

San Jacinto River Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Fiscal Year Ended
August 31, 2020**

Prepared by the Accounting Department

Montgomery County, Texas



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

TABLE OF CONTENTS

San Jacinto River Authority
Comprehensive Annual Financial Report for Fiscal Year Ended August 31, 2020

	<u>Page</u>
<i>Introductory Section</i>	
Letter of Transmittal	i-vii
Certificate of Achievement for Excellence in Financial Reporting	viii
Organizational Chart	ix
Board of Directors	x
<i>Financial Section</i>	
Independent Auditors' Report	3-4
Management Discussion and Analysis	5-12
Basic Financial Statements	
Statement of Net Position	14-17
Statement of Revenues, Expenses and Changes In Net Position	18-19
Statement of Cash Flows	20-23
Notes to Financial Statements	25-60
Required Supplementary Information	
Governmental Accounting Standards Board Statement Nos. 67 & 68, Defined Benefit Pension Plan, Schedule of Changes in Net Pension Liability and Related Ratios	62-63
Governmental Accounting Standards Board Statement Nos. 67 & 68, Defined Benefit Pension Plan, Schedule of Employer Contributions	64
Governmental Accounting Standards Board Statement Nos. 67 & 68, Defined Benefit Pension Plan, Schedule of Investment Returns	65
Governmental Accounting Standards Board Statement Nos. 74 & 75, Post-Employment Benefits Other Than Pension, Schedule of Changes in Net Pension Liability and Related Ratios	66-67
Governmental Accounting Standards Board Statement Nos. 74 & 75, Post-Employment Benefits Other Than Pensions Schedule of Employer Contributions	68
Other Supplementary Information	
Schedule of Revenues and Expenses – Budget and Actual – Raw Water Enterprise	70
Schedule of Revenues and Expenses – Budget and Actual (Budgetary Basis) – Woodlands Division	71
Schedule of Revenues and Expenses – Budget and Actual – Groundwater Reduction Plan Division	72
Schedule of Net Position–Groundwater Reduction Plan	73
Schedule of Revenues and Expenses – Groundwater Reduction Plan Division	74
Schedule of Cash Flows–Groundwater Reduction Plan Division	75
Schedule of Capital Assets–Lake Conroe Dam, Reservoir and Related Equipment	76
Insurance Coverages	77
Principal Officials	78

Statistical Section

Index and Explanation	79
Net Position by Component	80-81
Changes in Net Position	82-83
Woodlands Division Water and Sewer Service Fees by Source	84
Principal Woodlands Division Water and Sewer Fees Payers	85
List of Principal Customers	86
Ratio of Outstanding Debt by Type	87
Pledge – Revenue Coverage	88-89
Authority Demographics	90-91
Number of Employees by Division	92-93
Operating Statistics	94-95
Schedule of Capital Asset Additions	96-97

INTRODUCTORY SECTION



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San Jacinto River Authority

ADMINISTRATIVE OFFICE
P.O. Box 329 · Conroe, Texas 77305
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November 6, 2020

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, 2020. 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, 2020. 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.

FLOOD MANAGEMENT DIVISION
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Conroe, Texas 77305
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(F) 936.588.1114

GRP DIVISION
P.O. Box 329
Conroe, Texas 77305
(T) 936.588.1662
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HIGHLANDS DIVISION
P.O. Box 861
Highlands, Texas 77562
(T) 281.843.3300
(F) 281.426.2877

LAKE CONROE DIVISION
P.O. Box 329
Conroe, Texas 77305
(T) 936.588.1111
(F) 936.588.1114

WOODLANDS DIVISION
2436 Sawdust Road
The Woodlands, Texas 77380
(T) 281.367.9511
(F) 281.362.4385

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 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 118,000 person community of The Woodlands (The Howard Hughes Corporation data as of January 2020). 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 ensures reliable, long-term water supplies for its participants in

Montgomery County and meets the groundwater reduction requirements of the Lone Star Groundwater Conservation District (LSGCD). 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 2020: Unemployment Rate for Texas was 6.8% while the U.S. was 8.4%; Measures of Inflation, the change in CPI from previous year for Texas was 0.1% while the U.S. was 1.0%; and Consumer Confidence Index for Texas was -33.3% while the U.S. was -35.7%. The Comptroller issued the “The Gulf Coast Region: 2020 Regional Snapshot Report” and the “2020 Texas Regional Report” showing population growth to be 18.9% in the Region vs. 15.3% for Texas and 6.3% for the U.S. for 2010-2019. In addition, the Bureau of Economic Analysis data, showed the Per Capita Personal Income Growth to be 4.4% for Houston-The Woodlands-Sugar Land Metropolitan Statistical Area, 4.6% for Texas, and 3.9% for the U.S. for 2018-2019.

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 assess the need for future water supplies and plan accordingly.

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 2020, SJRA submitted a Self-Evaluation Report to the Sunset Advisory Commission in September 2019. This began a review process in which the SJRA was thoroughly assessed by the Sunset Advisory Commission. Sunset Advisory Commission evaluations are a powerful legislative oversight tool and will provide recommendations to the Texas Legislature in Fiscal Year 2021 for the SJRA to implement improvements that increase SJRA's effectiveness and efficiency. In addition, as the COVID-19 pandemic impacted businesses around the world, SJRA was able to modify work practices and maintain a high level of service in providing safe drinking water, raw water, and wastewater services to SJRA's customers while providing a safe work environment for employees.

The Highlands Division completed replacement of the siphon located at East Canal and Wallisville Road. 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. The Highlands Division installed bypass piping at Siphon 7 to accommodate installation of a bridge crossing and removal of Siphon 7 by Texas Department of Transportation. A second phase to this project will be to remove the bypass piping and reintroduce flows under the newly constructed bridge. The Highlands Division completed designs to rehabilitate the intake screen channel at the Lake Houston Pump Station, for the replacement of Siphon 29, and began design to replace Siphons 25 and 26 with rehabilitation of the levees between Siphon 24 and 27. Construction of these Siphon and levee projects are anticipated to be forthcoming in Fiscal Year 2021-22. In addition, the Highlands Division completed the levee improvements to the South Canal from Siphon 21 to 2,500 feet downstream.

During Fiscal Year 2020, 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 renewal. The Woodlands issued \$42.9 million in bonds on November 7, 2017, to address major renewal needs. This is in addition to the continued annual renewal of the system that is paid for by the Woodlands Repair and Replacement Fund. During Fiscal Year 2020, the Woodlands Division completed replacement of the Sludge Dewatering and Solids Processing facility at Wastewater Treatment Plant No. 1. The Woodlands Division has also begun construction for the renewal of the Bear Branch Gravity Sewer Main, began construction of a second ground storage tank at Water Plant No. 4, and completed the design for replacement of Aeration Basins 1 and 2 at Wastewater Treatment Plant No. 1.

The Lake Conroe Division replaced three piezometers located along the dam that were returning errant readings. This project increases reliability of the Lake Conroe Dam Safety Monitoring Program. The Lake Conroe Division also began development of a reservoir forecasting tool as a second phase of the Texas Water Development Board Flood Protection Plan Grant awarded to the Lake Conroe Division on November 12, 2018. The Lake Conroe Division began final design for improvements to the westside diversion channel with construction anticipated to begin in Fiscal Year 2021. In addition, the Lake Conroe Division demolished one of the two on site residences and modified the Lake Conroe office to accommodate 24 hour emergency operations.

The Groundwater Reduction Plan Division began utilizing some key staff members from the Woodlands Division as an effort to manage costs as well as align similar utility operations. The Groundwater Reduction Plan Division contracted to provide up to 2.555 billion gallons per year of raw water currently reserved by the division from the City of Houston's 2/3 share of water rights in Lake Conroe to an industrial customer located on Lake Conroe. The industrial customer will pay the City of Houston's prevailing water rates for take and reservation purposes, plus a 5% administrative fee.

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 2020, the GRP Pumpage Fee was set at \$2.73 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. The GRP Surface Water Fee was set at \$3.15 per thousand gallons of surface water received by the participating entity. These fees may increase in the future for: the operation, maintenance and repair of the necessary infrastructure to continue to deliver surface water; contributions to reserves; and if necessary, costs for planning and implementation of future phases. SJRA's Board approved maintaining the Fiscal Year 2021 rates for the GRP Pumpage Fee and the GRP Surface Water. 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 2020 fiscal year, 149 participants have joined the SJRA GRP. 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. On September 8, 2020, the LSGCD adopted new regulations which, in pertinent part, repealed its regulations requiring certain water users implement a GRP in order to reduce groundwater use and convert to alternative water supplies. Notwithstanding the foregoing, the GRP Contracts remain in force and effect in accordance with their terms. See Note 12 for a discussion of the status of ongoing litigation related to the GRP, including the status of collection of amounts due and owing SJRA by certain GRP participants.

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 Main Canal between Siphon 24 and 27. The Division will also be making improvements at the Lake Houston Pump Station to allow for remote operations.

During Fiscal Year 2021, the Lake Conroe Division will be replacing thirty rollers on each of the five dam spillway gates that were fabricated in Fiscal Year 2020. The Lake Conroe Division will begin construction of the improvements to the westside diversion channel. Projects to improve the west end facility, as well as continuing design for improvements to Lake Conroe's maintenance facilities, are also planned for Fiscal Year 2021. In addition, Lake Conroe anticipates completion of renewing the operating contract with the City of Houston in Fiscal Year 2021.

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 following SJRA protocol for selection of professional services to conduct the FY2020 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, 2019. This was the eleventh 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.

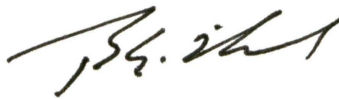
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal 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 2020.

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

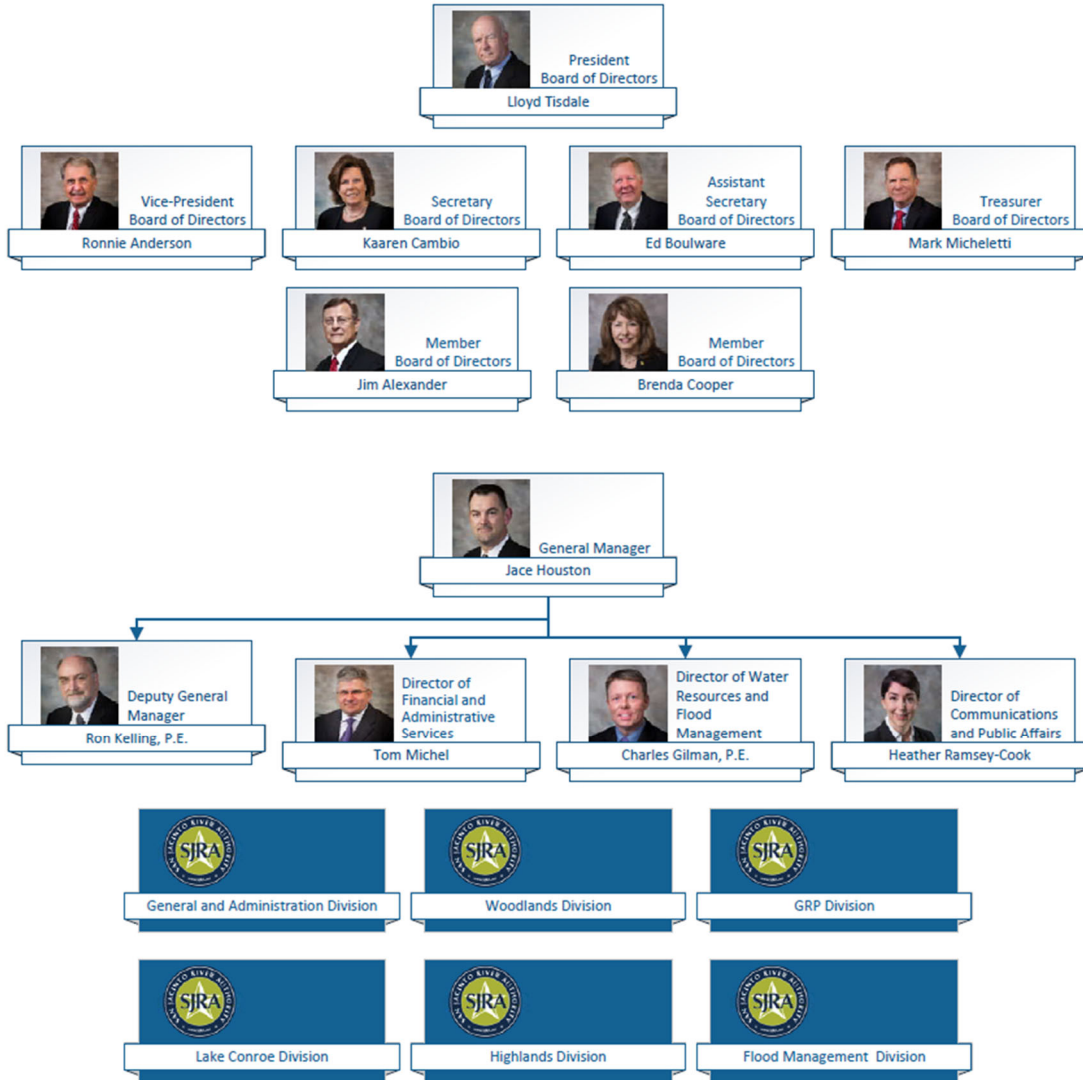
August 31, 2019

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.

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, 2020, 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, 2020, 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

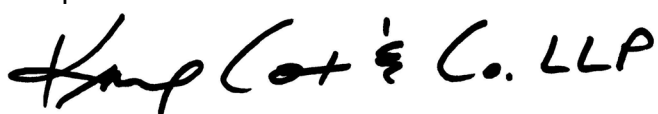
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Jacinto River Authority's basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis 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 11, 2020, 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 11, 2020

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, 2020. 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 \$815.5 million; of this amount, approximately \$614.4 million represents net capital assets and \$201.1 million represents cash and cash equivalents and other current, noncurrent and deferred outflow of resources.
- Liabilities for the Authority totaled \$622.3 million of which \$581.7 million accounts for obligations under long-term debt.
- The Authority's total assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$189.6 million. This amount represents net position; of this amount, \$61.4 million is net investment in capital assets. An additional \$75.8 million is restricted net position and the remaining \$52.4 million represents unrestricted net position.
- Operating revenues, net of eliminations, for the Authority at year-end were \$108.6 million. The major revenue sources, net of eliminations, were wholesale water and wastewater treatment service fees to Woodlands' MUDs of \$38.5 million; Groundwater Reduction Plan fees of \$42.1 million; untreated water sales to industrial, municipal and agricultural customers of \$17.3 million; and capacity charges of \$3.9 million.
- Operating expenses totaled \$72.8 million. Highlights within operating expenses were salaries, wages and employee benefits of \$17.6 million, operating supplies of \$12.7 million and depreciation of \$24.9 million.
- Non-operating expenses exceeded non-operating revenues by approximately \$19.3 million. This was primarily attributable to interest expense paid on bonds that totaled \$24.8 million as of year-end.
- Capital contributions totaled \$0.3 million due to contributions from Harris County Flood Control District for a San Jacinto River and Tributaries Sediment Removal and Sand Trap Development Feasibility Study and contributions from the five Woodlands MUDs surrounding Bear Branch flowage easement.
- The Authority issued \$6,680,000 Water Revenue Refunding Bonds, Series 2019A and \$17,715,000 Water Revenue Refunding Bonds 2019B. Combined proceeds were used to refund a portion of the Authority's outstanding Water Revenue Refunding Bonds Series 2010 and 2012 and Water Revenue Bonds, Series 2010.

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
- 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 \$189.6 million at the close of the most recent fiscal year.

As of August 31, 2020 and 2019		
	2020	2019
Assets		
Current assets	\$ 191,610,608	\$ 189,791,792
Noncurrent assets	6,367,920	4,160,106
Capital assets	614,375,759	625,379,733
Total Assets	812,354,287	819,331,631
Deferred Outflows of Resources	3,125,830	3,039,942
Liabilities		
Current liabilities	38,964,900	40,221,219
Noncurrent liabilities	583,371,522	608,169,775
Total Liabilities	622,336,422	648,390,994
Deferred Inflows of Resources	3,590,325	1,279,558
Net Position		
Net Investment in		
Capital Assets	61,352,744	57,974,629
Restricted:		
Debt service	61,192,901	62,578,926
Construction	11,985,421	15,756,478
Other	2,576,281	2,604,742
Unrestricted	52,446,023	33,786,246
Total Net Position	\$ 189,553,370	\$ 172,701,021

- Noncurrent assets increased to \$2.2 million which represents a 53% increase from the prior year primarily due to past due accounts in 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. Specific to fiscal year 2020, the short pay of fees, interest, and penalties totaled \$2,533,081 for the City of Conroe and \$116,761 for the City of Magnolia. The total balances for all fiscal years for the City of Conroe and City of Magnolia are listed below:

Balance Status	City of Conroe	City of Magnolia
Current	\$ 1,801,426	\$ 80,227
Past Due	4,414,506	231,007
Late Fees & Interest	1,169,322	60,495
Total at August 31, 2020	\$ 7,385,254	\$ 371,729

The Authority has commenced litigation in an effort to collect the past due amounts as well as late fees and interest thereon. In addition, the Authority has two GRP customers that have ceased payments during fiscal year 2020.

<u>Balance Status</u>	<u>Quadvest, LP.</u>	<u>Woodlands Oaks Utility Co.</u>
Current	\$ 1,354,170	\$ 87,288
Past Due	304,403	25,561
Late Fees & Interest	38,517	2,895
Total at August 31, 2020	\$ 1,697,090	\$ 115,744

- An Allowance for Bad Debt was created for past due amounts owed by CWE Utilities L.L.C. in the amount of \$232,773 and by City of Patton Village in the amount of \$127,963.
- Capital assets decreased by \$11.0 million, primarily due to the net effect of increase in Wastewater Utility Systems primarily for solids processing and sludge dewatering improvements at Wastewater Treatment Plant No. 1 and Disinfection System Improvements at Wastewater Treatment Plant No. 2, an increase in Water Systems primarily related to replacements at Wallisville Road Siphon and Siphon 7, and an increase in Other Machinery and Equipment primarily related to SCADA System Improvements and generator additions and replacements at multiple facilities in the Woodlands, a decrease in Construction in Progress from ongoing capital improvements projects, and an increase in accumulated depreciation.
- Current liabilities decreased by \$1.3 million, a 3% decrease primarily due to a decrease in accounts payable and accrued liabilities – unrestricted.
- Noncurrent liabilities decreased by \$24.8 million, a 4% decrease primarily due to making the scheduled payments on existing bonds and elimination of the net pension liability as the Authority's pension is currently fully funded.
- Total liabilities decreased by \$26.1 million, a 4% decrease from the prior year primarily due to a decrease in accounts payable and accrued liabilities, a decrease in net pension liability, and a decrease in long-term debt.

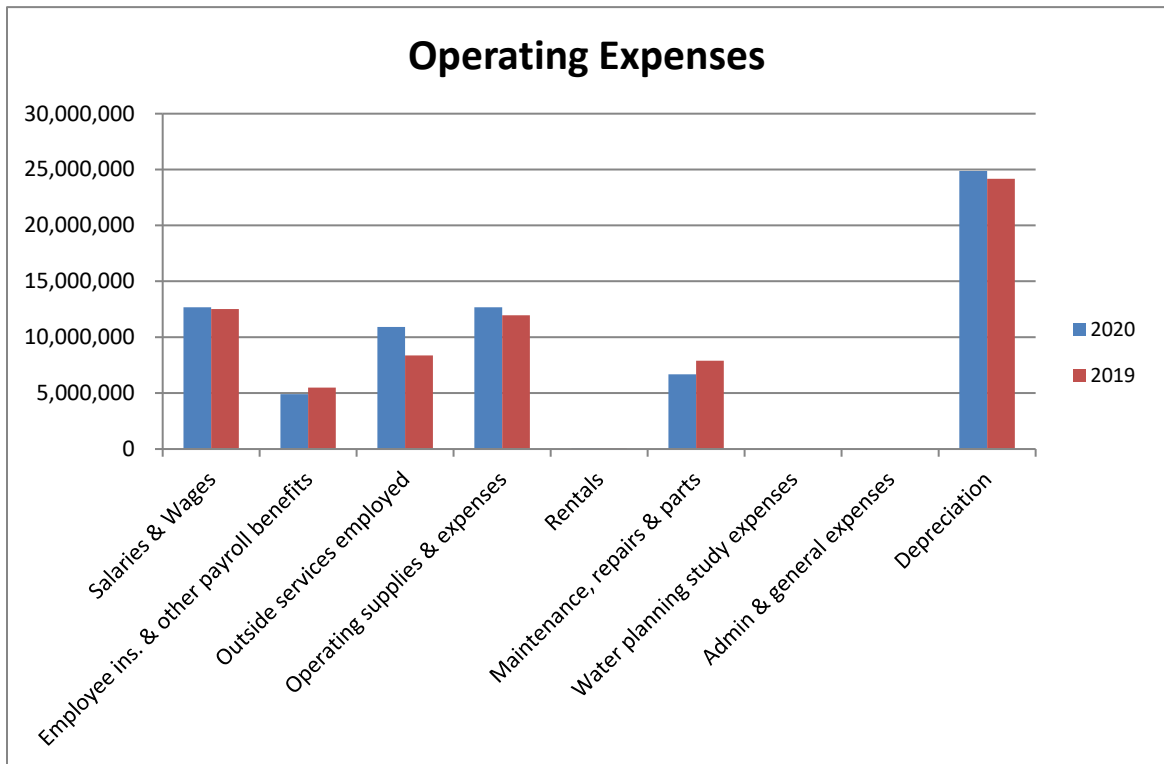
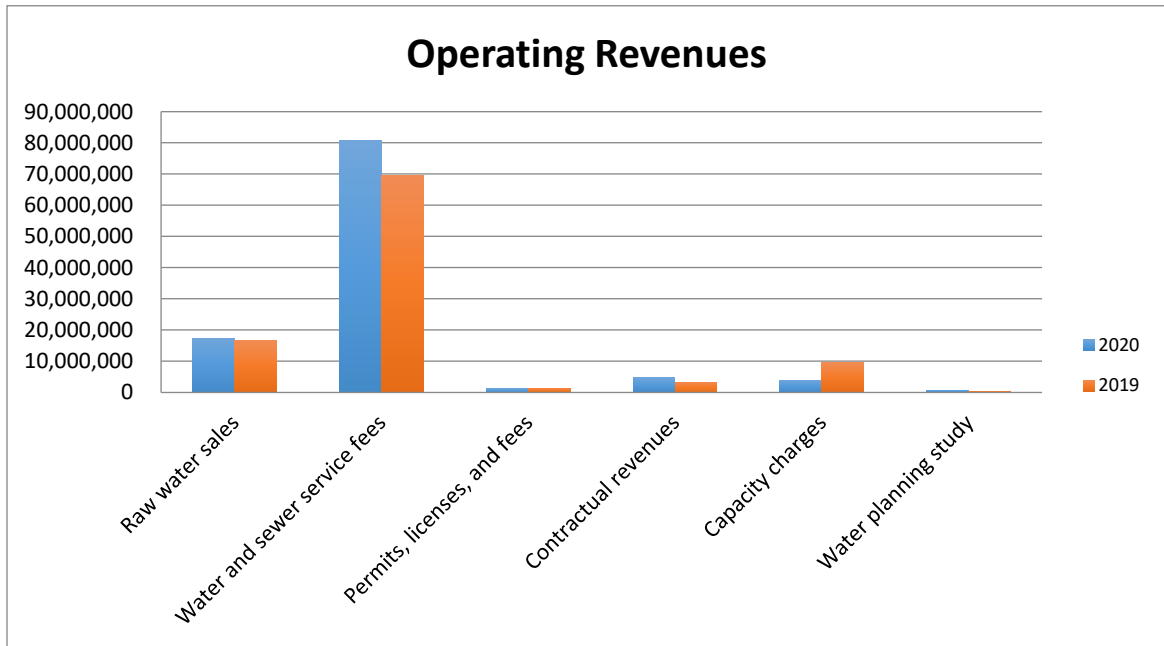
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Raw water sales	\$ 17,397,573	\$ 16,651,533
Water and sewer service fees	80,590,320	69,595,114
Permits, licenses and fees	1,293,958	1,424,817
Contractual revenues	4,641,065	3,314,511
Capacity charges	3,918,310	9,646,449
Water planning study (Region H)	744,516	470,686
Total Operating Revenues	<u>108,585,742</u>	<u>101,103,110</u>
Operating Expenses:		
Salaries and wages	12,666,436	12,511,453
Employee insurance and other payroll benefits	4,904,352	5,493,433
Outside services employed	10,905,653	8,366,993
Operating supplies & expenses	12,667,800	11,958,973
Rentals	68,850	67,175
Maintenance, repairs and parts	6,674,429	7,891,447
Water planning study expenses (Region H)	1,965	1,732
Depreciation	24,868,561	24,170,719
Total Operating Expenses	<u>72,758,046</u>	<u>70,461,925</u>
Operating Income	35,827,696	30,641,185
Nonoperating Revenues (Expenses)	(19,254,371)	(20,232,484)
Contributed Capital	<u>279,024</u>	<u>1,548,908</u>
Net Income	16,852,349	11,957,609
Net position at beginning of year	<u>172,701,021</u>	<u>160,743,412</u>
Net Position at End of Year	<u>\$ 189,553,370</u>	<u>\$ 172,701,021</u>

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



- Outside services employed increased by \$2.5 million, an increase of 30% over the previous year. This increase is primarily due to legal expenses due to ongoing litigation.

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

The Authority's net capital assets as of August 31, 2020 totaled \$614.4 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 \$11.0 million, a 2% decrease.

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

- The Authority added \$13.5 million for Wastewater Utility Systems primarily related to improvements to solids processing and sludge dewatering improvements at Wastewater Treatment Plant No. 1 and Disinfection System Improvements at Wastewater Treatment Plant No. 2, added \$5.8 million for Water Systems primarily related to improvements at Wallisville Road Siphon and Siphon 7, and added \$2.3 million for Other Machinery and Equipment primarily related to SCADA System Improvements and generator additions and replacements at multiple facilities in the Woodlands.
- The Authority added \$13.0 million for Construction in Progress for capital projects primarily related to improvements at Wallisville Road Siphon and Siphon 7, rehabilitation of a gravity sewer main located along the Bear Branch Reservoir, addition of a second ground storage tank at Water Plant No. 4, solids processing and sludge dewatering improvements at Wastewater Treatment Plant No. 1, and generators addition and replacements at multiple facilities in the Woodlands.

	2020	2019*
Capital Assets - at cost		
Land	\$ 32,200,438	\$ 31,943,492
Water permits and rights	30,947,801	30,947,801
Office furniture, fixtures & equip	5,485,100	5,333,978
Other machinery and equipment	14,077,157	12,035,435
Automobiles and trucks	2,899,901	2,678,978
Buildings	26,893,811	26,333,002
Dams and appurtenances	9,434,710	9,434,710
Water systems	597,747,149	591,906,766
Wastewater utility systems	109,946,723	96,499,480
Capital improvement plans	3,611,319	3,611,319
Construction in progress	15,086,923	24,329,626
Less accumulated depreciation	<u>(233,955,273)</u>	<u>(209,674,854)</u>
Total Capital Assets	<u>\$ 614,375,759</u>	<u>\$ 625,379,733</u>

* Certain beginning balances have been reclassified to conform to current year presentation

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

LONG-TERM DEBT

At the end of the current fiscal year, the Authority had long-term debt of \$581.7 million. The debt primarily represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	As of August 31, 2020 and 2019	
Long-Term Debt	2020	2019
First Lien Bonds-		
less current maturities	\$ 575,145,000	\$ 599,500,000
Notes payable less current	1,030,735	1,371,935
Unamortized bond premium	5,514,059	3,282,047
Total Long-Term Debt	\$ 581,689,794	\$ 604,153,982

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

CONTINGENCIES

In March 2020, The Governor of the State of Texas declared a State of Disaster in Texas due to the pandemic related to the outbreak of a novel coronavirus (COVID-19). Total impacts of the pandemic are still emerging. The Authority continues to serve their customers while addressing the short term and long term impacts of the pandemic. The Authority is continuously evaluating the Authority's budget and operation. The Authority doesn't anticipate a material adverse impact from COVID-19.

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, 2020

<u>Assets and Deferred Outflows</u>	Business Type Activities -				
	<u>Total</u>	<u>Eliminations</u>	Raw Water Enterprise		
			<u>Raw Water Supply</u>	<u>Highlands Division</u>	<u>Lake Conroe Division</u>
Current Assets					
Cash and cash equivalents					
Unrestricted	\$ 29,372,370	\$	\$	\$ 15,641,366	\$ 3,496,950
Restricted:					
Debt service	71,187,867			7,006,097	
Construction	63,621,552			12,489,892	2,658,583
Other	2,717,055				
Accounts receivable, net	22,010,702	(3,346,140)	1,886,990	971,830	5,101,350
Inventory	269,518			7,289	
Prepaid expenses	2,431,544			76,791	59,774
Total Current Assets	191,610,608	(3,346,140)	1,886,990	36,193,265	11,316,657
Noncurrent Assets					
Net pension asset	189,148				
Accounts receivable - long-term	6,178,772				
Total Noncurrent Assets	6,367,920				
Capital Assets- at cost					
Land	27,915,585			5,489,357	5,403,226
Land Improvements	4,284,853			237,233	579,635
Water permits and rights	30,947,801		30,947,801		
Furniture, fixtures and equipment	5,485,100			302,077	208,097
Other machinery and equipment	14,077,157			2,860,286	391,202
Automobiles and trucks	2,899,901			287,272	123,589
Buildings	26,893,811			1,608,098	158,923
Dams and appurtenances	9,434,710				7,715,775
Water systems	597,747,149			73,003,706	6,747
Wastewater utility systems	109,946,723				
Capital improvement plans	3,611,319			3,076,459	
Construction in progress	15,086,923			3,867,379	149,632
Accumulated depreciation	(233,955,273)			(18,254,728)	(4,204,551)
Total Capital Assets	614,375,759		30,947,801	72,477,139	10,532,275
Deferred Outflows of Resources					
Deferred pension related items	3,125,830				
Total Deferred Outflows of Resources	3,125,830				
Total Assets and Deferred Outflows					
	\$ 815,480,117	\$ (3,346,140)	\$ 32,834,791	\$ 108,670,404	\$ 21,848,932

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Flood Management Division	Bear Branch	Region H	General and Administration Division
\$ 4,750,840	\$ 3,218,507	\$	\$	\$	\$ 2,264,707
7,228,420	56,953,350				
45,612,175	1,621,155				1,239,747
2,144,650			202,618	260,117	109,670
5,422,707	11,841,443	128,820			3,702
203,362	58,867				
465,452	550,908	2,723	2,003		1,273,893
<u>65,827,606</u>	<u>74,244,230</u>	<u>131,543</u>	<u>204,621</u>	<u>260,117</u>	<u>4,891,719</u>
					189,148
	<u>6,178,772</u>				<u>189,148</u>
	6,178,772				
1,832,159	14,306,156		884,687		
849,496	2,470,693		90,314		57,482
1,139,000	2,366,175	591			1,469,160
9,992,647	743,384				89,638
1,169,819	480,377	38,957			799,887
2,873,224	15,601,688				6,651,878
			1,718,935		
103,275,679	421,282,343				178,674
109,946,723					
534,860					
10,783,747	63,597	153,275			69,293
<u>(131,766,239)</u>	<u>(75,802,073)</u>	<u>(15,701)</u>	<u>(383,537)</u>		<u>(3,528,444)</u>
<u>110,631,115</u>	<u>381,512,340</u>	<u>177,122</u>	<u>2,310,399</u>		<u>5,787,568</u>
					3,125,830
					<u>3,125,830</u>
<u>\$ 176,458,721</u>	<u>\$ 461,935,342</u>	<u>\$ 308,665</u>	<u>\$ 2,515,020</u>	<u>\$ 260,117</u>	<u>\$ 13,994,265</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF NET POSITION

August 31, 2020

	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	\$ 5,572,699	\$ (3,346,140)	\$ 16,520	\$ 317,976	\$ 815,643
Restricted for Debt service:					
Current portion of bonds	21,960,000		1,380,000	2,020,000	
Current portion of notes	340,421				
Accrued interest payable	10,105,883		110,917	853,569	
Restricted for Construction:					
Accounts payable					
Retainage payable	668,931				
Unearned revenue	316,966		10,660		182,304
Total Current Liabilities	38,964,900	(3,346,140)	1,518,097	3,191,545	997,947
Noncurrent Liabilities					
Net OPEB liability	1,681,728			320,999	601,740
Total Noncurrent Liabilities	1,681,728			320,999	601,740
Long-Term Debt					
First lien water revenue bonds - less current maturities	580,659,059		6,074,129	53,108,171	
Notes payable less current	1,030,735				
Total Long-Term Debt	581,689,794		6,074,129	53,108,171	
Total Liabilities	622,336,422	(3,346,140)	7,592,226	56,620,715	1,599,687
Deferred Inflows of Resources					
Deferred inflows related to pension and OPEB	3,590,325				
Total Deferred Inflows of Resources	3,590,325				
<u>Fund Equity</u>					
Net Position					
Net investment in capital assets	61,352,744		23,493,672	21,751,769	10,532,275
Restricted:					
Debt service	61,192,901			6,152,528	
Construction	11,985,421			8,087,091	2,658,583
Other	2,576,281				
Unrestricted	52,446,023		1,748,893	16,058,301	7,058,387
Total Net Position	189,553,370		25,242,565	52,049,689	20,249,245
Total Liabilities, Deferred Inflows and Fund Equity	\$ 815,480,117	\$ (3,346,140)	\$ 32,834,791	\$ 108,670,404	\$ 21,848,932

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Flood Management Division	Bear Branch	Region H	General and Administration Division
\$ 5,034,870	\$ 2,182,255	\$ 65,882	\$ 11,216	\$ 16,264	\$ 458,213
4,130,000	14,430,000				340,421
748,863	8,392,534				
668,931				115,297	8,705
<u>10,582,664</u>	<u>25,004,789</u>	<u>65,882</u>	<u>11,216</u>	<u>131,561</u>	<u>807,339</u>
636,795					122,194
<u>636,795</u>					<u>122,194</u>
69,223,359	452,253,400				1,030,735
<u>69,223,359</u>	<u>452,253,400</u>				<u>1,030,735</u>
<u>80,442,818</u>	<u>477,258,189</u>	<u>65,882</u>	<u>11,216</u>	<u>131,561</u>	<u>1,960,268</u>
					3,590,325
					<u>3,590,325</u>
82,221,000	(83,549,905)	177,122	2,310,399		4,416,412
6,479,557	48,560,816				1,239,747
2,144,650			193,405	128,556	109,670
<u>5,170,696</u>	<u>19,666,242</u>	<u>65,661</u>			<u>2,677,843</u>
<u>96,015,903</u>	<u>(15,322,847)</u>	<u>242,783</u>	<u>2,503,804</u>	<u>128,556</u>	<u>8,443,672</u>
<u>\$ 176,458,721</u>	<u>\$ 461,935,342</u>	<u>\$ 308,665</u>	<u>\$ 2,515,020</u>	<u>\$ 260,117</u>	<u>\$ 13,994,265</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended August 31, 2020

	<u>Total</u>	<u>Eliminations</u>	<u>Business - Type Activities -</u>		
			<u>Raw Water Enterprise</u>		
			<u>Raw Water Supply</u>	<u>Highlands Division</u>	<u>Lake Conroe Division</u>
Operating Revenues:					
Water sales:					
Industrial and Municipal	\$ 17,287,532	\$ (2,446,184)	\$ 19,733,716		\$
Irrigation	110,041		110,041		
Water and sewer service fees	80,590,320	(16,669,085)			
Permits, licenses and fees	1,293,958				1,086,858
Contractual revenues	4,641,065				4,641,065
Capacity charges	3,918,310				
Water planning grant	744,516				
Total Operating Revenues	<u>108,585,742</u>	<u>(19,115,269)</u>	<u>19,843,757</u>		<u>5,727,923</u>
Operating Expenses:					
Salaries and wages	12,666,436		123,786	1,833,596	1,832,041
Employee insurance and other payroll benefits	4,904,352		41,359	669,632	746,004
Outside services employed	10,905,653	(16,669,085)	169,301	425,118	3,801,955
Operating supplies and expenses	12,667,800	(2,446,184)	238,341	363,871	259,310
Rentals	68,850	(38,693)		10,387	37,985
Maintenance, repairs & parts	6,674,429			1,107,424	395,271
Water planning grant expenses	1,965				
General and admin. expenses allocated			40,229	339,513	1,119,469
Depreciation	24,868,561			2,641,885	142,727
Total Operating Expenses	<u>72,758,046</u>	<u>(19,153,962)</u>	<u>613,016</u>	<u>7,391,426</u>	<u>8,334,762</u>
Operating Income (Loss)	<u>35,827,696</u>	<u>38,693</u>	<u>19,230,741</u>	<u>(7,391,426)</u>	<u>(2,606,839)</u>
Nonoperating Revenues (Expenses)					
Interest income	2,353,932		22	324,852	54,450
Gain (Loss) on disposal of assets	388,847			67,408	261,283
Other revenues	2,296,497	(38,693)	470	190,924	96,139
Amortization of bond premium/discounts	461,056		86,043	141,898	
Interest expense and bond issuance costs	(24,754,703)		(263,718)	(2,443,384)	
Total Nonoperating Revenues (Expenses)	<u>(19,254,371)</u>	<u>(38,693)</u>	<u>(177,183)</u>	<u>(1,718,302)</u>	<u>411,872</u>
Income (Loss) Before Contributions and Transfers	16,573,325		19,053,558	(9,109,728)	(2,194,967)
Transfers			(17,413,566)	10,296,777	6,176,009
Capital Contributions	279,024				
Change in Net Position	<u>16,852,349</u>		<u>1,639,992</u>	<u>1,187,049</u>	<u>3,981,042</u>
Net Position at Beginning of Year	<u>172,701,021</u>		<u>23,602,573</u>	<u>50,862,640</u>	<u>16,268,203</u>
Net Position at End of Year	<u>\$ 189,553,370</u>	<u>\$</u>	<u>\$ 25,242,565</u>	<u>\$ 52,049,689</u>	<u>\$ 20,249,245</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
\$	\$	\$	\$	\$	\$
38,463,177	58,796,228				
207,100					
3,918,310					
				744,516	
<u>42,588,587</u>	<u>58,796,228</u>			<u>744,516</u>	
4,843,944	3,104,584	289,289	26,466		612,730
1,976,060	1,269,400	118,079	8,037		75,781
18,407,180	3,390,390	20,258	11,260	742,376	606,900
3,883,268	9,636,764	6,237	2,507	252	723,434
25,837	1,383				31,951
3,979,406	978,262		94,365		119,701
				1,965	
771,698	351,868	65,569	14,263		(2,702,609)
7,051,946	14,725,900	7,910	21,578		276,615
<u>40,939,339</u>	<u>33,458,551</u>	<u>507,342</u>	<u>178,476</u>	<u>744,593</u>	<u>(255,497)</u>
<u>1,649,248</u>	<u>25,337,677</u>	<u>(507,342)</u>	<u>(178,476)</u>	<u>(77)</u>	<u>255,497</u>
1,117,035	737,812		3,384		116,377
45,971	4,000				10,185
36,214	1,986,057				25,386
226,103	7,012				
<u>(1,805,722)</u>	<u>(20,175,084)</u>				<u>(66,795)</u>
<u>(380,399)</u>	<u>(17,440,203)</u>		<u>3,384</u>		<u>85,153</u>
1,268,849	7,897,474	(507,342)	(175,092)	(77)	340,650
		604,341			336,439
		128,820	150,204		
<u>1,268,849</u>	<u>7,897,474</u>	<u>225,819</u>	<u>(24,888)</u>	<u>(77)</u>	<u>677,089</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>\$ 96,015,903</u>	<u>\$ (15,322,847)</u>	<u>\$ 242,783</u>	<u>\$ 2,503,804</u>	<u>\$ 128,556</u>	<u>\$ 8,443,672</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended August 31, 2020

	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	\$ 97,904,064	\$ (19,115,269)	\$ 19,672,147	\$ (976,900)	\$ 617,604
Cash payments to suppliers for goods and services	(31,643,364)	19,153,962	(414,654)	(3,216,644)	(4,505,298)
Cash paid for employee services	(17,869,122)		(165,145)	(2,569,150)	(2,701,622)
Other revenues	2,296,497	(38,693)	470	190,924	96,139
Net Cash Provided (Used) by Operating Activities	<u>50,688,075</u>		<u>19,092,818</u>	<u>(6,571,770)</u>	<u>(6,493,177)</u>
Cash Flows from Noncapital Financing Activities					
Transfers			(17,413,566)	10,296,777	6,176,009
Net Cash Provided (Used) by Noncapital Finance Activities			<u>(17,413,566)</u>	<u>10,296,777</u>	<u>6,176,009</u>
Cash Flows from Capital and Related Financing Activities					
Principal paid on bonds	(47,330,000)		(8,410,000)	(20,850,000)	
Principal paid on notes	(326,704)				
Interest paid	(24,668,724)		(298,901)	(2,114,932)	
Proceeds from bond sales	26,367,023		7,217,386	19,149,637	
Bond issue expense	(657,607)		(187,759)	(469,848)	
Acquisition of facilities and equipment	(13,864,587)			(1,456,039)	(260,331)
Proceeds from the sale of assets	388,847			67,408	261,283
Capital contributions/(distributions)	279,024				
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(59,812,728)</u>		<u>(1,679,274)</u>	<u>(5,673,774)</u>	<u>952</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
\$ 41,815,919	\$ 52,333,646	\$ (194,389)	\$ (14,263)	\$ 828,114	\$ 2,937,455
(25,588,563)	(14,001,864)	22,462	(146,579)	(852,113)	(2,094,073)
(6,950,779)	(4,373,984)	(407,368)	(34,503)		(666,571)
36,214	1,986,057				25,386
<u>9,312,791</u>	<u>35,943,855</u>	<u>(579,295)</u>	<u>(195,345)</u>	<u>(23,999)</u>	<u>202,197</u>
		604,341			336,439
		604,341			336,439
(4,050,000)	(14,020,000)				(326,704)
(1,847,993)	(20,340,103)				(66,795)
(11,638,722)	(123,217)	(153,866)	(37,355)		(195,057)
45,971	4,000				10,185
		128,820	150,204		
<u>(17,490,744)</u>	<u>(34,479,320)</u>	<u>(25,046)</u>	<u>112,849</u>		<u>(578,371)</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended August 31, 2020

	Business - Type Activities -				
	Total	Eliminations	Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
Cash Flows from Investing Activities					
Interest earned	2,353,932		22	324,852	54,450
Net Cash Provided by Investing Activities	<u>2,353,932</u>		<u>22</u>	<u>324,852</u>	<u>54,450</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,770,721)			(1,623,915)	(261,766)
Cash and equivalents at beginning of year	<u>173,669,565</u>			<u>36,761,270</u>	<u>6,417,299</u>
Cash and Equivalents at End of Year	<u>\$ 166,898,844</u>	<u>\$</u>	<u>\$</u>	<u>\$ 35,137,355</u>	<u>\$ 6,155,533</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 35,827,696	\$ 38,693	\$ 19,230,741	\$ (7,391,426)	\$ (2,606,839)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Other revenues and expenses	2,296,497	(38,693)	470	190,924	96,139
Depreciation	24,868,561			2,641,885	142,727
(Increase) decrease in receivables	(7,512,239)	3,346,140	(138,410)	(637,387)	(4,068,218)
(increase) decrease in inventory	(16,187)			270	
(Increase) decrease in prepaid expenses and deposits	(2,723) (632,702)		566	(13,725)	(3,278)
Increase (decrease) in net pension liability	(2,177,882)				
Increase (decrease) in accounts payable and accrued liabilities	(4,019,194)	(3,346,140)	(7,578)	(1,296,389)	(7,499)
Increase (decrease) in OPEB liability	(345,331)			(65,922)	(123,577)
Increase (decrease) in deferred outflows	(85,888)				
Increase (decrease) in deferred inflows	2,310,767				
Increase (decrease) in unearned revenue	176,700		7,029		77,368
Total Adjustments	<u>14,860,379</u>	<u>(38,693)</u>	<u>(137,923)</u>	<u>819,656</u>	<u>(3,886,338)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 50,688,075</u>	<u>\$</u>	<u>\$ 19,092,818</u>	<u>\$ (6,571,770)</u>	<u>\$ (6,493,177)</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
1,117,035	737,812		3,384		116,377
1,117,035	737,812		3,384		116,377
(7,060,918)	2,202,347		(79,112)	(23,999)	76,642
66,797,003	59,590,665		281,730	284,116	3,537,482
<u>\$ 59,736,085</u>	<u>\$ 61,793,012</u>	<u>\$</u>	<u>\$ 202,618</u>	<u>\$ 260,117</u>	<u>\$ 3,614,124</u>
\$ 1,649,248	\$ 25,337,677	\$ (507,342)	\$ (178,476)	\$ (77)	\$ 255,497
36,214	1,986,057				25,386
7,051,946	14,725,900	7,910	21,578		276,615
(970)	(6,110,714)	(128,820)			226,140
(2,791)	(13,666)				
		(2,723)			
(96,398)	217,191		(54)		(737,004)
					(2,177,882)
806,317	(198,590)	51,680	(38,393)	(107,520)	124,918
(130,775)					(25,057)
					(85,888)
					2,310,767
				83,598	8,705
<u>7,663,543</u>	<u>10,606,178</u>	<u>(71,953)</u>	<u>(16,869)</u>	<u>(23,922)</u>	<u>(53,300)</u>
<u>\$ 9,312,791</u>	<u>\$ 35,943,855</u>	<u>\$ (579,295)</u>	<u>\$ (195,345)</u>	<u>\$ (23,999)</u>	<u>\$ 202,197</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, time, salary, and benefit costs are allocated to each division based on time worked and full-time equivalents (FTEs). 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 2011.

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 itself and the City of Houston pursuant to the terms and conditions of a 1968 contract between the Authority and the City of Houston. An amended and restated contract between the parties, which extends the general terms and conditions of the 1968 contract for the useful life of the Lake Conroe Dam and reservoir, has been approved and executed by the Authority and is in the process of review and approval by the City of Houston. 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 \$25,138,035 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, 2020, 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.

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;

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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 adopted by LSGCD in 2009. The projected water demand of all participating LVGUs 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 LVGUs 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 September 8, 2020, the LSGCD adopted new regulations which, in pertinent part, repealed its 2009 regulations. Notwithstanding the foregoing, the GRP Contracts remain in force and effect in accordance with their terms. See Note 12 for discussion of the status of ongoing litigation related to the GRP, including collection of amounts due and owing from certain GRP participants.

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, 2020, 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, 2020, the Authority has record \$186,820 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 11, 2020, 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.

When both restricted and unrestricted resources are available for use, it is generally the Authority's policy to use restricted resources first.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A summary of **net investment in capital assets** as of August 31, 2020 follows:

	Capital Assets - Net of Depreciation	Notes and Bonds Payable	Total
General and Administration Division	\$ 5,787,568	\$ (1,371,156)	\$ 4,416,412
Raw Water Supply	30,947,801	(7,454,129)	23,493,672
Highlands Division	72,477,139	(50,725,370)	21,751,769
Lake Conroe Division	10,532,275		10,532,275
Woodlands Division	110,631,115	(28,410,115)	82,221,000
Groundwater Reduction Plan Division	381,512,340	(465,062,245)	(83,549,905)
Flood Management	177,122		177,122
Bear Branch	2,310,399		2,310,399
Total	<u>\$ 614,375,759</u>	<u>\$ (553,023,015)</u>	<u>\$ 61,352,744</u>

A summary of net position restricted for **debt service** as of August 31, 2020 follows:

	Restricted Cash for Debt Service	Liabilities Payable from Restricted Cash for Debt Service	Total
Highlands Division	\$ 7,006,097	\$ (853,569)	\$ 6,152,528
Woodlands Division	7,228,420	(748,863)	6,479,557
Groundwater Reduction Plan Division	56,953,350	(8,392,534)	48,560,816
Total	<u>\$ 71,187,867</u>	<u>\$ (9,994,966)</u>	<u>\$ 61,192,901</u>

A summary of net position restricted for **construction** as of August 31, 2020 follows:

	Restricted Cash for Construction	Bonds Payable	Liabilities Payable from Restricted Cash for Construction	Total
General and Administration Division	\$ 1,239,747	\$	\$	\$ 1,239,747
Highlands Division	12,489,892	(4,402,801)		8,087,091
Lake Conroe Division	2,658,583			2,658,583
Woodlands Division	45,612,175	(44,943,244)	(668,931)	-
Groundwater Reduction Plan Division	1,621,155	(1,621,155)		-
Total	<u>\$ 63,621,552</u>	<u>\$ (50,967,200)</u>	<u>\$ (668,931)</u>	<u>\$ 11,985,421</u>

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A summary of net position restricted for **other** as of August 31, 2020 follows:

	Emergency Reserve	Grants and other	Total
General and Administration Division	\$	\$ 109,670	\$ 109,670
Woodlands Division	2,144,650		2,144,650
Bear Branch		193,405	193,405
Region H		128,554	128,554
Total	\$ 2,144,650	\$ 431,629	\$ 2,576,279

A summary of net position – **unrestricted** as of August 31, 2020 follows:

	Designated			
	Operating Reserve	Emergency	Undesignated	Total
General & Administration Div.	\$ 1,519,213	\$ 505,577	\$ 653,053	\$ 2,677,843
Raw Water Supply			1,748,893	1,748,893
Highlands Division	2,567,211	2,527,885	10,963,205	16,058,301
Lake Conroe Division	968,765	2,527,885	3,561,737	7,058,387
Woodlands Division	4,516,324		654,372	5,170,696
Flood Management			65,661	65,661
Groundwater Reduct. Plan Div.			19,666,242	19,666,242
Total	\$ 9,571,513	\$ 5,561,347	\$ 37,313,163	\$ 52,446,023

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 fair value.

	Book Balance	Bank Balance	Insurance & Fair Value of Collateral
Collateral held by pledging banks in the Authority's name	\$ 36,945,969	\$ 40,450,712	\$ 53,722,652
Cash equivalents, not requiring pledging by banks, money funds & Pools	129,952,875	129,952,875	N/A
Total Cash and Cash Equivalents	\$ 166,898,844	\$ 170,403,587	

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, 2020.

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 fair 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 without any limitation or restrictions on withdrawals. 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, 2020, the Authority participated in TexPool (\$53,206,012) and TexStar (\$3,487,680).

Interest Rate Risk

In accordance with its investment policy, the Authority manages its exposure to declines in fair 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, 2020 follow:

	<u>Receivables</u>	<u>Payables</u>
Enterprise Funds:		
Raw Water Supply	\$ 278,917	\$
General and Administration Division	139,426	191,088
Highlands Division	506,305	3,130
Woodlands Division	182	2,544,875
Lake Conroe Division		856
Groundwater Reduction Plan Division	2,421,310	604,414
Region H		9
Bear Branch		1,768
	<u>\$ 3,346,140</u>	<u>\$ 3,346,140</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:

	Balance at Sept. 1, 2019 *	Additions	Deletions	Balance at Aug. 31, 2020
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 27,871,381	\$ 44,949	\$ (745)	\$ 27,915,585
Water permits and rights	30,947,801			30,947,801
Construction in progress	24,329,626	13,023,170	(22,265,873)	15,086,923
Total Capital Assets Not Being Depreciated	<u>83,148,808</u>	<u>13,068,119</u>	<u>(22,266,618)</u>	<u>73,950,309</u>
Capital Assets Being Depreciated:				
Land improvements	1,386,026	40,000		1,426,026
Roads	2,686,085	172,742		2,858,827
Furniture, fixtures and equipment	5,333,978	209,648	(58,526)	5,485,100
Other machinery and equipment	12,035,435	2,290,508	(248,786)	14,077,157
Automobiles and trucks	2,678,978	305,050	(84,127)	2,899,901
Buildings	26,333,002	606,602	(45,793)	26,893,811
Dams and appurtenances	9,434,710			9,434,710
Water systems	591,906,766	5,840,383		597,747,149
Wastewater utility systems	96,499,480	13,447,243		109,946,723
Capital improvement plans	3,611,319			3,611,319
Total Capital Assets Being Depreciated	<u>751,905,779</u>	<u>22,912,176</u>	<u>(437,232)</u>	<u>774,380,723</u>
Less Accumulated Depreciation for:				
Roads	1,084,304	131,938		1,216,242
Land improvements	932,334	50,002		982,336
Furniture, fixtures and equipment	4,425,072	226,121	(108,178)	4,543,015
Other machinery and equipment	7,712,257	1,289,046	(274,595)	8,726,708
Automobiles and trucks	2,217,068	241,884	(84,127)	2,374,825
Buildings	4,316,135	556,703	(19,281)	4,853,557
Dams and appurtenances	3,324,320	103,885	(101,965)	3,326,240
Water systems	124,598,500	19,108,723		143,707,223
Wastewater utility systems	60,607,757	3,081,829		63,689,586
Capital improvement plans	457,107	78,434		535,541
Total Accumulated Depreciation	<u>209,674,854</u>	<u>24,868,565</u>	<u>(588,146)</u>	<u>233,955,273</u>
Total Capital Assets Being Depreciated, Net	<u>542,230,925</u>	<u>(1,956,389)</u>	<u>150,914</u>	<u>540,425,450</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 625,379,733</u>	<u>\$ 11,111,730</u>	<u>\$ (22,115,704)</u>	<u>\$ 614,375,759</u>

* Certain beginning balances have been reclassified to conform with current year presentation.

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, 2019	Current Year Amortization	Retirements	Balance at Aug. 31, 2020
Raw Water Supply					
Water Revenue Refunding Bonds:					
Series 2010	\$ 421,941	\$ 155,452	\$ 2,467	\$ 152,985	\$
Series 2012	70,827	42,432	319	42,113	
Series 2019R-A	537,386		83,257		454,129
Total Raw Water Supply	<u>492,768</u>	<u>197,884</u>	<u>86,043</u>	<u>195,098</u>	<u>454,129</u>
Highlands Division					
Water Revenue Bonds:					
Series 2010	130,316	83,856		83,856	
Series 2013	265,830	201,500	10,031		191,469
Series 2014	(1,348)	(1,067)	(59)		(1,008)
Series 2019R-B	2,434,636		131,926		2,302,710
Total Highlands Division	<u>2,829,434</u>	<u>284,289</u>	<u>141,898</u>	<u>83,856</u>	<u>2,493,171</u>
Total Raw Water Enterprise	<u>3,322,202</u>	<u>482,173</u>	<u>227,941</u>	<u>278,954</u>	<u>2,947,300</u>
Woodlands Division					
Special Project Revenue Refunding Bonds:					
Series 2010	252,508	29,120	24,048		5,072
Series 2014	1,183,116	813,013	72,807		740,206
Series 2014	2,488,017	1,817,329	129,248		1,688,081
Total Woodlands Division	<u>3,923,641</u>	<u>2,659,462</u>	<u>226,103</u>		<u>2,433,359</u>
GRP Division					
Special Project Revenue Bonds:					
Series 2011	114,995	79,044	4,353		74,691
Series 2016	69,788	61,368	2,659		58,709
Total GRP Division	<u>184,783</u>	<u>140,412</u>	<u>7,012</u>		<u>133,400</u>
Totals	<u>\$ 7,430,626</u>	<u>\$ 3,282,047</u>	<u>\$ 461,056</u>	<u>\$ 278,954</u>	<u>\$ 5,514,059</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, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at Aug. 31, 2020</u>	<u>Due Within One Year</u>
Raw Water Supply							
Water Revenue Refunding Bonds:							
Series 2010	3.00-4.25%	14,000,000	\$ 6,675,000	\$	\$ 6,675,000	\$	\$
Series 2012	2.00-3.00%	3,710,000	2,055,000		1,735,000	320,000	320,000
Series 2019A	3.00-4.00%	6,680,000		6,680,000		6,680,000	1,060,000
Total Raw Water Supply			<u>8,730,000</u>	<u>6,680,000</u>	<u>8,410,000</u>	<u>7,000,000</u>	<u>1,380,000</u>
Highlands Division							
Water Revenue Bonds:							
Series 2010	3.00-4.38%	25,380,000	19,610,000		19,610,000		
Series 2013	2.00-5.00%	6,730,000	5,820,000		195,000	5,625,000	200,000
Series 2014	2.00-3.50%	5,360,000	4,880,000		165,000	4,715,000	170,000
Series 2015	0.89-4.28%	29,000,000	26,460,000		880,000	25,580,000	900,000
Series 2019A	2.00-5.00%	16,715,000		16,715,000		16,715,000	750,000
Total Highlands Division			<u>56,770,000</u>	<u>16,715,000</u>	<u>20,850,000</u>	<u>52,635,000</u>	<u>2,020,000</u>
Total Raw Water Enterprise			<u>65,500,000</u>	<u>23,395,000</u>	<u>29,260,000</u>	<u>59,635,000</u>	<u>3,400,000</u>
Woodlands Division							
Special Project Revenue Refunding Bonds:							
Series 2010	4.00-5.00%	4,440,000	1,035,000		505,000	530,000	530,000
Series 2014	2.00-5.00%	11,355,000	8,825,000		580,000	8,245,000	605,000
Series 2014	3.00-5.00%	26,700,000	22,215,000		1,325,000	20,890,000	1,355,000
Series 2017	0.00-1.710%	42,895,000	42,895,000		1,640,000	41,255,000	1,640,000
Total Woodlands Division			<u>74,970,000</u>		<u>4,050,000</u>	<u>70,920,000</u>	<u>4,130,000</u>
Groundwater Reduction Plan Division							
Special Project Revenue Bonds: *							
Series 2009	0.85-2.66%	21,500,000	18,215,000		1,665,000	16,550,000	1,690,000
Series 2011	3.00-5.25%	83,155,000	72,240,000		2,450,000	69,790,000	2,540,000
Series 2011A	1.47-4.97%	67,470,000	54,675,000		2,310,000	52,365,000	2,380,000
Series 2012	1.47-4.62%	175,000,000	145,120,000		5,360,000	139,760,000	5,515,000
Series 2012A	1.67-4.62%	165,000,000	153,150,000		1,160,000	151,990,000	1,200,000
Series 2013	0.53-4.76%	39,850,000	35,065,000		1,010,000	34,055,000	1,040,000
Series 2016	2.00-4.00%	2,305,000	2,105,000		65,000	2,040,000	65,000
Total Groundwater Reduction Plan Division			<u>480,570,000</u>		<u>14,020,000</u>	<u>466,550,000</u>	<u>14,430,000</u>
Total Bonds Payable			<u>\$ 621,040,000</u>	<u>\$ 23,395,000</u>	<u>\$ 47,330,000</u>	<u>\$ 597,105,000</u>	<u>\$ 21,960,000</u>

* In December 2020, S&P Global Ratings lowered the Authority's GRP special project revenue bonds from A- to BBB.

Of the \$597,105,000 of bonds payable, \$575,145,000 is considered long-term and \$21,960,000 is considered current.

On October 2, 2019, the Authority issued \$6,680,000 Water Revenue Refunding Bonds, Series 2019A and \$16,715,000 Water Revenue Refunding Bonds, Series 2019B. The net proceeds from the Series 2019A bonds of \$7,026,506 (including a premium of \$537,389 and after payment of underwriting fees and other issuance costs of \$190,879) and the net proceeds from the Series 2019B bonds of \$18,769,179 (including a premium of \$2,434,638 and after payment of underwriting fees and other issuance costs of \$470,697) were used to defease the bonds being refunded. The 2019A bonds resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$336,413 and reduction of \$356,738 in future debt service payments. The 2019B bonds resulted in an economic gain of \$2,508,756 and a reduction of \$3,181,862 in future debt service payments. The interest rates of the 2019A and 2019B refunding bonds range from 3.00% to 4.00% and 3.00% to 5.00%, respectively. The 2019A bonds mature October 2024. The 2019B bonds mature October 2035.

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			
2021	\$ 3,400,000	\$ 2,266,921	\$ 5,666,921
2022	3,510,000	2,160,564	5,670,564
2023	3,650,000	2,036,275	5,686,275
2024	3,775,000	1,900,505	5,675,505
2025	3,435,000	1,766,983	5,201,983
2026-2030	13,045,000	7,196,190	20,241,190
2031-2035	15,925,000	4,303,972	20,228,972
2036-2040	12,895,000	1,244,565	14,139,565
2041-2043			
	<u>\$ 59,635,000</u>	<u>\$ 22,875,975</u>	<u>\$ 82,510,975</u>
Woodlands Division			
2021	\$ 4,130,000	\$ 1,756,675	\$ 5,886,675
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	3,930,000	1,390,172	5,320,172
2026-2030	21,550,000	4,988,148	26,538,148
2031-2035	14,325,000	1,888,307	16,213,307
2036-2040	9,575,000	903,411	10,478,411
2041-2043	6,135,000	157,444	6,292,444
	<u>\$ 70,920,000</u>	<u>\$ 15,844,048</u>	<u>\$ 86,764,048</u>
Groundwater Reduction Plan Division			
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	18,436,969	34,356,969
2025	16,520,000	17,835,209	34,355,209
2026-2030	93,260,000	78,536,403	171,796,403
2031-2035	116,040,000	55,761,350	171,801,350
2036-2040	146,420,000	25,389,179	171,809,179
2041-2043	33,710,000	783,236	34,493,236
	<u>\$ 466,550,000</u>	<u>\$ 255,137,990</u>	<u>\$ 721,687,990</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, 2020 was \$1,371,156. Of the \$1,371,156 of Notes Payable, \$1,030,735 is considered long-term and \$340,421 is considered current.

Notes payable activity for the year ended August 31, 2020 follows:

Balance at beginning of year	\$	1,697,860
Additions		
Retirements		(326,704)
Balance at end of year	\$	<u>1,371,156</u>

Maturities of the loan commitments for the balances outstanding as of August 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General and Administration Division			
2021	\$ 340,421	\$ 51,573	\$ 391,994
2022	356,591	36,755	393,346
2023	372,044	21,294	393,338
2024	302,100	5,452	307,552
	<u>\$ 1,371,156</u>	<u>\$ 115,074</u>	<u>\$ 1,486,230</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, 2020.

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, 2018</u>	<u>October 31, 2019</u>
Assets		
Cash and cash equivalents	\$ 2,438,627	\$ 2,635,200
Investments:		
Fixed income	5,748,727	6,425,077
Stocks	8,591,369	10,247,572
Real estate	997,891	1,301,625
Total Investments	<u>15,337,987</u>	<u>17,974,274</u>
Total Assets	<u>\$ 17,776,614</u>	<u>\$ 20,609,474</u>
Net Position Restricted for Pensions	<u>\$ 17,776,614</u>	<u>\$ 20,609,474</u>

Statement of Changes in Fiduciary Net Position

Additions	
Employer contributions	\$ 1,318,812
Total Contributions	<u>1,318,812</u>
Investment income (loss):	
Net increase in fair value of investments	<u>2,047,106</u>
Net Investment Income	<u>2,047,106</u>
Total Additions	<u>3,365,918</u>
Deductions	
Service benefits	526,971
Administrative expenses	<u>6,087</u>
Total Deductions	<u>533,058</u>
Net Increase (Decrease)	2,832,860
Net Position Restricted for Pensions	
Beginning of year (October 31, 2018)	<u>17,776,614</u>
End of Year (October 31, 2019)	<u>\$ 20,609,474</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, 2018, there were 175 plan members including 130 active members, 15 terminated vested members, 30 retired members and 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, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.08%. 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, 2018	\$ 17,776,614	12.00	1.00	\$ 19,747,028
Monthly Net External Cash Flows:				
November	(44,422)	12.00	1.00	(49,345)
December	(44,422)	11.00	0.92	(48,932)
January	(44,422)	10.00	0.83	(48,471)
February	1,274,391	9.00	0.75	1,378,929
March	(44,422)	8.00	0.67	(47,663)
April	(44,422)	7.00	0.58	(47,214)
May	(44,422)	6.00	0.50	(46,819)
June	(44,422)	5.00	0.42	(46,427)
July	(44,422)	4.00	0.33	(45,989)
August	(44,422)	3.00	0.25	(45,604)
September	(44,422)	2.00	0.17	(45,222)
October	(44,422)	1.00	0.08	<u>(44,797)</u>
Ending Value - October 31, 2019	\$ 17,776,614			<u>\$ 20,609,474</u>
Money-Weighted Rate of Return	11.08%			

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, 2019.

<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%	1.68%
US Interm Bonds	Barclays IT Gvt/Credit	10.00%	1.35%
US Inflation-Indexed Bonds	Barclays US TIPS	5.00%	0.81%
US High Yield Bonds	BAML High Yield	5.00%	3.86%
US Large Caps	S&P 500	12.00%	4.29%
US Small & Mid Caps	Russell 2500	4.00%	5.16%
US Large Growth	Russell 1000 Growth	8.00%	4.66%
US Large Value	Russell 1000 Value	8.00%	4.18%
US Small Growth	Russell 2000 Growth	4.00%	6.08%
US Small Value	Russell 2000 Value	4.00%	5.15%
US MidCap Growth	Russell MidCap Growth	5.00%	5.25%
US MidCap Value	Russell MidCap Value	5.00%	4.32%
Foreign Developed Equity	MSCI EAFE NR	10.00%	5.53%
US REITs	FTSE NAREIT Equity REIT	5.00%	4.58%
Assumed Inflation - Mean			2.21%
Assumed Inflation - Standard Deviation			1.65%
Portfolio Real Mean Return			3.76%
Portfolio Nominal Mean Deviation			5.97%
Portfolio Standard Deviation			10.80%
Long-Term Expected Rate of Return			6.00%

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Net Pension Liability

	<u>October 31, 2018</u>	<u>October 31, 2019</u>
Total pension liability	\$ 19,765,348	\$ 20,420,326
Fiduciary net position	17,776,614	20,609,474
Net Pension Liability (Asset)	<u>\$ 1,988,734</u>	<u>\$ (189,148)</u>
Fiduciary net position as a % of total pension liability	89.94%	100.93%
Covered payroll	\$ 10,443,788	\$ 10,042,812
Net pension liability as a % of covered payroll	19.04%	-1.88%

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, 2018</u>	<u>October 31, 2019</u>
Discount rate	6.25%	6.00%
Long-term expected rate of return, net of investment expense	6.25%	6.00%
Municipal bond rate	N/A	N/A

Other Key Actuarial Assumptions

	<u>October 31, 2018</u>	<u>October 31, 2019</u>
Valuation date	November 1, 2017	November 1, 2018
Measurement date	October 31, 2018	October 31, 2019
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 6.00%, 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 (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease	Current	1% Increase
	5.00%	Discount Rate	7.00%
	5.00%	6.00%	7.00%
Total pension liability	\$ 23,550,687	\$ 20,420,326	\$ 17,834,632
Fiduciary net position	20,609,474	20,609,474	20,609,474
Net Pension Liability (Asset)	\$ 2,941,213	\$ (189,148)	\$ (2,774,842)

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, 2019	\$ 19,765,348	\$ 17,776,614	\$ 1,988,734
Changes for the year:			
Service cost	1,111,238		1,111,238
Interest on total pension liability	1,288,568		1,288,568
Effect of economic/demographic gains or losses	(1,910,767)		(1,910,767)
Effect of assumptions changes or inputs	692,910		692,910
Benefit payments	(526,971)	(526,971)	
Administrative expenses		(6,087)	6,087
Net investment income		2,047,106	(2,047,106)
Employer contributions		1,318,812	(1,318,812)
Balances as of August 31, 2020	\$ 20,420,326	\$ 20,609,474	\$ (189,148)

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, 2019 to August 31, 2020
Pension Expense	
Service cost	\$ 1,111,238
Interest on total pension liability	1,288,568
Administrative expenses	6,087
Expected investment return net of investment expenses	(1,135,221)
Recognition of economic/demographic gains and losses	(224,371)
Recognition of assumption changes or inputs	103,492
Recognition of investment gains and losses	(101,482)
	\$ 1,048,311

As of August 31, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions made subsequent to measurement date	\$	\$ 1,174,817
Difference between expected and actual experience	(2,445,321)	806,217
Changes in assumptions	(153,416)	995,415
Net difference between projected and actual earnings	(643,111)	
Total	\$ (3,241,848)	\$ 2,976,449

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:

2021	\$ (322,119)
2022	(392,127)
2023	(109,125)
2024	(303,256)
2025	(120,879)
Thereafter*	(192,710)

* 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 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.

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 \$47,103 for OPEB medical insurance coverage for retired employees covered under the OPEB plan during the fiscal year ending August 31, 2020. 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, 2020, eight former employees, dependents, and surviving spouses are receiving OPEB healthcare benefits. Three 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, 2019</u>	<u>August 31, 2020</u>
Total OPEB liability	\$ 2,027,059	\$ 1,681,728
Covered payroll	\$ 322,813	\$ 263,108
Total OPEB liability as a % of covered payroll	627.94%	639.18%

Discount Rate

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

Discount Rate

	<u>August 31, 2019</u>	<u>August 31, 2020</u>
Discount rate	2.97%	2.20%
20 Year Tax-Exempt Municipal Bond Yield	2.97%	2.20%

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, 2020 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, 2019	August 31, 2020
Valuation date	September 1, 2018	September 1, 2019
Measurement date	August 31, 2019	August 31, 2020
Inflation	2.30%	2.20%
Salary increases including inflation	5.00%	5.00%
Mortality	RP-2000 Mortality For Employees, Healthy Annuitants, and Disabled Annuitants with generational projection	RP-2000 Mortality headcount weighted) for Employees, Healthy and Contingent Annuitants projected forward (fully per Scale BB generational) with MP-2019
Actuarial cost method	Entry Age Normal	Entry Age Normal

Changes in OPEB Liability

	Total OPEB Liability
Balances as of September 1, 2019	\$ 2,027,060
Changes for the year:	
Service cost	23,037
Interest on total OPEB liability	60,194
Effect on economic/demographic gains or loss	(455,879)
Effect of assumptions changes inputs	74,419
Benefit payments	(47,103)
Balances as of August 31, 2019	\$ 1,681,728

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 2.20 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 (1.20 percent) or 1-percentage-point higher (3.20 percent) than the current rate:

	Discount		
	1% Decrease	Rate	1% Increase
	1.20%	2.20%	3.20%
Total OPEB Liability	\$ 1,964,274	\$ 1,681,728	\$ 1,451,761

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:

	Current		
	1% Decrease	Trend Date	1% Increase
Total OPEB Liability	\$ 1,423,007	\$ 1,681,728	\$ 2,007,442

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

For the year ended August 31, 2020, the Authority recognized OPEB expense of \$37,996 and \$(124,726) for fiscal year 2019 and fiscal year 2020 respectively.

OPEB Expense

	Year Ended August 31	
	2019	2020
OPEB Expense		
Service cost	\$ 20,070	\$ 23,037
Interest on total OPEB liability	72,789	60,194
Effect of plan changes		
Recognition of economic/demographic gains and losses	(60,486)	(258,694)
Recognition of assumption changes or inputs	5,623	50,737
	<u>\$ 37,996</u>	<u>\$ (124,726)</u>

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

At August 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ (318,156)	\$
Changes in assumptions	(30,321)	149,381
Total	<u>\$ (348,477)</u>	<u>\$ 149,381</u>

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

<u>Year Ended August 31:</u>	
2021	\$ (149,340)
2022	(49,756)
2023	
2024	
2025	
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 \$17,723,253 were invoiced to the Authority's three largest customers of the Raw Water Supply Division. This accounts for approximately 90% of the Raw Water Supply Division water sales revenues for the year ended August 31, 2020.

Revenues totaling \$4,687,993 accrued from the Authority's primary contractual partner (City of Houston) in the Lake Conroe reservoir project. This accounts for 81% of the Lake Conroe Division's operating revenues for the year ended August 31, 2020.

Water pumpage and surface water fees totaling \$12,107,814 were invoiced to the Authority's two largest customers of the Groundwater Reduction Plan Division. This accounts for 20% of Groundwater Reduction Plan Division's operating revenues for the year ended August 31, 2020.

Water and sewer service fees and capacity charges totaling \$27,393,459 were invoiced to the Authority's five largest customers of the Woodlands Division. This accounts for approximately 71% of The Woodlands Division's operating revenues for the year ended August 31, 2020.

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. The Texas Supreme Court heard oral arguments in January 2020 and issued its corrected opinion on June 12, 2020. The Court held that the GRP Contracts are "incontestable" under the Texas Government Code and that the trial court had jurisdiction to determine whether the GRP Contracts were validly executed. Upon remand, the Authority moved for summary judgment seeking declarations that (i) the GRP Contracts were legally and validly executed; and (ii) the Authority has contractual authority under the GRP Contracts to issue rate orders and rates that comply with the GRP Contracts because those contracts were validly executed. On December 11, 2020, the Travis County district court entered an order granting the Authority's summary judgment and issuing the requested declarations based on the incontestability of the GRP Contracts as a matter of law.

The Authority expects that the City of Conroe and other intervenors will appeal this ruling. Accordingly, the Authority cannot predict the outcome of the suit at this time and 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 \$1,531,811 in legal fees and costs related to the suit and additional expenditures are anticipated to be incurred by the Authority in the future.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

During the Authority's fiscal years 2019 and 2020, the City of Conroe and City of Magnolia paid the fiscal year 2016 rates (not fiscal year 2019 or 2020 rates) and are incurring late fees and finance fees on unpaid balances. As of August 31, 2020, the past due balance (including late fees and interest) for the City of Conroe was \$5,583,828 and for the City of Magnolia was \$291,502. Quadvest and Woodland Oaks Utilities stopped paying their invoices during the fiscal year 2020. All other participants paid the fiscal year 2020 rates during the Authority's fiscal year 2020.

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 eighteen (18) 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. There are also nine (9) cases in Montgomery County, Liberty County, Jefferson County, Brazoria County, Orange County, Wharton County, and San Jacinto County, Texas after the Authority moved to transfer to those counties the claims of plaintiffs who reside in those counties but filed suit in Harris County. The Authority is contesting all of these claims vigorously and intends to continue to do so.

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. Because the Texas Supreme Court's opinion limited the suit under Government Code Chapter 1205, discussed in "Contingencies" above, to the validity of the GRP Contracts and excluding compliance with those contracts, the Authority filed cross-claims against the Cities of Conroe and Magnolia for breach of contract for their failure to pay the prevailing GRP rates since September 2016.

Conroe and Magnolia challenged the trial court's jurisdiction on the basis of governmental immunity, specifically that the GRP Contracts lack the essential terms of price and quantity necessary for the statutory waiver of immunity to apply. The trial court granted the Cities' plea to the jurisdiction, and the Authority has taken an interlocutory appeal. The case, including the claims originally asserted by Quadvest, et al., is stayed in the trial court pending the outcome of the appeal.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

San Jacinto River Authority v. Quadvest, L.P. et al. v., No. 20-08-10189, in the 284th Judicial District Court for Montgomery County, Texas. After the Montgomery County District Court granted the plea to the jurisdiction in the lawsuit discussed in the preceding paragraph, Quadvest, L.P. and Woodland Oaks Utility, L.P. announced that they would no longer pay the fees owed under the GRP Contracts. Once these two private utilities became delinquent, the Authority filed this lawsuit for breach of the GRP Contracts for failure to pay. Despite the utilities' effort to delay this lawsuit, the court has ruled that it may proceed toward trial. Discovery is ongoing.

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 the GRP Contracts are illegal because they "unreasonably restrain trade." The Authority moved to dismiss plaintiffs' claim for various reasons, including that the Authority's actions are immune from antitrust lawsuits under the state-action doctrine. The district court denied the Authority's Motion to Dismiss on all grounds, and the Authority took an interlocutory appeal to the U.S. Court of Appeals for the Fifth Circuit on the issue of immunity. Briefing is ongoing in that appeal.

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.

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.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – COMPENSATED ABSENCES

Vacation

As of August 31, 2020, 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 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 1/2 hour increments. The

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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.

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

	<u>Sept. 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Aug. 31, 2020</u>
Lake Conroe Vacation	\$ 30,023	\$	1,234	\$ 28,789
Highlands Vacation	8,943	3,550		12,493
Flood Management		300		300
General & Admin Vacation	230,189	9,085		239,274
Woodlands Vacation	86,475	23,057		109,532
GRP Vacation	46,400	936		47,336
Vacation Total	<u>402,030</u>	<u>36,928</u>	<u>1,234</u>	<u>437,724</u>
Lake Conroe Sick Leave				
Highlands Sick Leave				
Flood Management				
General & Admin Sick Leave	12,565	13,417		25,982
Woodlands Sick Leave	1,713		299	1,414
GRP, Sick Leave	19,077		19,077	
Sick Leave Total	<u>33,355</u>	<u>13,417</u>	<u>19,376</u>	<u>27,396</u>
Lake Conroe Comp Time	1,661		26	1,635
Highlands Comp Time	2,410		1,861	549
Flood Management				
General & Admin Comp Time	1,938	628		2,566
Woodlands Comp Time	602	285		887
GRP Comp Time	1,507		319	1,188
Compensatory Time Total	<u>8,118</u>	<u>913</u>	<u>2,206</u>	<u>6,825</u>
Total	<u>\$ 443,503</u>	<u>\$ 51,258</u>	<u>\$ 22,816</u>	<u>\$ 471,945</u>

The current year expense and ending fiscal year 2020 liability for compensatory time is calculated based on the total employee hours accrued times the end of fiscal year 2020 pay rate.

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, 2020

Fiscal Year Ending August 31	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Total Pension Liability</u>				
Service cost	\$ 1,111,238	\$ 1,243,286	\$ 1,200,814	\$ 1,045,193
Interest on total pension liability	1,288,568	1,119,847	1,057,429	938,603
Effect of plan changes				
Effect of assumption changes or inputs	692,910		535,907	(258,264)
Effect of economic/demographic gains or (losses)	(1,910,767)	1,007,771	(376,723)	(467,654)
Benefit payments	(526,971)	(551,303)	(667,764)	(359,464)
Net change in total pension liability	<u>654,978</u>	<u>2,819,601</u>	<u>1,749,663</u>	<u>898,414</u>
Total pension liability, beginning	19,765,348	16,945,747	15,196,084	14,297,670
Total Pension Liability, Ending (a)	<u><u>\$ 20,420,326</u></u>	<u><u>\$ 19,765,348</u></u>	<u><u>\$ 16,945,747</u></u>	<u><u>\$ 15,196,084</u></u>
<u>Fiduciary Net Position</u>				
Employer contributions	\$ 1,318,812	\$ 1,281,550	\$ 1,446,275	\$ 1,225,120
Member contributions				
Investment income net of investment expenses	2,047,106	110,522	2,338,816	488,949
Benefit payments	(526,971)	(551,303)	(667,764)	(359,464)
Administrative expenses	(6,087)	(6,936)	(7,226)	(6,875)
Net Change in Plan Fiduciary Net Position	<u>2,832,860</u>	<u>833,833</u>	<u>3,110,101</u>	<u>1,347,730</u>
Fiduciary net position, beginning	17,776,614	16,942,781	13,832,680	12,484,950
Fiduciary Net Position, Ending (b)	<u><u>\$ 20,609,474</u></u>	<u><u>\$ 17,776,614</u></u>	<u><u>\$ 16,942,781</u></u>	<u><u>\$ 13,832,680</u></u>
Net Pension Liability, Ending (a)-(b)	<u><u>\$ (189,148)</u></u>	<u><u>\$ 1,988,734</u></u>	<u><u>\$ 2,966</u></u>	<u><u>\$ 1,363,404</u></u>
Fiduciary Net Position as a % of total pension liability	100.93%	89.94%	99.98%	91.03%
Covered Payroll	\$ 9,564,583	\$ 9,946,465	\$ 10,524,840	\$ 10,081,467
Net Pension Liability as a % of Covered Payroll	-1.98%	19.99%	0.03%	13.52%

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,000,263 882,137	\$ 904,125 805,717	\$	\$	\$	\$
(336,786) (306,775)	(280,659)				
<u>1,238,839</u>	<u>1,429,183</u>				
13,058,831	11,629,648				
<u>\$ 14,297,670</u>	<u>\$ 13,058,831</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 1,222,436	\$ 1,200,435	\$	\$	\$	\$
265,496 (306,775) (7,379)	754,693 (280,659) (11,471)				
<u>1,173,778</u>	<u>1,662,998</u>				
11,311,172	9,648,174				
<u>\$ 12,484,950</u>	<u>\$ 11,311,172</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ 1,812,720</u>	<u>\$ 1,747,659</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
87.32%					
\$ 9,002,044	\$ 8,355,491	\$ 5,642,798	\$ 4,491,803	\$ 3,923,220	\$ 3,812,702
20.14%	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, 2020

Fiscal Year Ended August 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2011	\$ 562,406	\$ 583,621	\$ (21,215)	\$ 4,728,214	12.34%
2012	648,608	670,841	(22,233)	5,939,787	11.29%
2013	798,954	807,782	(8,828)	6,776,385	11.92%
2014	951,702	958,987	(7,285)	7,693,148	12.47%
2015	1,090,455	1,200,435	(109,980)	8,773,266	13.68%
2016	1,091,804	1,222,436	(130,632)	9,452,146	12.93%
2017	1,172,614	1,225,120	(52,506)	10,585,540	11.57%
2018	1,281,074	1,446,275	(165,201)	11,051,082	13.09%
2019	1,159,682	1,281,550	(121,868)	10,443,788	12.27%
2020	1,289,760	1,318,812	(29,052)	10,042,812	13.13%

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 11/1/2018

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

Fair Value

Corridor

None

Inflation

2.30%

Salary Increases

5.00%

6.00%, 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, 2020

<u>Fiscal Year Ended August 31</u>	<u>Net Money- Weighted Rate of Return</u>
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%
2020	11.08%

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, 2020

Fiscal Year Ending August 31	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Total OPEB Liability</u>				
Service cost	\$ 23,037	\$ 20,070	\$ 22,695	\$ 28,903
Interest on total OPEB liability	60,194	72,789	68,240	61,195
Changes of benefit terms				
Effect of economic/demographic gains or (losses)	(455,879)	(181,458)		
Effect of assumption changes or inputs	74,419	321,952	(144,021)	(242,418)
Benefit payments	(47,103)	(48,166)	(52,564)	(51,636)
Change in total OPEB liability	<u>(345,332)</u>	<u>185,187</u>	<u>(105,650)</u>	<u>(203,956)</u>
Total OPEB liability, beginning	<u>2,027,059</u>	<u>1,841,872</u>	<u>1,947,522</u>	<u>2,151,478</u>
Total OPEB Liability, Ending	<u><u>\$ 1,681,727</u></u>	<u><u>\$ 2,027,059</u></u>	<u><u>\$ 1,841,872</u></u>	<u><u>\$ 1,947,522</u></u>
Covered Payroll	\$ 263,108	\$ 322,813	\$ 322,115	\$ 393,447
Net Pension Liability as a % of Covered Payroll	639.18%	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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$	\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 352,848	\$ 347,971	\$ 336,482	\$ 413,753	\$ 474,846	\$ 463,099

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, 2020

Fiscal Year Ended August 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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%
2020	47,103	47,103		263,108	17.90%

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, 2019.

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, 2019: 2.97%

August 31, 2020: 2.2%

Healthcare Cost Trend Rates

4.9% /4.1% the first year (2019-2020 fiscal year), 4.9% in the second year, 4.8% in the third year, 4.7% in the fourth year, and ultimately grading down to 4.0% /3.9% per year in the eighty-second year and beyond (before SECURE act/after SECURE act).

Retirement

100% at age 65

Mortality

RP-2010 Mortality (headcount weighted) for Employees, Healthy Annuitants, and Contingent Annuitants projected forward (fully generational) with MP-2019

OTHER SUPPLEMENTARY INFORMATION



SAN JACINTO RIVER AUTHORITY

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL - RAW WATER ENTERPRISE

Year Ended August 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Operating Revenues</u>				
Water revenues	\$ 24,338,078	\$ 24,338,078	\$ 24,484,822	\$ 146,744
Permits, licenses and fees	1,124,879	1,124,879	1,086,858	(38,021)
Total Revenues	<u>25,462,957</u>	<u>25,462,957</u>	<u>25,571,680</u>	<u>108,723</u>
<u>Operating Expenses</u>				
Current:				
Salaries and wages	4,613,892	4,613,892	3,789,423	(824,469)
Employee insurance and other payroll benefits	2,178,369	2,178,369	1,456,995	(721,374)
Outside services employed	2,754,018	4,754,018	4,396,374	(357,644)
Operating supplies and expenses	1,136,040	1,136,040	861,522	(274,518)
Rentals	96,235	96,235	48,372	(47,863)
Maintenance, repairs and parts	2,088,350	2,088,350	1,502,695	(585,655)
General and administrative	1,667,574	1,667,574	1,499,211	(168,363)
Depreciation			2,784,612	2,784,612
Total Expenditures	<u>14,534,478</u>	<u>16,534,478</u>	<u>16,339,204</u>	<u>(195,274)</u>
Operating Net Income	10,928,479	8,928,479	9,232,476	303,997
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	14,400	14,400	379,324	364,924
Interest expense on bonds	(2,421,775)	(2,421,775)	(2,328,450)	93,325
Other	5,675	5,675	844,165	838,490
Total Nonoperating Revenues (Expenses)	<u>(2,401,700)</u>	<u>(2,401,700)</u>	<u>(1,104,961)</u>	<u>1,296,739</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 8,526,779</u>	<u>\$ 6,526,779</u>	<u>\$ 8,127,515</u>	<u>\$ 1,600,736</u>

SAN JACINTO RIVER AUTHORITY

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

WOODLANDS DIVISION

Year Ended August 31, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Over (Under)
Operating Revenues				
Water and sewer service fees	\$ 40,585,960	\$ 40,585,960	\$ 38,463,177	\$ (2,122,783)
Permits, licenses and fees	205,100	205,100	207,100	2,000
Capacity charges	3,829,988	3,829,988	3,918,310	88,322
Total Revenues	44,621,048	44,621,048	42,588,587	(2,032,461)
Operating Expenses				
Current:				
Salaries and wages	4,928,636	4,928,636	4,843,944	(84,692)
Employee insurance and other payroll benefits	2,385,392	2,385,392	1,976,060	(409,332)
Outside services employed	20,096,130	20,096,130	18,407,180	(1,688,950)
Operating supplies and expenses	4,396,306	4,396,306	3,883,268	(513,038)
Rentals	24,000	24,000	25,837	1,837
Maintenance, repairs and parts	4,518,727	4,518,727	3,979,406	(539,321)
General and administrative	799,715	799,715	771,698	(28,017)
Depreciation			7,051,946	7,051,946
Total Expenditures	37,148,906	37,148,906	40,939,339	3,790,433
Operating Net Income (Loss)	7,472,142	7,472,142	1,649,248	(5,822,894)
Nonoperating Revenues (Expenses)				
Interest income	175,200	175,200	1,117,035	941,835
Interest expense	(1,805,722)	(1,805,722)	(1,805,722)	
Bond issuance costs				
Other			308,288	308,288
Total Nonoperating Revenues	(1,630,522)	(1,630,522)	(380,399)	1,250,123
Income (Loss) Before Contributions and Transfers	\$ 5,841,620	\$ 5,841,620	\$ 1,268,849	\$ (4,572,771)

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, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Operating Revenues</u>				
Water revenues *	\$ 54,057,407	\$ 54,057,407	\$ 58,796,228	\$ 4,738,821
Total Revenues	<u>54,057,407</u>	<u>54,057,407</u>	<u>58,796,228</u>	<u>4,738,821</u>
<u>Operating Expenses</u>				
Current:				
Salaries and wages	3,167,707	3,167,707	3,104,584	(63,123)
Employee insurance and other payroll benefits	1,377,008	1,377,008	1,269,400	(107,608)
Outside services employed	2,667,219	2,667,219	3,390,390	723,171
Operating supplies and expenses	9,109,821	9,109,821	9,636,764	526,943
Rentals	2,000	2,000	1,383	(617)
Maintenance, repairs and parts	1,059,750	1,059,750	978,262	(81,488)
General and administrative	476,390	476,390	351,868	(124,522)
Depreciation			14,725,900	14,725,900
Total Expenditures	<u>17,859,895</u>	<u>17,859,895</u>	<u>33,458,551</u>	<u>15,598,656</u>
Operating Net Income	36,197,512	36,197,512	25,337,677	(10,859,835)
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	6,000	6,000	737,812	731,812
Interest expense	(20,175,084)	(20,175,084)	(20,175,084)	
Other **	17,688	17,688	1,997,069	1,979,381
Total Nonoperating Revenues (Expenses)	<u>(20,151,396)</u>	<u>(20,151,396)</u>	<u>(17,440,203)</u>	<u>2,711,193</u>
Income (Loss) Before Contributions and Transfers				
Contributions and Transfers	<u>\$ 16,046,116</u>	<u>\$ 16,046,116</u>	<u>\$ 7,897,474</u>	<u>\$ (8,148,642)</u>

At the August 27, 2020 Board meeting, the Board authorized the General Manager to approve expenditures over the budgeted amount in the outside services employed.

The Authority's water revenue budget for its Groundwater Reduction Plan is based on rates and estimated water demand established to cover operating expenses, debt service requirements and to fund reserves based on projections of water demand and funding needs.

* Water revenues in the amount of \$58,796,228 includes short pays of fees for City of Conroe (\$1,992,916) and City of Magnolia (\$88,026), and nonpayments for Quadvest, LP. (\$1,658,573) and Woodlands Oak Utilities (\$111,660).

** Other nonoperating revenues of \$1,997,069 includes nonpayment of interest and penalties for City of Conroe (\$560,164), City of Magnolia (\$28,734), Quadvest,LP.(\$38,517), and Woodlands Oak Utilities (\$2,895).

SAN JACINTO RIVER AUTHORITY

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

August 31, 2020

Assets

Current Assets

Cash and cash equivalents	
Unrestricted	\$ 3,218,507
Restricted for debt service	56,953,350
Restricted for construction	1,621,155
Accounts receivable and prepaids	12,451,218
Total Current Assets	<u>74,244,230</u>

Noncurrent Asset

6,178,772

Capital Assets - at cost

Land	14,306,156
Land improvements	2,470,693
Furniture and fixtures	2,366,175
Other machinery and equipment	743,384
Automobiles and trucks	480,377
Buildings	15,601,688
Water systems	421,282,343
Construction in progress	63,597
Accumulated Depreciation	(75,802,073)

Total Capital Assets

381,512,340

Total Noncurrent and Capital Assets

387,691,112

Total Assets

\$ 461,935,342

Liabilities

Current Liabilities

Accounts payable and accrued liabilities - unrestricted	\$ 2,182,255
Restricted for debt services - current portion of bonds	14,430,000
Restricted for debt services - accrued interest payable	8,392,534
Restricted for construction - retainage payable	0
Unearned Revenue	0

Total Current Liabilities

25,004,789

Noncurrent Liabilities

First lien water revenue bonds - less current maturities	452,120,000
Unamortized bond premium or discount	133,400

Total Noncurrent Liabilities

452,253,400

Total Liabilities

477,258,189

Net Position

Net Position

Net investment in capital assets	(83,549,905)
Restricted for debt service	48,560,816
Unrestricted	19,666,242

Total Net Position

\$ (15,322,847)

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

Year Ended August 31, 2020

Operating Revenues

Water revenues (GRP Pumpage and Surface Water Fees)	\$ 58,796,228
Total Revenues	58,796,228

Operating Expenses

Current:

Salaries and wages	3,104,584
Employee insurance and other payroll benefits	1,269,400
Outside services employed	3,390,390
Operating supplies and expenses	9,636,764
Rentals	1,383
Maintenance, repairs and parts	978,262
General and administrative expenses	351,868
Depreciation	14,725,900
Total Expenditures	33,458,551

Operating Net Income (Loss) 25,337,677

Nonoperating Revenues (Expenses)

Interest income	737,812
Gain (Loss) on disposal of assets	4,000
Amortization of debt issuance costs	7,012
Interest expense on bonds	(20,175,084)
Other	1,986,057
Total Nonoperating Revenues (Expenses)	(17,440,203)

Income (Loss) Before Transfers and Contributions 7,897,474

**Transfers
Contributions**

Change in Net Position 7,897,474

Net Position at Beginning of Year (23,220,321)

Net Position at End of Year **\$ (15,322,847)**

SAN JACINTO RIVER AUTHORITY
SCHEDULE OF CASH FLOWS
GROUNDWATER REDUCTION PLAN DIVISION

Year Ended August 31, 2020

Cash Flows from Operating Activities	
Cash received from customers	\$ 52,333,646
Cash payments to suppliers for goods and services	(14,001,864)
Cash paid for employee services	(4,373,984)
Other revenues and expenses	1,986,057
Net Cash Provided by Operating Activities	<u>35,943,855</u>
Cash Flows from Noncapital Financing Activities	
Transfers	<u>0</u>
Net Cash Provided by Noncapital Financing Activities	<u>0</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on bonds	(14,020,000)
Interest paid on bonds	(20,340,103)
Bond issue expenses	0
Acquisition of capital assets	(123,217)
Proceeds from the sale of assets	4,000
Capital contributions	0
Net Cash (Used) by Capital and Related Financing Activities	<u>(34,479,320)</u>
Cash Flows from Investing Activities	
Interest earned	<u>0</u>
Net Cash Flows Provided by Investing Activities	<u>0</u>
Net (Decrease) in Cash and Cash Equivalents	1,464,535
Cash and equivalents at beginning of year	<u>0</u>
Cash and Equivalents at End of Year	<u>\$ 1,464,535</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 25,337,677
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Other revenues and expenses	1,986,057
Depreciation	14,725,900
(Increase) in receivables	(6,110,714)
(Increase) in inventory	(13,666)
Decrease in prepaids	217,191
(Decrease) in accounts payable and accrued liabilities	(198,590)
Increase in unearned revenue	0
Total Adjustments	<u>10,606,178</u>
Net Cash Provided by Operating Activities	<u>\$ 35,943,855</u>

SAN JACINTO RIVER AUTHORITY

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

August 31, 2020

Dam and Appurtenances:

Dam and appurtenances - joint	\$ 21,811,547
Dam and appurtenances - San Jacinto River Authority	671,726
Total Dam and Appurtenances	<u>22,483,273</u>

Buildings and Residences:

Office building - joint	71,742
Warehouse building - joint	21,724
Residences - joint	52,977
Boat house - joint	21,646
Storage building - San Jacinto River Authority	23,404
Total Buildings and Residences	<u>191,493</u>

Equipment:

Construction and maintenance equipment - joint	963,861
Streets and roads - joint	65,192
Transportation equipment - joint	370,767
Transportation equipment - San Jacinto River Authority	
Office furniture and fixtures - joint	51,189
Computer software - joint	444,019
Computer hardware - joint	104,775
Telephone system - joint	23,148
Miscellaneous equipment - joint	57,836
Construction and maintenance equipment - San Jacinto River Authority	53,291
Total Equipment	<u>2,134,078</u>

Land:

Land easements and improvements - joint	7,574,972
Land acquisition and administration - joint	5,870,687
Ayer Island improvements - joint	49,508
Land easements - Newton Park	312,928
Land improvements - joint	131,800
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
Lake Conroe park land improvements - San Jacinto River Authority	388,833
Lake Conroe park roads improvements - San Jacinto River Authority	108,634
Total Land	<u>15,066,014</u>

Total Lake Conroe Dam, Reservoir and Related Equipment 39,874,858

Less City of Houston Contribution (25,138,035)

San Jacinto River Authority's Interest in Lake Conroe Dam, Reservoir and Related Equipment 14,736,823

Less Accumulated Depreciation on San Jacinto River Authority's Interest in Assets (4,204,548)

Net Interest in Lake Conroe Dam, Reservoir and Related Equipment \$ 10,532,275

SAN JACINTO RIVER AUTHORITY

INSURANCE COVERAGES

August 31, 2020

<u>Types of Coverages</u>	<u>Amount of Coverage</u>	<u>Insurer</u>	<u>Coverage to</u>
Property Coverages			
Buildings	\$ 230,452,196	TWCA Risk Management Fund	7/1/2021
Contents	6,347,059	TWCA Risk Management Fund	7/1/2021
EDP Equipment	1,107,133	TWCA Risk Management Fund	7/1/2021
Equipment/Contractors Equip	2,512,788	TWCA Risk Management Fund	7/1/2021
Miscellaneous Property & Equipment	4,221,045	TWCA Risk Management Fund	7/1/2021
Rented Equipment	200,000	TWCA Risk Management Fund	7/1/2021
Boiler and Machinery	166,898,722	TWCA Risk Management Fund	7/1/2021
Total Property Coverages	<u><u>\$411,738,943</u></u>		
Automobile:			
Bodily injury and property damage	Combined limit \$1,000,000	TWCA Risk Management Fund	7/1/2021
Excess auto liability	\$9,000,000	TWCA Risk Management Fund	7/1/2021
Physical damage	Actual cash value	TWCA Risk Management Fund	7/1/2021
General Liability	\$1,000,000	TWCA Risk Management Fund	7/1/2021
	per occurrence		
Excess General Liability	\$9,000,000	TWCA Risk Management Fund	7/1/2021
Public Officials:			
Errors and omissions	\$1,000,000	TWCA Risk Management Fund	7/1/2021
Excess errors and omissions	\$9,000,000	TWCA Risk Management Fund	7/1/2021
GRP Review Committee	\$1,000,000	JI Special Risk Insurance Agency	6/3/2021
Workers' Compensation	Statutory	TWCA Risk Management Fund	7/1/2021

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, 2020

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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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Business-type activities				
Net Investment in capital assets	\$ 93,493,165	\$ 81,039,024	\$ 34,279,471	\$ 52,304,682
Restricted	7,778,815	27,079,260	68,491,559	59,550,621
Unrestricted	36,370,470	34,648,654	38,155,393	34,447,449
Total business-type activities net position	<u>\$ 137,642,450</u>	<u>\$ 142,766,938</u>	<u>\$ 140,926,423</u>	<u>\$ 146,302,752</u>
Primary government				
Net Investment in capital assets	\$ 93,493,165	\$ 81,039,024	\$ 34,279,471	\$ 52,304,682
Restricted	7,778,815	27,079,260	68,491,559	59,550,621
Unrestricted	36,370,470	34,648,654	38,155,393	34,447,449
Total primary government net position	<u>\$ 137,642,450</u>	<u>\$ 142,766,938</u>	<u>\$ 140,926,423</u>	<u>\$ 146,302,752</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

2015	2016	2017	2018	2019	2020
\$ 81,417,800	\$ 76,461,833	\$ 54,705,951	\$ 51,689,036	\$ 57,974,629	\$ 61,352,744
52,279,716	54,932,005	56,121,250	60,520,121	80,940,146	75,754,603
33,386,039	38,519,086	41,920,578	48,534,255	33,786,246	52,446,023
<u>\$ 167,083,555</u>	<u>\$ 169,912,924</u>	<u>\$ 152,747,779</u>	<u>\$ 160,743,412</u>	<u>\$ 172,701,021</u>	<u>\$ 189,553,370</u>
\$ 81,417,800	\$ 76,461,833	\$ 54,705,951	\$ 51,689,036	\$ 57,974,629	\$ 61,352,744
52,279,716	54,932,005	56,121,250	60,520,121	80,940,146	75,754,603
33,386,039	38,519,086	41,920,578	48,534,255	33,786,246	52,446,023
<u>\$ 167,083,555</u>	<u>\$ 169,912,924</u>	<u>\$ 152,747,779</u>	<u>\$ 160,743,412</u>	<u>\$ 172,701,021</u>	<u>\$ 189,553,370</u>

SAN JACINTO RIVER AUTHORITY

CHANGES IN NET POSITION

Last Ten Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses				
Business-type activities:				
Salaries and wages	\$ 6,702,971	\$ 7,958,296	\$ 8,392,601	\$ 8,872,719
Employee insurance and other payroll benefits	2,783,051	2,772,375	3,476,905	3,443,181
Outside services employed	5,053,638	3,908,048	4,072,695	4,943,193
Operating supplies and expenses	7,595,490	7,388,455	7,797,323	9,405,454
Rentals	124,643	352,479	234,674	118,467
Maintenance, repairs and parts	4,133,285	4,550,249	4,538,373	3,773,308
Water planning study expenses	157,071	197,815	257,465	520,071
General and administrative expenses				
Depreciation	6,330,205	6,898,534	7,404,035	7,783,943
Total business-type activities expenses	<u>32,880,354</u>	<u>34,026,251</u>	<u>36,174,071</u>	<u>38,860,336</u>
Total primary government expenses	<u>\$ 32,880,354</u>	<u>\$ 34,026,251</u>	<u>\$ 36,174,071</u>	<u>\$ 38,860,336</u>
Program Revenues:				
Business-type activities				
Water sales:				
Industrial	\$ 9,037,794	\$ 9,223,102	\$ 10,125,269	\$ 11,070,653
Irrigation	134,341	108,342	109,004	129,878
Water and sewer service fees	33,257,666	33,360,551	44,863,366	52,090,243
Permits, licenses, and fees	763,503	1,007,532	1,002,670	1,070,828
Contractual revenues				
Capacity charges	5,466,830	5,242,829	5,252,805	5,188,612
Water planning study	141,878	210,072	249,233	492,810
Total business-type activities revenues	<u>48,802,012</u>	<u>49,152,428</u>	<u>61,602,347</u>	<u>70,043,024</u>
Total primary government revenues	<u>\$ 48,802,012</u>	<u>\$ 49,152,428</u>	<u>\$ 61,602,347</u>	<u>\$ 70,043,024</u>
Net (Expenses) Revenue				
Business-type activities				
Interest income	\$ 287,860	\$ 713,705	\$ 1,189,490	\$ 376,774
Gain (Loss) on disposal of capital assets	47,542	167,866	(144,605)	959,459
Oil and gas royalty income	7,920	3,165		
Other revenues	6,305	220,754	117,973	87,035
FEMA Grant				
Other expenses	(119,476)		(1,234,093)	(3,097,923)
Amortization of bond premium or discounts	(728,548)	(454,979)	77,657	166,343
Interest expense on bonds	(5,367,553)	(11,489,309)	(22,414,786)	(25,688,916)
Total business-type activities	<u>(5,865,950)</u>	<u>(10,838,798)</u>	<u>(22,408,364)</u>	<u>(27,197,228)</u>
Total primary government	<u>\$ (5,865,950)</u>	<u>\$ (10,838,798)</u>	<u>\$ (22,408,364)</u>	<u>\$ (27,197,228)</u>
General Revenues and Other Change in Net Position				
Business-type activities:				
Capital Contributions/(Distributions)	\$ 1,843,632	\$ 837,109	\$ 3,300,933	\$ 1,390,869
Total business-type activities	<u>1,843,632</u>	<u>837,109</u>	<u>3,300,933</u>	<u>1,390,869</u>
Total primary government	<u>\$ 1,843,632</u>	<u>\$ 837,109</u>	<u>\$ 3,300,933</u>	<u>\$ 1,390,869</u>
Change in Net Position				
Business-type activities	<u>11,899,340</u>	<u>5,124,488</u>	<u>6,320,845</u>	<u>5,376,329</u>
Total primary government	<u>\$ 11,899,340</u>	<u>\$ 5,124,488</u>	<u>\$ 6,320,845</u>	<u>\$ 5,376,329</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

	2015	2016	2017	2018	2019	2020
\$	10,720,810	\$ 11,724,348	\$ 12,182,806	\$ 12,255,875	\$ 12,511,453	\$ 12,666,436
	4,255,143	4,715,723	4,924,773	5,179,617	5,493,433	4,904,352
	3,759,083	5,042,298	6,283,542	6,367,524	8,366,993	10,905,653
	6,754,835	11,252,100	11,732,077	11,849,544	11,958,973	12,667,800
	69,320	85,327	75,774	80,229	67,175	68,850
	4,113,761	5,279,400	6,080,155	7,792,350	7,891,447	6,674,429
	802,042	17,877	1,943	1,479	1,732	1,965
	<u>8,753,185</u>	<u>23,527,194</u>	<u>24,446,476</u>	<u>24,381,708</u>	<u>24,170,719</u>	<u>24,868,561</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>	<u>72,758,046</u>
\$	<u><u>39,228,17</u></u>	<u><u>61,644,26</u></u>	<u><u>65,727,54</u></u>	<u><u>67,908,32</u></u>	<u><u>70,461,92</u></u>	<u><u>72,758,04</u></u>

\$	10,550,443	\$ 12,622,941	\$ 13,553,382	\$ 14,571,525	\$ 16,532,985	\$ 17,287,532
	141,375	139,677	204,387	120,487	118,548	110,041
	60,607,860	67,391,878	73,727,688	77,933,431	69,595,114	80,590,320
	1,131,372	1,125,274	1,351,718	1,334,353	1,424,817	1,293,958
	1,716,011	1,486,056	2,065,619	2,617,142	3,314,511	4,641,065
	5,022,163	3,834,462	3,856,538	3,846,463	9,646,449	3,918,310
	759,984	359,554	112,377	667,766	470,686	744,516
	<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>	<u>108,585,742</u>
\$	<u><u>79,929,20</u></u>	<u><u>86,959,84</u></u>	<u><u>94,871,70</u></u>	<u><u>101,091,16</u></u>	<u><u>101,103,11</u></u>	<u><u>108,585,74</u></u>

\$	238,633	\$ 396,775	\$ 527,927	\$ 1,408,665	\$ 1,856,573	\$ 1,991,368
	(33,748)	452,827	588,168	557,773	1,854,993	751,411
	40,825	39,697	675,300	574,180	861,342	2,296,497
	(799,966)	(108,133)		(4,015,162)	0	0
	278,431	278,666	273,179	314,621	281,686	461,056
	<u>(25,183,782)</u>	<u>(24,954,257)</u>	<u>(25,644,260)</u>	<u>(25,517,682)</u>	<u>(25,087,078)</u>	<u>(24,754,703)</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>	<u>(19,254,371)</u>
\$	<u><u>(25,459,607)</u></u>	<u><u>(23,894,425)</u></u>	<u><u>(23,579,686)</u></u>	<u><u>(26,677,605)</u></u>	<u><u>(20,232,484)</u></u>	<u><u>(19,254,371)</u></u>

\$	4,030,000	\$ 1,408,219	\$ (21,992,683)	\$ 1,490,397	\$ 1,548,908	\$ 279,024
	<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>	<u>279,024</u>
\$	<u><u>4,030,00</u></u>	<u><u>1,408,21</u></u>	<u><u>(21,992,683)</u></u>	<u><u>1,490,39</u></u>	<u><u>1,548,90</u></u>	<u><u>279,02</u></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>	<u>16,852,349</u>
\$	<u><u>19,271,42</u></u>	<u><u>2,829,36</u></u>	<u><u>(16,428,206)</u></u>	<u><u>7,995,63</u></u>	<u><u>11,957,60</u></u>	<u><u>16,852,34</u></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		
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	\$ 10,905,780	\$ 10,265,798	\$ 21,171,578	\$ 1.74	\$ 3.64
2014	\$ 9,566,723	\$ 11,235,673	\$ 20,802,396	\$ 1.74	\$ 3.64
2015	\$ 10,291,031	\$ 11,609,244	\$ 21,900,275	\$ 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
2020	\$ 10,894,954	\$ 13,117,346	\$ 24,012,300	\$ 2.19	\$ 4.49

(1) Direct Rate based on per thousand gallons

SAN JACINTO RIVER AUTHORITY

PRINCIPAL WOODLANDS DIVISION WATER AND SEWER FEES PAYERS

August 31, 2020

Customer	2020			2011		
	Revenue Base Attributable	Rank	% Base of The total Revenue Base	Revenue Base Attributable	Rank	% Base of The total Revenue Base
MUD 6	\$ 2,075,524	8	5%	\$ 1,153,160	8	5%
MUD 7	\$ 2,718,110	6	7%	\$ 1,913,709	6	8%
MUD 36	\$ 1,545,175	9	4%	\$ 1,066,172	9	4%
MUD 39	\$ 1,434,239	10	4%	\$ 965,122	10	4%
MUD 1*	\$ 2,625,019	7	7%	\$ 1,852,669	7	8%
MUD 46	\$ 8,910,449	1	24%	\$ 5,680,517	1	23%
MUD 47	\$ 6,638,319	2	18%	\$ 4,690,465	2	19%
MUD 60	\$ 4,172,523	4	11%	\$ 3,078,934	3	13%
MUD 67	\$ 3,439,353	5	9%	\$ 2,034,900	4	8%
Metro MUD	\$ 4,232,814	3	11%	\$ 1,977,606	5	8%

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, 2020

Raw Water Enterprise

Bentwater Yacht & Country Club-Grand Pines
Bentwater Yacht & Country Club-Weiskopf
CC Willis, LP
Chevron Phillips Chemical Company
Crosby Municipal Utility District
ECO Services Operations, LLC
Entergy
ExxonMobil
Monument Chemical Baytown, LLC
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, Ltd.
GPW Two LLC
Lakeside Resort JV, LLC
Pier 105 Marina, LLC
Seven Coves Association
SHM Walden Marina
Sports Harbour, LLC
Stow-A-Way Marina
The Palms Marina

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				
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
2020	\$ 59,635,000	537,470,000	1,371,156	\$ 598,476,156	551.16%	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>						
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
2020	\$ 19,843,757	\$ 5,362,557	\$ 14,481,200	\$ 3,470,000	\$ 1,955,500	2.67
<u>GRP Division</u>						
2011	\$	\$	\$ -	\$	\$	
2012	\$	\$	\$	\$	\$	
2013	\$	\$	\$	\$	\$	
2014	\$	\$	\$	\$	\$	
2015	\$	\$	\$	\$	\$	
2016	\$	\$	\$	\$	\$	
2017	\$	\$	\$	\$	\$	
2018	\$	\$	\$	\$	\$	
2019	\$	\$	\$	\$	\$	
2020	\$	\$	\$	\$	\$	

Special Project Revenue Bonds

Revenue	Less Operating Expenses	Net Available for Debt Service	Debt Service		Cover Ratio
			Principal	Interest	
\$ 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
\$ 42,277,226	\$ 33,887,393	\$ 8,389,833	\$ 4,770,719	\$ 1,835,368	1.27
\$ 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
\$ 58,796,228	\$ 18,732,651	\$ 40,063,577	\$ 14,020,000	\$ 20,340,104	1.17

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	3,691
Baytown	76,581
Crosby	2,542
Grimes County	27,630
Highlands	7,432
Liberty County	88,219
Montgomery County	607,391
San Jacinto County	27,819
Walker County	72,971
Waller County	49,987

CensusReporter.org

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

Educational Attainment

<u>County/City</u>	<u>High School</u>	<u>College</u>
Barrett	69%	9%
Baytown	77%	15%
Crosby	78%	16%
Grimes County	80%	15%
Highlands	78%	11%
Liberty County	80%	12%
Montgomery County	88%	34%
San Jacinto County	84%	11%
Walker County	87%	19%
Waller County	81%	20%

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	Conroe Independent School District
Baytown	33	Memorial Hermann The Woodlands Medical Center
Crosby	34	ExxonMobil
Grimes County	40	Occidental
Highlands	39	CHI St. Luke's The Woodlands Hospital
Liberty County	35	Houston Methodist The Woodlands Hospital
Montgomery County	38	Alight Solutions
San Jacinto County	45	Lone Star College System - Montgomery
Walker County	37	Texas Children's Hospital The Woodlands
Waller County	29	Huntsman Corporation

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	46,213
Baytown	55,628
Crosby	40,817
Grimes County	50,298
Highlands	53,560
Liberty County	50,049
Montgomery County	88,695
San Jacinto County	44,658
Waller County	47,170
Walker County	57,654

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	4.5%
Baytown	4.5%
Crosby	4.5%
Grimes County	3.9%
Highlands	4.5%
Liberty County	5.0%
Montgomery County	3.4%
San Jacinto County	4.6%
Walker County	3.9%
Waller County	3.7%

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Highlands	7	7	7	7	7
Lake Conroe	13	14	13	14	14
Woodlands	45	45	39	33	38
General & Administration	48	56	77	79	83
Groundwater Reduction Plan	4	5	7	12	23
Flood Management					
Total	117	127	143	145	165

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 2011 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 2011.

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
6	10	11	9	10
14	13	14	14	14
42	39	39	37	42
86	80	74	77	76
29	27	29	26	26
			1	1
<hr/>				
177	169	167	164	169
<hr/> <hr/>				

SAN JACINTO RIVER AUTHORITY

OPERATING STATISTICS

Last Ten Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Raw Water Enterprise (Lake Conroe and Highlands Division)</u>					
Water Delivered (Thousand Gallons)	26,548,710	22,813,154	22,634,039	23,192,114	23,611,611
Water Rights (See detail below)	7	7	7	7	7

Woodlands Division

Water Average Pumpage (Thousand Gallons)	7,674,492	7,036,323	6,628,769	6,115,812	5,529,976
Wastewater Average Flow (Thousand Gallons per Day)	7,557	7,742	7,315	7,677	7,746
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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
24,583,145	32,205,585	30,979,017	31,520,814	30,359,231
7	7	7	8	8
6,015,090	6,132,615	5,927,160	5,068,824	5,680,388
7,960	7,864	7,689	7,760	7,364
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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Raw Water Enterprise, Highlands and General & Administration				
Land	\$ 31,415	\$	\$	\$ 10,000
Water permits and rights	5,194	1,090		
Construction in progress	7,743,714	5,804,413	13,887,890	9,772,503
Furniture, fixtures and equipment	888,915	130,150	18,540	160,680
Other machinery and equipment	102,666	223,889	300,528	361,139
Automobiles and trucks	102,171	369,830	131,621	100,878
Buildings	5,215,813	41,360		1,484,025
Water systems	3,308,871	2,173,361	17,875,400	2,802,551
Lake Conroe Division				
Land	28,372			
Construction in progress	63,589	15,062	63,109	501,722
Furniture, fixtures and equipment	75,846	292	1,134	7,055
Other machinery and equipment	10,774	12,721	1,828	10,864
Automobiles and trucks	22,799	9,653	17,215	21,814
Buildings	46,370	2,656		
Dams and appurtenances	5,711	40,289	6,908	
Water systems	6,747			
Woodlands Division				
Land	31	14,236	6,568	
Construction in progress	6,398,484	7,841,826	7,662,672	6,548,527
Furniture, fixtures and equipment	77,986	42,559	196,702	71,413
Other machinery and equipment	91,258		9,849	372,450
Automobiles and trucks		56,106	58,209	46,058
Buildings	79,829	82,024		6,720
Dams and appurtenances				256,356
Water systems	4,854,789	3,798,904	5,458,285	3,783,083
Wastewater utility systems	542,695	827,430	2,511,040	3,020,956
Capital Improvement Plans				
Groundwater Reduction Plan Division				
Land		1,880,898	85,157	
Construction in Progress	10,163,648	40,586,454	81,722,501	218,185,401
Furniture, fixtures and equipment	78,463	320,489	104,686	189,621
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>\$ 40,169,960</u>	<u>\$ 66,621,956</u>	<u>\$ 130,187,334</u>	<u>\$ 247,713,816</u>

2015	2016	2017	2018	2019	2020
58,876	\$ 462,528	\$ 31,328	\$ 3,811,415	\$ 1,206	\$ 172,742
7,427,025	12,317,956	9,439,000	7,808,330	5,522,593	1,394,463
134,167	52,201	70,175	171,677	84,988	82,097
70,271	178,617	11,732	189,732	34,019	826,825
65,171	86,271	66,379	16,066	148,789	198,841
774	147,491	12,628		5,696	592,304
8,574,076	1,378,675	19,779,516	6,434,762	569,257	5,059,490
2,596	1,833	2,541			
642,080	64,925	609,074	60,182	95,327	70,690
39,036	56,850	2,912	907	1,301	3,345
43,014		16,624	76,639	3,905	6,150
12,854	10,400	11,373	9,172	16,096	13,502
	87		72,154		
1,132,947			489,081		
23,194					84,949
5,020,431	7,941,930	2,318,762	5,850,096	5,990,530	11,496,920
386,203	14,261	66,713	26,764	27,108	68,688
49,496	337,314	46,714	53,589	91,656	1,450,429
7,410	129,939	57,982	73,207	97,004	92,707
					14,297
3,296,024	1,758,450	3,297,838		674,106	709,306
1,801,043	1,660,236	7,610,604	146,497	35,966	13,447,243
500,536		12,583,964	586,852		
111,689,168	25,045,377	3,239,805	416,023	58,489	61,097
534,634	1,088,875	10,543	19,455	13,536	55,519
	342,658	168,058	107,072	86,105	7,102
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	71,588
<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>	<u>\$ 35,980,294</u>