Net Position as a % of total pension liability	89.94%	99.98%	91.03%	87.32%
Covered Payroll	\$ 9,946,465	\$ 10,524,840	\$ 10,081,467	\$ 9,002,044
Net Pension Liability as a % of Covered Payroll	19.99%	0.03%	13.52%	20.14%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 904,125 805,717	\$	\$	\$	\$	\$
(280,659) 1,429,183					
11,629,648 <u>\$ 13,058,831</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 1,200,435	\$	\$	\$	\$	\$
754,693 (280,659) (11,471) 1,662,998					
9,648,174 <u>\$ 11,311,172</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ 1,747,659</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
86.62%					
\$ 8,355,491	\$ 5,642,798	\$ 4,491,803	\$ 3,923,220	\$ 3,812,702	\$ 3,092,215
20.92%					

SAN JACINTO RIVER AUTHORITY

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 67 & 68, DEFINED BENEFIT PENSION PLAN, SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended August 31, 2019

Fiscal Year Ended August 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2010	\$ 551,847	\$ 572,069	\$ (20,222)	\$ 4,013,370	14.25%
2011	562,406	583,621	(21,215)	4,129,705	14.13%
2012	648,608	670,841	(22,233)	4,728,214	14.19%
2013	798,954	807,782	(8,828)	5,939,787	13.60%
2014	951,702	958,987	(7,285)	6,776,385	14.15%
2015	1,090,455	1,200,435	(109,980)	7,693,148	15.60%
2016	1,091,804	1,222,436	(130,632)	8,773,266	13.93%
2017	1,172,614	1,225,120	(52,506)	9,452,146	12.96%
2018	1,281,074	1,446,275	(165,201)	10,585,540	13.66%
2019	1,159,682	1,281,550	(121,868)	10,443,788	12.27%

Actuarial Methods and Assumptions Used for Funding Policy

The following actuarial methods and assumptions were used in the November 1, 2017 funding valuation. Each assumption is individually reasonable and, in combination, offer our best estimate of anticipated experience under the plan at the time. Please see the valuation report dated January 18, 2018 for further details.

Valuation Timing

The valuation is performed as of November 1 and the actuarially determined contribution is determined as of midyear (i.e. April 1).

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level percent or level dollar

Level percent

Closed, open, or layered periods

Closed

Amortization Period at 11/1/2016

25 years for IUAAL, 5 years for subsequent gains/losses, expected future service for plan amendments and assumption changes

Amortization Growth Rate

N/A

Asset Valuation Method

Smoothing period

N/A

Recognition method

Market Value

Corridor

None

Inflation

2.30%

Salary Increases

5.00%

6.25%, based on the Plan's investment policy, including target asset allocation, and Milliman's capital market expectations.

Investment Rate of Return

Cost of Living Adjustment

None

Retirement Age

Annual rates of retirement are shown below

Age 55-64-Rate 5%

Age 65- Rate 100%

Turnover

Crocker-Sarason T-3 Table

Mortality

RP-2000 Mortality with generational projection per Scale BB

SAN JACINTO RIVER AUTHORITY

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 67 & 68, *DEFINED BENEFIT PENSION PLAN*, SCHEDULE OF INVESTMENT RETURNS

Year Ended August 31, 2019

<u>Fiscal Year Ended August 31</u>	<u>Net Money- Weighted Rate of Return</u>
2010	3.93%
2011	3.55%
2012	3.09%
2013	2.89%
2014	3.73%
2015	7.42%
2016	2.20%
2017	3.73%
2018	15.95%
2019	0.62%

SAN JACINTO RIVER AUTHORITY

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 74 & 75, POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS

Year Ended August 31, 2019

Fiscal Year Ending August 31	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Total OPEB Liability</u>				
Service cost	\$ 20,070	\$ 22,695	\$ 28,903	\$
Interest on total OPEB liability	72,789	68,240	61,195	
Changes of benefit terms				
Effect of economic/demographic gains or (losses)	(181,458)			
Effect of assumption changes or inputs	321,952	(144,021)	(242,418)	
Benefit payments	(48,166)	(52,564)	(51,636)	
Change in total OPEB liability	<u>185,187</u>	<u>(105,650)</u>	<u>(203,956)</u>	
Total OPEB liability, beginning	<u>1,841,872</u>	<u>1,947,522</u>	<u>2,151,478</u>	
Total OPEB Liability, Ending	<u><u>\$ 2,027,059</u></u>	<u><u>\$ 1,841,872</u></u>	<u><u>\$ 1,947,522</u></u>	<u><u>\$</u></u>
Covered Payroll	\$ 322,813	\$ 322,115	\$ 393,447	\$ 352,848
Net Pension Liability as a % of Covered Payroll	627.94%	571.81%	494.99%	

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$	\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 347,971	\$ 336,482	\$ 413,753	\$ 474,846	\$ 463,099	\$ 469,053

SAN JACINTO RIVER AUTHORITY

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 74 & 75, POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended August 31, 2019

Fiscal Year Ended August 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2010	\$ 46,113	\$ 46,113	\$	\$ 469,053	9.83%
2011	41,303	41,303		463,099	8.92%
2012	43,828	43,828		474,846	9.23%
2013	49,250	49,250		413,753	11.90%
2014	49,446	49,446		336,482	14.69%
2015	51,223	51,223		347,971	14.72%
2016	52,301	52,301		352,848	14.82%
2017	51,636	51,636		393,447	13.12%
2018	52,564	52,564		322,115	16.32%
2019	48,166	48,166		322,813	14.92%

Actuarial Methods and Assumptions Used for Funding Policy

The Authority does not pre-fund benefits. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis and there is not a trust for accumulating plan assets. The following actuarial methods and assumptions were used in the September 1, 2018 accounting valuation.

Valuation Timing

Actuarial valuations are performed biennially as of September 1 for accounting purposes only. The most recent valuation was performed as of September 1, 2018.

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level percent or level dollar

N/A

Closed, open, or layered periods

N/A

Amortization Period at September 1, 2018

N/A

Amortization Growth Rate

N/A

Inflation

2.30%

Salary Increases

5.00%

Discount Rate

August 31, 2018: 3.96%

August 31, 2019: 2.97%

Healthcare Cost Trend Rates

6.3% for 2016, gradually decreasing to an ultimate rate of 4.1% for 2096 and beyond

Retirement

100% at age 65

Mortality

RP-2000 Mortality with Projection Scale BB for Males and Females

OTHER SUPPLEMENTARY INFORMATION



SAN JACINTO RIVER AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL - RAW WATER ENTERPRISE

Year Ended August 31, 2019

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<u>Operating Revenues</u>				
Water revenues	\$ 22,205,058	\$ 22,205,058	\$ 22,197,057	\$ (8,001)
Permits, licenses and fees	1,124,879	1,124,879	1,217,717	92,838
Total Revenues	<u>23,329,937</u>	<u>23,329,937</u>	<u>23,414,774</u>	<u>84,837</u>
<u>Operating Expenses</u>				
Current:				
Salaries and wages	4,258,582	4,258,582	3,887,579	(371,003)
Employee insurance and other payroll benefits	2,449,637	2,449,637	1,685,863	(763,774)
Outside services employed	3,895,081	3,895,081	2,172,763	(1,722,318)
Operating supplies and expenses	1,124,070	1,124,070	891,131	(232,939)
Rentals	111,235	111,235	38,930	(72,305)
Maintenance, repairs and parts	1,655,150	1,655,150	2,551,974	896,824
General and administrative	1,633,290	1,633,290	1,317,098	(316,192)
Depreciation			2,402,169	2,402,169
Total Expenditures	<u>15,127,045</u>	<u>15,127,045</u>	<u>14,947,507</u>	<u>(179,538)</u>
Operating Net Income	8,202,892	8,202,892	8,467,267	264,375
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	14,000	14,000	137,246	123,246
Interest expense on bonds	(2,526,341)	(2,526,341)	(2,527,029)	(688)
Other	95,675	95,675	850,582	754,907
Total Nonoperating Revenues (Expenses)	<u>(2,416,666)</u>	<u>(2,416,666)</u>	<u>(1,539,201)</u>	<u>877,465</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 5,786,226</u>	<u>\$ 5,786,226</u>	<u>\$ 6,928,066</u>	<u>\$ 1,141,840</u>

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGETARY BASIS) WOODLANDS DIVISION

Year Ended August 31, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Over (Under)
	Original	Final		
<u>Operating Revenues</u>				
Water and sewer service fees	\$ 40,178,742	\$ 40,178,742	\$ 34,140,900	\$ (6,037,842)
Permits, licenses and fees	205,100	205,100	207,100	2,000
Capacity charges	9,646,449	9,646,449	9,646,449	
Total Revenues	50,030,291	50,030,291	43,994,449	(6,035,842)
<u>Operating Expenses</u>				
Current:				
Salaries and wages	4,807,325	4,807,325	4,602,523	(204,802)
Employee insurance and other payroll benefits	2,672,638	2,672,638	2,037,126	(635,512)
Outside services employed	19,498,538	19,498,538	16,395,319	(3,103,219)
Operating supplies and expenses	4,342,756	4,342,756	3,509,584	(833,172)
Rentals	23,700	23,700	28,811	5,111
Maintenance, repairs and parts	6,856,600	6,856,600	4,575,731	(2,280,869)
General and administrative	815,410	815,410	753,987	(61,423)
Depreciation			6,635,673	6,635,673
Total Expenditures	39,016,967	39,016,967	38,538,754	(478,213)
Operating Net Income (Loss)	11,013,324	11,013,324	5,455,695	(5,557,629)
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	125,509	125,509	644,487	518,978
Interest expense	(1,904,554)	(1,904,554)	(1,912,175)	(7,621)
Bond issuance costs				
Other			1,006,069	1,006,069
Total Nonoperating Revenues	(1,779,045)	(1,779,045)	(261,619)	1,517,426
Income (Loss) Before Contributions and Transfers	\$ 9,234,279	\$ 9,234,279	\$ 5,194,076	\$ (4,040,203)

NOTES TO OTHER SUPPLEMENTARY INFORMATION

The Woodlands Division budget is prepared using a modified cash basis by the Woodlands Division management. The basic goal is to establish water/sewer rates for customers at a level that will provide funds to cover projected annual maintenance and operations expenses plus relatively minor capital asset purchases such as vehicles and office equipment. Since major infrastructure assets are acquired from other capital funds within the Woodlands Division, depreciation is excluded from the Woodlands Division rate calculation and budget.

SAN JACINTO RIVER AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
GROUNDWATER REDUCTION PLAN DIVISION

Year Ended August 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Operating Revenues</u>				
Water revenues (GRP Pumpage Fees)	\$ 53,193,281	\$ 53,193,281	\$ 49,628,068	\$ (3,565,213)
Total Revenues	<u>53,193,281</u>	<u>53,193,281</u>	<u>49,628,068</u>	<u>(3,565,213)</u>
<u>Operating Expenses</u>				
Current:				
Salaries and wages	3,462,859	3,462,859	3,057,187	(405,672)
Employee insurance and other payroll benefits	1,677,514	1,677,514	1,300,034	(377,480)
Outside services employed	2,565,654	3,065,654	2,891,245	(174,409)
Operating supplies and expenses	9,364,431	9,364,431	8,970,759	(393,672)
Rentals	6,000	6,000	785	(5,215)
Maintenance, repairs and parts	986,800	986,800	615,637	(371,163)
General and administrative	553,734	553,734	397,955	(155,779)
Depreciation			14,854,293	14,854,293
Total Expenditures	<u>18,616,992</u>	<u>19,116,992</u>	<u>32,087,895</u>	<u>12,970,903</u>
Operating Net Income	34,576,289	34,076,289	17,540,173	(16,536,116)
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	(2,880)	(2,880)	648,948	651,828
Interest expense	(20,567,370)	(20,567,370)	(20,567,369)	1
Other	17,688	17,688	1,125,825	1,108,137
Total Nonoperating Revenues (Expenses)	<u>(20,552,562)</u>	<u>(20,552,562)</u>	<u>(18,792,596)</u>	<u>1,759,966</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 14,023,727</u>	<u>\$ 13,523,727</u>	<u>\$ (1,252,423)</u>	<u>\$ (14,776,150)</u>

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF NET POSITION **GROUNDWATER REDUCTION PLAN DIVISION**

August 31, 2019

Assets

Current Assets

Cash and cash equivalents	
Unrestricted	\$ 1,067,961
Restricted for debt service	56,834,679
Restricted for construction	1,688,025
Accounts receivable and prepaids	8,562,695
Total Current Assets	<u>68,153,360</u>

Noncurrent Asset - Prepaid reservation fees	<u>4,160,106</u>
--	-------------------------

Capital Assets - at cost

Land	14,306,656
Land improvements	2,470,693
Furniture and fixtures	2,367,532
Other machinery and equipment	711,661
Automobiles and trucks	517,902
Buildings	15,601,688
Water systems	421,210,755
Construction in progress	74,088
Accumulated Depreciation	<u>(61,145,952)</u>

Total Capital Assets **396,115,023**

Total Noncurrent and Capital Assets **400,275,129**

Total Assets **\$ 468,428,489**

Liabilities

Current Liabilities

Accounts payable and accrued liabilities - unrestricted	\$ 2,380,845
Restricted for debt services - current portion of bonds	14,020,000
Restricted for debt services - accrued interest payable	8,557,553
Restricted for construction - retainage payable	0
Unearned Revenue	0
Total Current Liabilities	<u>24,958,398</u>

Noncurrent Liabilities

First lien water revenue bonds - less current maturities	466,550,000
Unamortized bond premium or discount	<u>140,412</u>
Total Noncurrent Liabilities	<u>466,690,412</u>
Total Liabilities	<u>491,648,810</u>

Net Position

Net Position

Invested in capital assets - net of related debt	(82,907,364)
Restricted for debt service	48,277,126
Unrestricted	11,409,917
Total Net Position	<u>\$ (23,220,321)</u>

SAN JACINTO RIVER AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
GROUNDWATER REDUCTION PLAN DIVISION

Year Ended August 31, 2019

Operating Revenues

Water revenues (GRP Pumpage and Surface Water Fees)	\$ 49,628,068
Total Revenues	49,628,068

Operating Expenses

Current:

Salaries and wages	3,057,187
Employee insurance and other payroll benefits	1,300,034
Outside services employed	2,891,245
Operating supplies and expenses	8,970,759
Rentals	785
Maintenance, repairs and parts	615,637
General and administrative expenses	397,955
Depreciation	14,854,293
Total Expenditures	32,087,895

Operating Net Income (Loss) 17,540,173

Nonoperating Revenues (Expenses)

Interest income	648,948
Gain (Loss) on disposal of assets	648,238
Amortization of debt issuance costs	7,012
Interest expense on bonds	(20,567,369)
Other	470,575
Total Nonoperating Revenues (Expenses)	(18,792,596)

Income (Loss) Before Transfers and Contributions (1,252,423)

**Transfers
Contributions**

Change in Net Position (1,252,423)

Net Position at Beginning of Year (21,967,898)

Net Position at End of Year \$ (23,220,321)

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF CASH FLOWS **GROUNDWATER REDUCTION PLAN DIVISION**

Year Ended August 31, 2019

Cash Flows from Operating Activities

Cash received from customers	\$ 47,214,849
Cash payments to suppliers for goods and services	(11,135,365)
Cash paid for employee services	(4,357,221)
Other revenues and expenses	470,575
Net Cash Provided by Operating Activities	<u>32,192,838</u>

Cash Flows from Noncapital Financing Activities

Transfers	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>

Cash Flows from Capital and Related Financing Activities

Principal paid on bonds	(13,650,000)
Interest paid on bonds	(20,713,576)
Bond issue expenses	0
Acquisition of capital assets	(178,421)
Proceeds from the sale of assets	648,238
Capital contributions	0
Net Cash (Used) by Capital and Related Financing Activities	<u>(33,893,759)</u>

Cash Flows from Investing Activities

Interest earned	648,948
Net Cash Flows Provided by Investing Activities	<u>648,948</u>

Net (Decrease) in Cash and Cash Equivalents (1,051,973)

Cash and equivalents at beginning of year 60,642,638

Cash and Equivalents at End of Year **\$ 59,590,665**

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities

Operating Income (Loss)	\$ 17,540,173
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Other revenues and expenses	470,575
Depreciation	14,854,293
(Increase) in receivables	(2,015,264)
(Increase) in inventory	3,044
Decrease in prepaids	484,900
(Decrease) in accounts payable and accrued liabilities	855,117
Increase in unearned revenue	0
Total Adjustments	<u>14,652,665</u>
Net Cash Provided by Operating Activities	<u>\$ 32,192,838</u>

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF CAPITAL ASSETS **LAKE CONROE DAM, RESERVOIR AND RELATED EQUIPMENT**

August 31, 2019

Dam and Appurtenances:	
Dam and appurtenances - joint	\$ 21,573,460
Dam and appurtenances - San Jacinto River Authority	1,169,194
Total Dam and Appurtenances	<u>22,742,654</u>
Buildings and Residences:	
Office building - joint	224,369
Warehouse building - joint	31,342
Residences - joint	295,692
Boat house - joint	108,347
Storage building - San Jacinto River Authority	23,404
Total Buildings and Residences	<u>683,154</u>
Equipment:	
Construction and maintenance equipment - joint	260,856
Transportation equipment - joint	450,954
Transportation equipment - San Jacinto River Authority	7,371
Office furniture and fixtures - joint	5,000
Computer software - joint	443,909
Computer hardware - joint	96,010
Telephone system - joint	23,148
Laboratory equipment - joint	98,673
Radio communications equipment-joint	191,567
Miscellaneous equipment - joint	206,876
Construction and maintenance equipment - San Jacinto River Authority	45,919
Total Equipment	<u>1,830,283</u>
Land:	
Land easements and improvements - joint	7,575,002
Land acquisition and administration - joint	5,871,391
Ayer Island improvements - joint	49,508
Land easements - Newton Park	312,928
Water supply well rehabilitation - joint	20,241
Lake Conroe land - site prep - SJRA	28,379
Land acquisition and administration - San Jacinto River Authority	580,032
Total Land	<u>14,437,481</u>
Total Lake Conroe Dam, Reservoir and Related Equipment	39,693,572
Less City of Houston Contribution	<u>(24,988,612)</u>
San Jacinto River Authority's Interest in Lake Conroe Dam, Reservoir and Related Equipment	14,704,960
Less Accumulated Depreciation on San Jacinto River Authority's Interest in Assets	<u>(4,290,289)</u>
Net Interest in Lake Conroe Dam, Reservoir and Related Equipment	<u>\$ 10,414,671</u>

SAN JACINTO RIVER AUTHORITY

INSURANCE COVERAGES

August 31, 2019

<u>Types of Coverages</u>	<u>Amount of Coverage</u>	<u>Insurer</u>	<u>Coverage to</u>
Property Coverages			
Buildings	\$ 230,352,196	TWCA Risk Management Fund	7/1/2020
Contents	6,347,059	TWCA Risk Management Fund	7/1/2020
EDP Equipment	1,107,133	TWCA Risk Management Fund	7/1/2020
Equipment/Contractors Equip	2,512,788	TWCA Risk Management Fund	7/1/2020
Miscellaneous Property & Equipment	4,221,045	TWCA Risk Management Fund	7/1/2020
Rented Equipment	200,000	TWCA Risk Management Fund	7/1/2020
Boiler and Machinery	166,898,722	TWCA Risk Management Fund	7/1/2020
Total Property Coverages	<u>\$411,638,943</u>		
Automobile:			
Bodily injury and property damage	Combined limit \$1,000,000	TWCA Risk Management Fund	7/1/2020
Excess auto liability	\$9,000,000	TWCA Risk Management Fund	7/1/2020
Physical damage	Actual cash value	TWCA Risk Management Fund	7/1/2020
General Liability	\$1,000,000	TWCA Risk Management Fund	7/1/2020
	per occurrence		
Excess General Liability	\$9,000,000	TWCA Risk Management Fund	7/1/2020
Public Officials:			
Errors and omissions	\$1,000,000	TWCA Risk Management Fund	7/1/2020
Excess errors and omissions	\$9,000,000	TWCA Risk Management Fund	7/1/2020
GRP Review Committee	\$1,000,000	JI Special Risk Insurance Agency	6/3/2020
Workers' Compensation	Statutory	TWCA Risk Management Fund	7/1/2020

The Authority has reviewed the current limits for its Automobile, General Liability, and Errors and Omissions coverages and determined that the current limits are within the range recommended by the Authority's underwriter and the amounts typically carried by other river authorities and water districts.

SAN JACINTO RIVER AUTHORITY

PRINCIPAL OFFICIALS

August 31, 2019

Directors

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STATISTICAL SECTION



This section of the San Jacinto River Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Authority's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	80-83
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
Revenue Capacity	84-86
These schedules contain information to help the reader assess the Authority's most significant local revenue source, the water and sewer service.	
Debt Capacity	87-89
These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.	
Demographic and Economic Information	90-93
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
Operating Information	94-97
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

SAN JACINTO RIVER AUTHORITY

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Business-type activities				
Net Investment in capital assets	\$ 57,974,629	\$ 93,493,165	\$ 81,039,024	\$ 34,279,471
Restricted	80,940,146	7,778,815	27,079,260	68,491,559
Unrestricted	33,786,246	36,370,470	34,648,654	38,155,393
Total business-type activities net position	<u>\$ 172,701,021</u>	<u>\$ 137,642,450</u>	<u>\$ 142,766,938</u>	<u>\$ 140,926,423</u>
Primary government				
Net Investment in capital assets	\$ 57,974,629	\$ 93,493,165	\$ 81,039,024	\$ 34,279,471
Restricted	80,940,146	7,778,815	27,079,260	68,491,559
Unrestricted	33,786,246	36,370,470	34,648,654	38,155,393
Total primary government net position	<u>\$ 172,701,021</u>	<u>\$ 137,642,450</u>	<u>\$ 142,766,938</u>	<u>\$ 140,926,423</u>

Notes: The Authority can be involved in governmental activities and business-type activities which would be reported separately in this schedule. The Authority does not currently have any governmental activities.

Fiscal Year

2014	2015	2016	2017	2018	2019
\$ 52,304,682	\$ 81,417,800	\$ 76,461,833	\$ 54,705,951	\$ 51,689,036	\$ 51,689,036
59,550,621	52,279,716	54,932,005	56,121,250	60,520,121	60,520,121
34,447,449	33,386,039	38,519,086	41,920,578	48,534,255	48,534,255
<u>\$ 146,302,752</u>	<u>\$ 167,083,555</u>	<u>\$ 169,912,924</u>	<u>\$ 152,747,779</u>	<u>\$ 160,743,412</u>	<u>\$ 160,743,412</u>
\$ 52,304,682	\$ 81,417,800	\$ 76,461,833	\$ 54,705,951	\$ 51,689,036	\$ 51,689,036
59,550,621	52,279,716	54,932,005	56,121,250	60,520,121	60,520,121
34,447,449	33,386,039	38,519,086	41,920,578	48,534,255	48,534,255
<u>\$ 146,302,752</u>	<u>\$ 167,083,555</u>	<u>\$ 169,912,924</u>	<u>\$ 152,747,779</u>	<u>\$ 160,743,412</u>	<u>\$ 160,743,412</u>

SAN JACINTO RIVER AUTHORITY

CHANGES IN NET POSITION

Last Ten Fiscal Years

	2010	2011	2012	2013
Expenses				
Business-type activities:				
Salaries and wages	\$ 4,610,165	\$ 6,702,971	\$ 7,958,296	\$ 8,392,601
Employee insurance and other payroll benefits	2,316,454	2,783,051	2,772,375	3,476,905
Outside services employed	2,718,636	5,053,638	3,908,048	4,072,695
Operating supplies and expenses	5,437,305	7,595,490	7,388,455	7,797,323
Rentals	147,150	124,643	352,479	234,674
Maintenance, repairs and parts	2,446,618	4,133,285	4,550,249	4,538,373
Water planning study expenses	1,026,692	157,071	197,815	257,465
General and administrative expenses	1,971,681			
Depreciation	5,823,940	6,330,205	6,898,534	7,404,035
Total business-type activities expenses	26,498,641	32,880,354	34,026,251	36,174,071
Total primary government expenses	\$ 26,498,641	\$ 32,880,354	\$ 34,026,251	\$ 36,174,071
Program Revenues:				
Business-type activities				
Water sales:				
Industrial	\$ 8,862,294	\$ 9,037,794	\$ 9,223,102	\$ 10,125,269
Irrigation	76,369	134,341	108,342	109,004
Water and sewer service fees	15,253,398	33,257,666	33,360,551	44,863,366
Permits, licenses, and fees	578,560	763,503	1,007,532	1,002,670
Contractual revenues				
Capacity charges	5,205,756	5,466,830	5,242,829	5,252,805
Water planning study	1,088,622	141,878	210,072	249,233
Total business-type activities revenues	31,064,999	48,802,012	49,152,428	61,602,347
Total primary government revenues	\$ 31,064,999	\$ 48,802,012	\$ 49,152,428	\$ 61,602,347
Net (Expenses) Revenue				
Business-type activities				
Interest income	\$ 229,489	\$ 287,860	\$ 713,705	\$ 1,189,490
Gain (Loss) on disposal of capital assets	161,336	47,542	167,866	(144,605)
Oil and gas royalty income	12,635	7,920	3,165	
Other revenues	1,932	6,305	220,754	117,973
FEMA Grant				
Other expenses		(119,476)		(1,234,093)
Amortization of bond premium or discounts	(683,725)	(728,548)	(454,979)	77,657
Interest expense on bonds	(3,527,175)	(5,367,553)	(11,489,309)	(22,414,786)
Total business-type activities	(3,805,508)	(5,865,950)	(10,838,798)	(22,408,364)
Total primary government	\$ (3,805,508)	\$ (5,865,950)	\$ (10,838,798)	\$ (22,408,364)
General Revenues and Other Change in Net Position				
Business-type activities:				
Capital Contributions/(Distributions)	\$ 789,125	\$ 1,843,632	\$ 837,109	\$ 3,300,933
Total business-type activities	789,125	1,843,632	837,109	3,300,933
Total primary government	\$ 789,125	\$ 1,843,632	\$ 837,109	\$ 3,300,933
Change in Net Position				
Business-type activities	1,549,975	11,899,340	5,124,488	6,320,845
Total primary government	\$ 1,549,975	\$ 11,899,340	\$ 5,124,488	\$ 6,320,845

Notes: The Authority can be involved in governmental activities and business-type activities which would be reported separately in this schedule. The Authority does not currently have any governmental activities.

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 8,872,719	\$ 10,720,810	\$ 11,724,348	\$ 12,182,806	\$ 12,255,875	\$ 12,511,453	
3,443,181	4,255,143	4,715,723	4,924,773	5,179,617	5,493,433	
4,943,193	3,759,083	5,042,298	6,283,542	6,367,524	8,366,993	
9,405,454	6,754,835	11,252,100	11,732,077	11,849,544	11,958,973	
118,467	69,320	85,327	75,774	80,229	67,175	
3,773,308	4,113,761	5,279,400	6,080,155	7,792,350	7,891,447	
520,071	802,042	17,877	1,943	1,479	1,732	
7,783,943	8,753,185	23,527,194	24,446,476	24,381,708	24,170,719	
38,860,336	39,228,179	61,644,267	65,727,546	67,908,326	70,461,925	
<u>\$ 38,860,336</u>	<u>\$ 39,228,179</u>	<u>\$ 61,644,267</u>	<u>\$ 65,727,546</u>	<u>\$ 67,908,326</u>	<u>\$ 70,461,925</u>	
\$ 11,070,653	\$ 10,550,443	\$ 12,622,941	\$ 13,553,382	\$ 14,571,525	\$ 16,532,985	
129,878	141,375	139,677	204,387	120,487	118,548	
52,090,243	60,607,860	67,391,878	73,727,688	77,933,431	69,595,114	
1,070,828	1,131,372	1,125,274	1,351,718	1,334,353	1,424,817	
	1,716,011	1,486,056	2,065,619	2,617,142	3,314,511	
5,188,612	5,022,163	3,834,462	3,856,538	3,846,463	9,646,449	
492,810	759,984	359,554	112,377	667,766	470,686	
70,043,024	79,929,208	86,959,842	94,871,709	101,091,167	101,103,110	
<u>\$ 70,043,024</u>	<u>\$ 79,929,208</u>	<u>\$ 86,959,842</u>	<u>\$ 94,871,709</u>	<u>\$ 101,091,167</u>	<u>\$ 101,103,110</u>	
\$ 376,774	\$ 238,633	\$ 396,775	\$ 527,927	\$ 1,408,665	\$ 1,856,573	
959,459	(33,748)	452,827	588,168	557,773	1,854,993	
87,035	40,825	39,697	675,300	574,180	861,342	
(3,097,923)	(799,966)	(108,133)		(4,015,162)	0	
166,343	278,431	278,666	273,179	314,621	281,686	
(25,688,916)	(25,183,782)	(24,954,257)	(25,644,260)	(25,517,682)	(25,087,078)	
(27,197,228)	(25,459,607)	(23,894,425)	(23,579,686)	(26,677,605)	(20,232,484)	
<u>\$ (27,197,228)</u>	<u>\$ (25,459,607)</u>	<u>\$ (23,894,425)</u>	<u>\$ (23,579,686)</u>	<u>\$ (26,677,605)</u>	<u>\$ (20,232,484)</u>	
\$ 1,390,869	\$ 4,030,000	\$ 1,408,219	\$ (21,992,683)	\$ 1,490,397	\$ 1,548,908	
1,390,869	4,030,000	1,408,219	(21,992,683)	1,490,397	1,548,908	
<u>\$ 1,390,869</u>	<u>\$ 4,030,000</u>	<u>\$ 1,408,219</u>	<u>\$ (21,992,683)</u>	<u>\$ 1,490,397</u>	<u>\$ 1,548,908</u>	
5,376,329	19,271,422	2,829,369	(16,428,206)	7,995,633	11,957,609	
<u>\$ 5,376,329</u>	<u>\$ 19,271,422</u>	<u>\$ 2,829,369</u>	<u>\$ (16,428,206)</u>	<u>\$ 7,995,633</u>	<u>\$ 11,957,609</u>	

SAN JACINTO RIVER AUTHORITY

WOODLANDS DIVISION WATER AND SEWER SERVICE FEES BY SOURCE

Last Ten Fiscal Years

Fiscal Year	Water and Sewer Fees			Total Water Direct Rate	Total WasteWater Direct Rate (1)
	Water	Sewer	Total		
2010	\$ 6,666,899	\$ 7,497,114	\$ 14,164,013	\$ 1.26	\$ 1.63
2011	\$ 10,227,673	\$ 12,286,754	\$ 22,514,427	\$ 1.40	\$ 1.99
2012	\$ 8,767,267	\$ 9,604,911	\$ 18,372,178	\$ 1.40	\$ 3.31
2013	\$ 10,903,899	\$ 10,265,798	\$ 21,169,697	\$ 1.64	\$ 3.64
2014	\$ 11,268,542	\$ 9,580,621	\$ 20,849,163	\$ 1.74	\$ 3.74
2015	\$ 10,144,585	\$ 11,578,793	\$ 21,723,378	\$ 1.99	\$ 3.95
2016	\$ 10,863,349	\$ 12,105,737	\$ 22,969,086	\$ 2.03	\$ 4.15
2017	\$ 11,604,919	\$ 13,289,956	\$ 24,894,875	\$ 2.10	\$ 4.30
2018	\$ 11,279,001	\$ 13,286,432	\$ 24,565,433	\$ 2.10	\$ 4.30
2019	\$ 9,534,666	\$ 12,135,765	\$ 21,670,431	\$ 2.10	\$ 4.30

(1) Direct Rate based on per thousand gallons

SAN JACINTO RIVER AUTHORITY

PRINCIPAL WOODLANDS DIVISION WATER AND SEWER FEES PAYERS

August 31, 2019

<u>Customer</u>	<u>2019</u>			<u>2009</u>		
	<u>Revenue Base Attributable</u>	<u>Rank</u>	<u>% Base of The total Revenue Base</u>	<u>Revenue Base Attributable</u>	<u>Rank</u>	<u>% Base of The total Revenue Base</u>
MUD 6	\$ 2,108,102	8	6%	\$ 707,593	8	5%
MUD 7	\$ 2,436,986	6	7%	\$ 1,107,538	5	8%
MUD 36	\$ 1,345,196	9	4%	\$ 602,287	9	4%
MUD 39	\$ 1,341,557	10	4%	\$ 524,198	10	4%
MUD 1*	\$ 2,312,328	7	7%	\$ 911,953	7	6%
MUD 46	\$ 7,538,303	1	22%	\$ 3,411,559	1	24%
MUD 47	\$ 5,731,160	2	17%	\$ 2,832,282	2	20%
MUD 60	\$ 3,512,263	4	10%	\$ 1,774,663	3	12%
MUD 67	\$ 3,184,748	5	9%	\$ 1,178,902	4	8%
Metro MUD	\$ 4,423,500	3	13%	\$ 1,235,891	6	9%

Note: The requirement for statistical data is ten years.

*Previously reported as MUD 2 & MUD 40

SAN JACINTO RIVER AUTHORITY

LIST OF PRINCIPAL CUSTOMERS

August 31, 2019

Raw Water Enterprise

CC Willis, LP
Chevron Phillips Chemical Company
Crosby Municipal Utility District
ECO Services Operations, LLC
Entergy
ExxonMobil
Harris County Municipal Utility District 50
LCY Elastomers, LP
Newport Municipal Utility District
SJRA - GRP Division

Woodlands Division

Municipal Utility District 1
Municipal Utility District 6
Municipal Utility District 7
Municipal Utility District 36
Municipal Utility District 39
Municipal Utility District 46
Municipal Utility District 47
Municipal Utility District 60
Municipal Utility District 67
Metro Municipal Utility District

Lake Conroe Division

ABN Alliance LLC
Bentwater Yacht & Country Club
Harbour Town Club
Pier 105 Marina, LLC
Seven Coves Association
SHM Walden Marina
Sports Harbour, LLC
Stow-A-Way Marina
The Palms Marina
Waterpoint Marina, Inc.

Groundwater Reduction Plan Division

City of Conroe
Montgomery Co. MUD 119
Montgomery Co. MUD 99, MUD 115 & MUD 127
Montgomery Co. MUD No. 89 & MUD 88
MSEC Enterprises Montgomery Trace/Crown Oaks/Highland Ranch
New Caney MUD
Quadvest, LP Benders Landing
Rayford Road Municipal Utility District
SJRA - Woodlands Division
Southern Mont. Co. Municipal Utility District

Note: The above customers represent SJRA's principal customers. Because of the long term of SJRA's contracts, the majority of these customers have been customers of SJRA for ten years or more.

SAN JACINTO RIVER AUTHORITY

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Business-Type Activities			Total Primary Government	Percentage of Revenue (1)	Percentage of Personal Income (2)	Debt per Population (2)
	Water Revenue Bonds	Special Project Revenue Bond	Loans				
2010 (3)	\$ 86,240,000	\$ 36,860,000	\$ 1,947,767	\$ 125,047,767	260.05%	N/A	N/A
2011 (3)	\$ 84,910,000	\$ 118,625,000	\$ 3,926,810	\$ 207,461,810	417.02%	N/A	N/A
2012 (3)	\$ 81,160,000	\$ 360,330,000	\$ 3,723,667	\$ 445,213,667	426.35%	N/A	N/A
2013 (3)	\$ 46,860,000	\$ 561,830,000	\$ 3,414,305	\$ 612,104,305	902.61%	N/A	N/A
2014 (3)	\$ 45,060,000	\$ 589,770,000	\$ 3,148,703	\$ 637,978,703	1035.64%	N/A	N/A
2015 (4)	\$ 77,385,000	\$ 573,355,000	\$ 2,870,882	\$ 653,610,882	1061.02%	N/A	N/A
2016	\$ 75,285,000	\$ 559,405,000	\$ 2,597,001	\$ 637,287,001	732.85%	N/A	N/A
2017	\$ 72,708,771	\$ 547,509,584	\$ 2,310,895	\$ 622,529,250	652.09%	N/A	N/A
2018 (5)	\$ 68,865,000	571,525,000	2,010,855	\$ 642,400,855	677.13%	N/A	N/A
2019	\$ 65,500,000	555,565,875	1,697,860	\$ 622,763,735	613.52%	N/A	N/A

(1) Based on operating revenues.

(2) The Authority has no taxation authority, therefore relating the Authority's debt to personal income or population is not applicable. Further, certain of the Authority's customers are industrial or other non-municipal users such that relating the Authority's debt to personal income or population is not applicable.

(3) Increases are reflective of the Groundwater Reduction Plan bond issuances.

(4) Increases are reflective of the Highlands bond issuances.

(5) Increases are reflective of the Woodlands bond issuances.

Note: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

SAN JACINTO RIVER AUTHORITY

PLEDGE - REVENUE COVERAGE

Last Ten Fiscal Years

Water Revenue Bonds

Fiscal Year	Revenue	Less Operating Expenses	Net Available for Debt Service	Debt Service		Cover Ratio
				Principal	Interest	
<u>All Divisions Except the GRP Division</u>						
2010	\$ 10,595,845	\$ 5,585,308	\$ 5,010,537	\$ 815,000	\$ 969,101	2.81
2011	\$ 8,448,902	\$ 2,809,489	\$ 5,639,413	\$ 195,000	\$ 1,189,324	4.07
2012	\$ 9,017,529	\$ 3,621,077	\$ 5,396,452	\$ 1,670,000	\$ 1,617,041	1.64
2013	\$ 9,338,000	\$ 3,363,471	\$ 5,974,529	\$ 1,715,000	\$ 1,616,962	1.79
2014	\$ 10,928,913	\$ 4,135,993	\$ 6,792,920	\$ 1,800,000	\$ 1,711,799	1.93
2015	\$ 12,456,148	\$ 4,208,932	\$ 8,247,216	\$ 2,035,000	\$ 1,677,115	2.22
2016	\$ 15,253,673	\$ 5,122,763	\$ 10,130,910	\$ 2,100,000	\$ 2,796,584	2.07
2017	\$ 16,679,811	\$ 4,600,229	\$ 12,079,582	\$ 3,160,000	\$ 2,757,433	2.04
2018	\$ 17,198,144	\$ 5,025,528	\$ 12,172,616	\$ 3,260,000	\$ 2,625,692	2.07
2019	\$ 18,882,546	\$ 5,960,724	\$ 12,921,822	\$ 3,365,000	\$ 2,567,879	2.18
<u>GRP Division</u>						
2010	\$	\$	\$ -	\$	\$	
2011	\$	\$	\$	\$	\$	
2012	\$	\$	\$	\$	\$	
2013	\$	\$	\$	\$	\$	
2014	\$	\$	\$	\$	\$	
2015	\$	\$	\$	\$	\$	
2016	\$	\$	\$	\$	\$	
2017	\$	\$	\$	\$	\$	
2018	\$	\$	\$	\$	\$	
2019	\$	\$	\$	\$	\$	

Special Project Revenue Bonds

Revenue	Less Operating Expenses	Net Available for Debt Service	Debt Service		Cover Ratio
			Principal	Interest	
\$ 5,205,756	\$ 19,638	\$ 5,186,118	\$ 2,655,000	\$ 2,807,120	0.95
\$ 5,466,830	\$ 8,150	\$ 5,458,680	\$ 2,525,000	\$ 2,578,229	1.07
\$ 5,242,829	\$ 5,400	\$ 5,237,429	\$ 2,925,000	\$ 2,484,830	0.97
\$ 5,252,805	\$ 5,350	\$ 5,247,455	\$ 2,815,000	\$ 2,326,974	1.02
\$ 5,188,612	\$ 6,550	\$ 5,182,062	\$ 2,935,000	\$ 2,433,327	0.97
\$ 5,022,163	\$ 13,450	\$ 5,008,713	\$ 3,525,000	\$ 1,450,666	1.01
\$ 3,834,462	\$ 3,750	\$ 3,830,712	\$ 3,245,000	\$ 725,139	0.96
\$ 3,856,538	\$ 7,776	\$ 3,848,762	\$ 2,095,000	\$ 1,628,000	1.03
\$ 3,846,463	\$ 2,250	\$ 3,844,213	\$ 2,270,000	\$ 1,517,719	1.01
\$ 37,992,337	\$ 31,903,081	\$ 6,089,256	\$ 2,335,000	\$ 1,933,731	1.43
\$ 1,089,476	2,447,677	(1,358,201)		238,064	(5.71)
\$ 10,826,665	\$ 5,450,870	\$ 5,375,795	\$	\$ 1,096,553	4.90
\$ 14,814,666	\$ 4,132,542	\$ 10,682,124	\$	\$ 7,208,592	1.48
\$ 23,955,203	\$ 6,139,654	\$ 17,815,549	\$	\$ 18,333,910	0.97
\$ 31,293,612	\$ 7,041,051	\$ 24,252,561	\$ 7,820,000	\$ 21,350,629	0.83
\$ 38,529,534	\$ 7,122,884	\$ 31,406,650	\$ 12,890,000	\$ 21,341,076	0.92
\$ 45,655,158	\$ 15,577,960	\$ 30,077,198	\$ 13,010,000	\$ 21,316,968	0.88
\$ 50,469,701	\$ 19,627,649	\$ 30,842,052	\$ 13,025,000	\$ 21,337,138	0.90
\$ 55,177,487	\$ 17,690,439	\$ 37,487,048	\$ 13,315,000	\$ 20,914,988	1.10
\$ 49,628,068	\$ 17,049,953	\$ 32,578,115	\$ 13,650,000	\$ 20,713,575	0.95

SAN JACINTO RIVER AUTHORITY

AUTHORITY DEMOGRAPHICS

The SJRA's area comprises all of the territory within the watershed of the San Jacinto River and its tributaries, except the portion of the watershed that lies within the boundaries of Harris County. Such geographical areas consist of all of Montgomery County and parts of Waller, Grimes, Walker, San Jacinto, Liberty and Fort Bend Counties. The SJRA's service area includes all of six counties and part of four counties and more than 30 cities and communities. This geographic diversity in turn provides economic diversity with a combination of agriculture, oil and gas and industry.

The SJRA provides a variety of services to municipal utility districts, industries, and individuals within this service area. The array of services includes water sales and distribution, water treatment, wastewater treatment, laboratory analysis, and recreational opportunities. This diversity allows the local economy to be among the State's growth leaders, outpace the national economy, and create opportunities to foster employment for the population growth in each county. The graphs below and on the following page portray the population and economic base within SJRA's service area.

<u>County/City</u>	<u>Population</u>
Barrett	3,453
Baytown	76,205
Crosby	2,704
Grimes County	27,358
Highlands	7,544
Liberty County	86,323
Montgomery County	590,925
San Jacinto County	27,436
Walker County	72,480
Waller County	48,443

CensusReporter.org

The SJRA serves parts of Walker County, but for the demographic and statistical section above, reports as a whole county.

<u>Educational Attainment</u>		
<u>County/City</u>	<u>High School</u>	<u>College</u>
Barrett	69%	10%
Baytown	77%	14%
Crosby	80%	11%
Grimes County	79%	14%
Highlands	82%	10%
Liberty County	80%	10%
Montgomery County	87%	36%
San Jacinto County	83%	10%
Walker County	87%	21%
Waller County	78%	19%

Source CensusReporter.org

The SJRA serves parts of Walker County, but for the demographic and statistical section above, reports as a whole county.

<u>County/City</u>	<u>Median Age</u>	<u>Largest Employers</u>
Barrett	37	Alight Solutions
Baytown	33	Anadarko
Crosby	31	Huntsville Independent School District
Grimes County	40	Lone Star College System
Highlands	37	Memorial Hermann The Woodlands Hospital
Liberty County	35	Occidental Petroleum
Montgomery County	38	Sam Houston State University
San Jacinto County	44	St. Luke's The Woodlands Hospital
Walker County	37	Texas Department of Criminal Justice
Waller County	29	Woodforest National Bank

Source CensusReporter.org

The SJRA serves parts of Walker County, but for the demographic and statistical section above, reports as a whole county.

<u>County/City</u>	<u>Median Household Income (\$)</u>
Barrett	32,929
Baytown	49,930
Crosby	36,954
Grimes County	47,839
Highlands	58,295
Liberty County	45,614
Montgomery County	76,811
San Jacinto County	44,878
Waller County	40,936
Walker County	53,508

CensusReporter.org

The SJRA serves parts of Walker County, but for the demographic and statistical section above, reports as a whole county.

<u>County/City</u>	<u>Unemployment Rate</u>
Barrett	9.5%
Baytown	9.5%
Crosby	9.5%
Grimes County	4.1%
Highlands	9.5%
Liberty County	5.8%
Montgomery County	3.8%
San Jacinto County	5.0%
Walker County	4.2%
Waller County	4.3%

Source Txcip.org & towncharts.com

The SJRA serves parts of Walker County, but for the demographic and statistical section above, reports as a whole county.

SAN JACINTO RIVER AUTHORITY

NUMBER OF EMPLOYEES BY DIVISION

Last Ten Fiscal Years

<u>Division</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Highlands	6	7	7	7	7
Lake Conroe	11	13	14	13	14
Woodlands	45	45	45	39	33
General & Administration	27	48	56	77	79
Groundwater Reduction Plan	1	4	5	7	12
Flood Management					
Total	90	117	127	143	145

Note: This table reports the number of filled, full-time employees positions based on the division in which they are employed. Table does not include budgeted, unfilled positions. Employees in the General & Administration Division provide centralized services to all four operating divisions, and their time and salary costs are allocated to each division based on time worked.

Note: The majority of the growth occurring during and after 2010 has been directly related to the planning and implementation of a surface water program in response to regulations adopted by the Lone Star Groundwater Conservation District. The Authority now performs in-house services that were not provided in 2010.

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
7	6	10	11	9
14	14	13	14	14
38	42	39	39	37
83	86	80	74	77
23	29	27	29	26
				1
<hr/>				
165	177	169	167	164
<hr/> <hr/>				

SAN JACINTO RIVER AUTHORITY

OPERATING STATISTICS

Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Raw Water Enterprise (Lake Conroe and Highlands Division)</u>					
Water Delivered (Thousand Gallons)	22,956,203	26,548,710	22,813,154	22,634,039	23,192,114
Water Rights (See detail below)	7	7	7	7	7

Woodlands Division

Water Average Pumpage (Thousand Gallons)	5,789,840	7,674,492	7,036,323	6,628,769	6,115,812
Wastewater Average Flow (Thousand Gallons per Day)	7,643	7,557	7,742	7,315	7,677
Water Permits	1	1	1	1	1
Wastewater Permits	3	3	3	3	3
Storm Water Permits	2	2	2	2	2

Water Rights Permitted at End of Year

<u>Source</u>	<u>Water Right Permit Number</u>	<u>Permitted Amount (afpy)</u>	<u>Date Granted</u>
Lake Conroe	COA 10-4963	33,333	1987
Lake Houston - Run of River	COA 10-4964	55,000	1987
Lake Houston - Effluent Woodlands WWTP's	Permit 5809	14,944	2004
Lake Houston - Additional Storage	Permit 5807	14,100	2008
Lake Houston - Additional Run of River	Permit 5808	40,000	2009
Lake Houston - Effluent Conroe WWTP	Permit 13183	11,200	2019
Trinity River - Devers	Permit 5271	56,000	1995
Trinity River - CLCND	COA 08-4279	30,000	2005

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
23,611,611	24,583,145	32,205,585	30,979,017	31,520,814
7	7	7	7	8
5,529,976	6,015,090	6,132,615	5,927,160	5,068,824
7,746	7,960	7,864	7,689	7,760
1	1	1	1	1
3	3	3	3	3
2	2	2	2	2

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF CAPITAL ASSET ADDITIONS

Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Raw Water Enterprise, Highlands and General & Administration				
Land	\$	\$ 31,415	\$	\$
Water permits and rights	4,737	5,194	1,090	
Construction in progress	5,303,395	7,743,714	5,804,413	13,887,890
Furniture, fixtures and equipment	3,761	888,915	130,150	18,540
Other machinery and equipment	128,081	102,666	223,889	300,528
Automobiles and trucks	55,566	102,171	369,830	131,621
Buildings	3,025	5,215,813	41,360	
Water systems	716,658	3,308,871	2,173,361	17,875,400
Lake Conroe Division				
Land		28,372		
Construction in progress	74,266	63,589	15,062	63,109
Furniture, fixtures and equipment	1,254	75,846	292	1,134
Other machinery and equipment	55,156	10,774	12,721	1,828
Automobiles and trucks	8,459	22,799	9,653	17,215
Buildings	6,936	46,370	2,656	
Dams and appurtenances	7,528	5,711	40,289	6,908
Water systems		6,747		
Woodlands Division				
Land	25,364	31	14,236	6,568
Construction in progress	5,670,466	6,398,484	7,841,826	7,662,672
Furniture, fixtures and equipment	81,356	77,986	42,559	196,702
Other machinery and equipment	20,822	91,258		9,849
Automobiles and trucks	313,628		56,106	58,209
Buildings	13,293	79,829	82,024	
Dams and appurtenances				
Water systems	2,665,510	4,854,789	3,798,904	5,458,285
Wastewater utility systems	2,716,115	542,695	827,430	2,511,040
Capital Improvement Plans				
Groundwater Reduction Plan Division				
Land	1,139,941		1,880,898	85,157
Construction in Progress	2,265,204	10,163,648	40,586,454	81,722,501
Furniture, fixtures and equipment	15,000	78,463	320,489	104,686
Other machinery and equipment		189,557		
Automobiles and trucks		26,575	58,551	19,529
Buildings			2,287,713	47,963
Water systems		7,678		
Total Capital Asset Additions	<u>\$ 21,295,521</u>	<u>\$ 40,169,960</u>	<u>\$ 66,621,956</u>	<u>\$ 130,187,334</u>

2014	2015	2016	2017	2018	2019
\$ 10,000	\$ 58,876	\$ 462,528	\$ 31,328	\$ 3,811,415	\$ 1,206
9,772,503	7,427,025	12,317,956	9,439,000	7,808,330	5,522,593
160,680	134,167	52,201	70,175	171,677	84,988
361,139	70,271	178,617	11,732	189,732	34,019
100,878	65,171	86,271	66,379	16,066	148,789
1,484,025	774	147,491	12,628		5,696
2,802,551	8,574,076	1,378,675	19,779,516	6,434,762	569,257
	2,596	1,833	2,541		
501,722	642,080	64,925	609,074	60,182	95,327
7,055	39,036	56,850	2,912	907	1,301
10,864	43,014		16,624	76,639	3,905
21,814	12,854	10,400	11,373	9,172	16,096
		87		72,154	
	1,132,947			489,081	
	23,194				
6,548,527	5,020,431	7,941,930	2,318,762	5,850,096	5,990,530
71,413	386,203	14,261	66,713	26,764	27,108
372,450	49,496	337,314	46,714	53,589	91,656
46,058	7,410	129,939	57,982	73,207	97,004
6,720					
256,356					
3,783,083	3,296,024	1,758,450	3,297,838		674,106
3,020,956	1,801,043	1,660,236	7,610,604	146,497	35,966
	500,536		12,583,964	586,852	
218,185,401	111,689,168	25,045,377	3,239,805	416,023	58,489
189,621	534,634	1,088,875	10,543	19,455	13,536
		342,658	168,058	107,072	86,105
	206,776	113,450		25,808	43,363
	43,153	13,186,309	34,680	1,870	
		417,692,912	1,023,991	2,480,945	5,229
<u>\$ 247,713,816</u>	<u>\$ 141,760,955</u>	<u>\$ 484,069,545</u>	<u>\$ 60,512,936</u>	<u>\$ 28,928,295</u>	<u>\$ 13,606,269</u>