



ANNUAL COMPREHENSIVE FINANCIAL REPORT



**For the Fiscal Year Ended
August 31, 2021**

Prepared by the Accounting Department

Montgomery County, Texas



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

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INTRODUCTORY SECTION



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January 27, 2022

Board of Directors
San Jacinto River Authority
Montgomery County, Texas

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the San Jacinto River Authority (SJRA or Authority) for the fiscal year ended August 31, 2021. The purpose of the ACFR 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 ACFR in accordance with generally accepted accounting principles (GAAP). Management assumes full responsibility for the completeness and reliability of the information contained in the ACFR, 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., LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the SJRA's financial statements for the year ended August 31, 2021. The independent auditor's report is located at the front of the financial section of the ACFR.

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.

ADMINISTRATIVE OFFICES P.O. Box 329 Conroe, Texas 77305 (T) 936.588.3111 (F) 936.588.3043	LAKE CONROE DIVISION P.O. Box 329 Conroe, Texas 77305 (T) 936.588.1111 (F) 936.588.1114	GRP DIVISION P.O. Box 329 Conroe, Texas 77305 (T) 936.588.1662 (F) 936.588.7182	WOODLANDS DIVISION 2436 Sawdust Road The Woodlands, Texas 77380 (T) 281.367.9511 (F) 281.362.4385	HIGHLANDS DIVISION P.O. Box 861 Highlands, Texas 77562 (T) 281.843.3300 (F) 281.426.2877	FLOOD MANAGEMENT DIVISION P.O. Box 329 Conroe, Texas 77305 (T) 936.588.3111 (F) 936.588.3043
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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 SJRA's five operating divisions (listed below).

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

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 to various customer, including a major industrial customer. Built as a water supply reservoir and completed in 1973, Lake Conroe is operated and maintained 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. In addition, the Lake Conroe Division has contracted with five Woodlands MUDs to maintain the Bear Branch Reservoir and drainage system. The participating MUDs makes annual contributions to cover the budgeted expenses and any capital improvements based on a prorate share.

The **Woodlands Division** is located in southern Montgomery County and provides wholesale water supply and wastewater treatment services to the 119,000 person community of The Woodlands (The Howard Hughes Corporation data as of January 2021). To provide these services, SJRA operates wastewater treatment plants, lift stations, water wells, water plants, water booster pump stations, elevated and ground storage tanks, and miles of wastewater collection systems 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. Originally constructed to meet 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 federally mandated drinking water standards, and then transmits it to selected customer cities and water utilities within Montgomery County to reduce the area’s reliance on groundwater (aquifer) sources.

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 2021: the unemployment rate change from previous year for Texas increased by 5.9% while the U.S. rate increased by 5.2%; the change in CPI from previous year for both Texas and the U.S. increased by 5.5%; and the change in Consumer Confidence Index from previous year for Texas increased by 16.0% while the U.S. increased by 33.5%. 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 1.7% for Houston-The Woodlands-Sugar Land Metropolitan Statistical Area, 3.5% for Texas, and 6.2% for the U.S. for 2019-2020.

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 does not collect any type of taxes, so other than revenue received from customers, the SJRA’s only other source of funds are from grants or bonds. Continued population growth within SJRA’s service area will lead to an increasing demand for water. With 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, SJRA’s Board of Directors and staff are working diligently to assess the need for future water supplies and plan accordingly.

FINANCIAL INFORMATION

SJRA Management 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 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 2021, SJRA underwent an evaluation by the Sunset Advisory Commission with recommendations provided to SJRA in their initial report. Sunset Advisory Commission evaluations are a powerful legislative oversight tool and result in recommendations provided to the Texas Legislature to implement improvements that increase SJRA's effectiveness and efficiency. Key recommendations from the Sunset Advisory Commissions 2020-2021 report related to improvements in public engagement and communications, improvements to procurement policies/practices, and recommendations to update SJRA's governing law to meet standard provisions. SJRA has already taken substantial measures to address the recommendations provided in the Sunset report. Due to impacts of the ongoing pandemic, the Texas Legislature approved Senate Bill 713 in June 2021, which states that SJRA must go through Sunset review again during 2022.

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.

In February 2021, a major winter storm, Winter Storm Uri, had widespread impact across North America, including Texas. This storm is considered the deadliest winter storm in North America since the 1993 Storm of the Century. During Winter Storm Uri, SJRA's operating divisions followed their emergency action plans maintaining a high level of service, with no interruption of services or boiled water notices. Additionally, SJRA provided potable water from the GRP Division to its regional

partners and across the state including hospitals, airports, and animal shelters via transport trucks.

The GRP Division delivered approximately 12 million gallons per day to its regional customers with only one limited-service interruption. The limited service interruption was due to a water leak on a 36-inch transmission line under Research Forest Drive. The Repair of the transmission line was accomplished in 9 total days by working around the clock and having multiple contractors working to accomplish their tasks.

The Highlands Division completed replacement of Siphon 29 located at its South Canal and Wallisville Ellis School Road. This siphon project was required due to age, structural condition, and potential for failure of the existing siphons and was partially funded by the final proceeds of the Series 2015 TWDB Bonds with the rest being funded from Repair and Replacement Funds. The Highlands Division also completed the installation of a natural gas generator providing emergency power to critical Supervisory Control and Data Acquisition (SCADA) infrastructure for Siphon 6 at the Main Canal and Gum Gully and completed the installation of fiber optic lines for the SCADA system. The Highlands Division also completed the rehabilitation of the intake screen channel at the Lake Houston Pump Station and began final design to replace Siphons 25 and 26 with rehabilitation of the levees between Siphons 24 and 27 and the addition of two access culverts. Construction of these siphon, levee, and access culvert projects are anticipated to be forthcoming in Fiscal Year 2022-23. In addition, the Highlands Division began final design for improvements to the Lake Houston Pump Station campus and began master planning for improvements to the Highlands Emergency Operations Center.

During Fiscal Year 2021, 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 Flood Management Division has successfully been awarded TWDB Flood Infrastructure Fund (FIF) Grants for four projects: Spring Creek Watershed Flood Control Dams Conceptual Engineering Feasibility, Lake Conroe - Lake Houston Joint Operations Study, Upper San Jacinto River Basin Regional Sedimentation Study, and the San Jacinto County Flood Early Warning System. Three of the four projects are in partnership with other entities and stakeholders in the basin to meet the local match for the grants. SJRA's portion of the local match for the projects are primarily being provided as in-kind services.

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 2021, the Woodlands Division completed the renewal of the Bear Branch Gravity Sewer Main and construction

of a second ground storage tank at Water Plant No. 4. The Woodlands Division has begun evaluating the feasibility of consolidating the wastewater treatment plants in The Woodlands. Construction for replacement of Aeration Basins 1 and 2 at Wastewater Treatment Plant No. 1 and rehabilitation of the Southshore Gravity Main along with Lift Station No. 5 Force Main have been placed on hold until the results of this study have been evaluated.

The Lake Conroe Division completed development of a reservoir forecasting tool as a second phase of the TWDB's Flood Protection Plan Grant awarded to the Lake Conroe Division on November 12, 2018. The Lake Conroe Division began design of improvements to the Lake Conroe maintenance facilities. The Lake Conroe Division began construction of improvements to the westside diversion channel with completion scheduled for Fiscal Year 2022. In addition, the Lake Conroe Division entered into a facilities use agreement with the Texas State Guard to utilize certain Lake Conroe Division facilities for training and operations.

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 provided 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 GRP by executing a GRP Contract and paying the required GRP Pumpage Fee and/or GRP Surface Water Fees monthly. For Fiscal Year 2021, 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 as necessary to cover costs. SJRA's Board approved increasing the Fiscal Year 2022 rates for the GRP Pumpage Fee to \$2.88 per thousand gallons and the GRP Surface Water Fee to \$3.30 per thousand gallons. The total cost of the entire surface water system that was constructed to meet the 2016 deadline was \$490 million. As of the end of the Fiscal Year 2021, 149 participants have joined the SJRA GRP. The GRP Division was responsible for implementing the surface water program and 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 LSGCD's actions, the GRP Contracts remain in force and effect in accordance with their terms. Refer to MD&A and Note 11 in the Notes to Financial Statements 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 Division's upcoming initiatives will include the replacement of Siphons 25 and 26, 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. Additionally, the East Canal culvert structure crossing under Spring Meadow Drive developed a leak and emergency action is being taken to replace this structure. The construction and contract documents are being prepared with construction anticipated to be accomplished by January 2023.

During Fiscal Year 2022, the Lake Conroe Division anticipates the completion of the improvements to the westside diversion channel. The Lake Conroe Division plans to design repairs to the dam crest road. Projects to improve the west end facility, repairs to electrical at main spillway gates, and continuing design for improvements to Lake Conroe's maintenance facilities, are also planned for Fiscal Year 2022. These project will address the existing failing maintenance building and will increase efficiency, safety, and maintenance capabilities of the Lake Conroe Division maintenance staff. In addition, Lake Conroe anticipates renewal of the operating contract with the City of Houston in Fiscal Year 2022.

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's protocol for selection of professional services to conduct the Fiscal Year 2021 financial audit. We appreciate their professionalism, timeliness, and assistance in completing this report. Copies of this report will be filed with the Texas Commission on Environmental Quality (TCEQ), State Comptroller, State Auditor, and Texas Water Development Board.

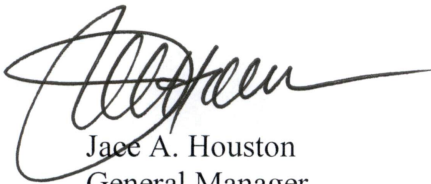
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended August 31, 2020. This was the 12th consecutive year that 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 ACFR, whose contents conform to program standards. Such an ACFR 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 2021.

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 Annual Comprehensive Financial Report on a timely basis was made possible by the dedicated staff of the SJRA's Accounting Department.

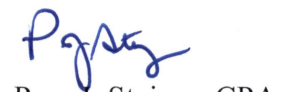
Sincerely,



Jae 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

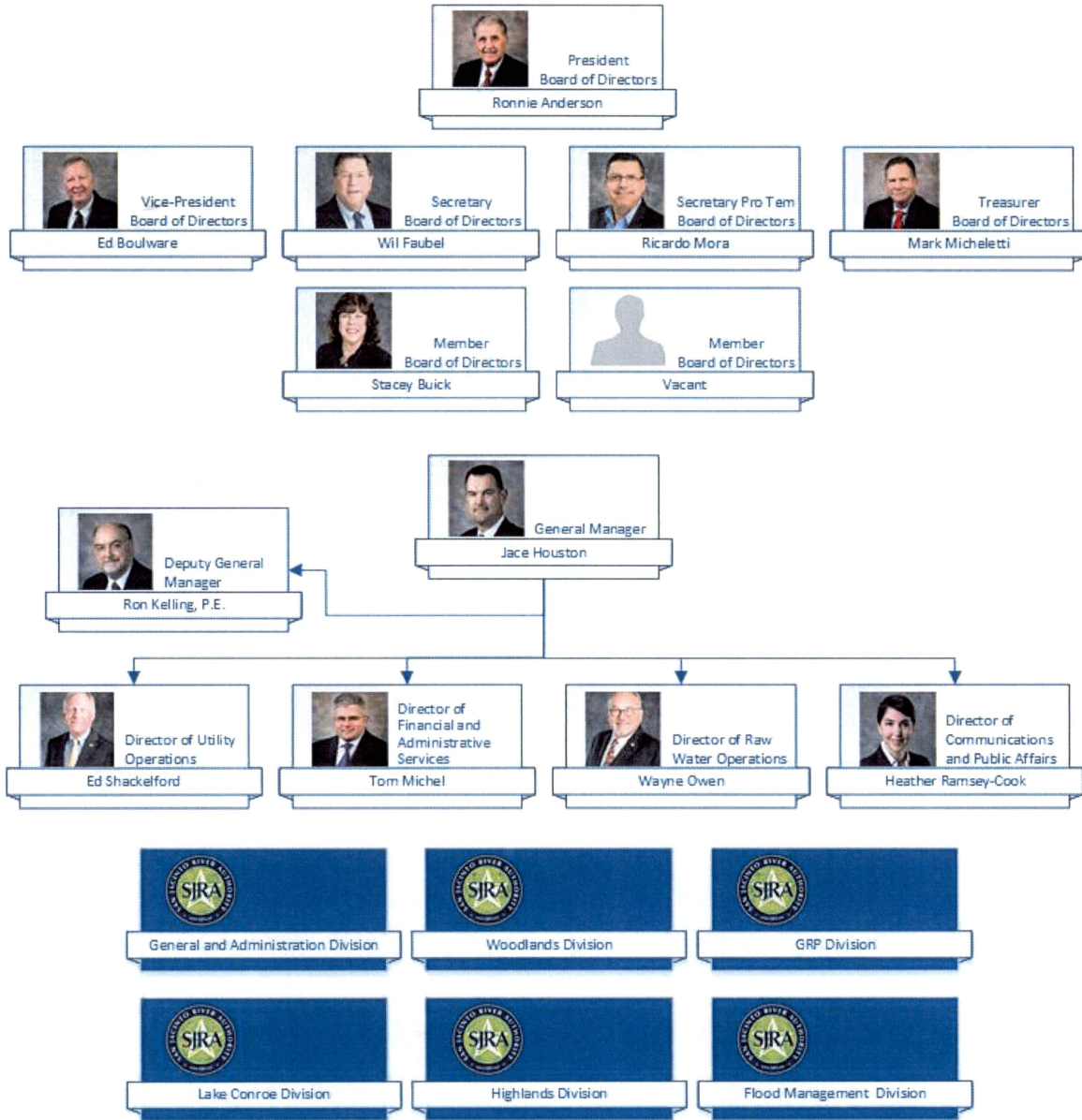
August 31, 2020

Christopher P. Morill

Executive Director/CEO

SAN JACINTO RIVER AUTHORITY

Organizational Chart



SAN JACINTO RIVER AUTHORITY

Board of Directors

	<u>Term Expires</u>
Ronnie Anderson, President	2027
Ed Boulware, Vice President	2023
Wil Faubel, Secretary	2025
Ricardo Mora, Secretary Pro Tem	2025
Mark Micheletti, Treasurer	2023
Stacey Buick, Member	2027
Vacant	2025

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

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FINANCIAL SECTION





Certified Public Accountants

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

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

Independent Auditors' Report

Board of Directors
San Jacinto River Authority
Montgomery County, Texas

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the San Jacinto River Authority, as of and for the year ended August 31, 2021, 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. The financial statements of the fiduciary activities were not audited in accordance with *Government Auditing Standards*.

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 and fiduciary activities of the San Jacinto River Authority, as of August 31, 2021, and the respective changes in financial position and, where applicable, 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

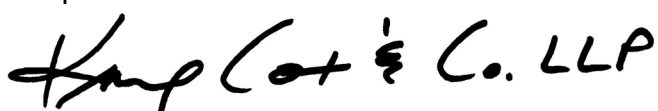
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Jacinto River Authority's basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis 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 January 27, 2022, 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
January 27, 2022

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, 2021. 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 \$804.7 million; of this amount, approximately \$603.0 million represents net capital assets and \$201.7 million represents cash and cash equivalents and other current, noncurrent and deferred outflow of resources.
- Liabilities for the Authority totaled \$599.0 million of which \$552.9 million accounts for obligations under long-term debt.
- The Authority's total assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$203.0 million. This amount represents net position; of this amount, \$65.7 million is net investment in capital assets. An additional \$86.6 million is restricted net position and the remaining \$50.8 million represents unrestricted net position.
- Operating revenues, net of eliminations, for the Authority at year-end were \$105.4 million. The major revenue sources, net of eliminations, were wholesale water and wastewater treatment service fees to Woodlands' MUDs of \$37.7 million; Groundwater Reduction Plan fees of \$56.4 million; untreated water sales to industrial, municipal and agricultural customers of \$18.3 million; and capacity charges of \$3.3 million.
- Operating expenses totaled \$70.7 million. Highlights within operating expenses were salaries, wages and employee benefits of \$18.3 million, operating supplies of \$14.0 million and depreciation of \$24.7 million.
- Non-operating expenses exceeded non-operating revenues by approximately \$21.5 million. This was primarily attributable to interest expense paid on bonds that totaled \$23.8 million as of year-end.
- Capital contributions totaled \$0.2 million due to contributions from the five Woodlands MUDs surrounding Bear Branch flowage easement.
- The Authority made the final payment of outstanding Water Revenue Refunding Bonds Series 2012 as scheduled. In addition, the Board of Directors authorized to pay off the Water Revenue Bonds Series 2013 early. An additional \$5.2 million was transferred into to debt service and the outstanding liability was transferred from long-term debt to current liabilities. The final payment occurred in FY2022 business before the October 1, 2021 due date.
- The Authority paid off the outstanding Note Payable ahead of schedule, totaling \$1.4 million for the year.

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 and fiduciary fund 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

FIDUCIARY FUND

The fiduciary fund is used to report on the Authority's Pension Trust Fund.

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 \$203.0 million at the close of the most recent fiscal year.

As of August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets	\$ 185,452,406	\$ 191,610,608
Noncurrent assets	13,504,966	6,367,920
Capital assets	<u>603,000,779</u>	<u>614,375,759</u>
Total Assets	<u>801,958,151</u>	<u>812,354,287</u>
Deferred Outflows of Resources	2,707,873	3,125,830
Liabilities		
Current liabilities	44,286,554	38,964,900
Noncurrent liabilities	<u>554,760,854</u>	<u>583,371,522</u>
Total Liabilities	<u>599,047,408</u>	<u>622,336,422</u>
Deferred Inflows of Resources	2,604,706	3,590,325
Net Position		
Net Investment in		
Capital Assets	65,681,398	61,352,744
Restricted:		
Debt service	67,358,537	61,192,901
Construction	16,639,356	11,985,421
Other	2,583,909	2,576,281
Unrestricted	<u>50,750,710</u>	<u>52,446,023</u>
Total Net Position	<u>\$ 203,013,910</u>	<u>\$ 189,553,370</u>

- Noncurrent assets increased by \$7.1 million which represents a 112% 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 2021, the short pay of fees, interest, and penalties totaled \$4,178,147 for the City of Conroe and \$198,580 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	\$ 1,718,923	\$ 93,808
Past Due	6,548,572	321,137
Late Fees & Interest	1,969,913	100,421
Total at August 31, 2021	\$ 10,237,408	\$ 515,366

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 ceased payments during fiscal year 2020. Specific to fiscal year 2021, the unpaid fees, interest, and penalties totaled \$3,538,090 for Quadvest, LP and \$348,232 for Woodlands Oaks Utility Co. The total balances for all fiscal years for Quadvest, LP and Woodlands Oaks Utility Co. are listed below:

Balance Status	Quadvest, LP	Woodlands Oaks Utility Co.
Current	\$ 984,116	\$ 85,282
Past Due	3,736,370	334,157
Late Fees & Interest	514,693	43,346
Total at August 31, 2021	\$ 5,235,179	\$ 462,786

- An Allowance for Bad Debt was created for past due amounts owed by CWE Utilities L.L.C. in the amount of \$255,128 and by City of Patton Village in the amount of \$230,488. An increase of \$22,355 and \$102,525 respectively for FY2021.
- Capital assets decreased by \$11.4 million, primarily due to the net effect of increase in Wastewater Utility Systems primarily for improvements to Bear Branch Gravity Main, an increase in Water Systems primarily related to the addition of Ground Storage Tank No. 2 at Water Plant No. 4 and improvements at Siphon 29, and an increase in Land primarily related to the acquisition of parcels in the Highlands, a decrease in Construction in Progress from ongoing capital improvements projects, and an increase in accumulated depreciation.
- Current liabilities increased by \$5.3 million, a 14% increase primarily due to the current portion of bonds increasing by the transfer of the remaining balance of the Water Revenue Bonds Series 2013 from long-term debt to be paid in early FY2022 as approved by the Board of Directors and an increase in unearned revenue primarily due to \$1.9 million contracted with TWDB and partners for Flood Infrastructure Fund Grant projects, but not yet earned as services haven't been rendered.
- Noncurrent liabilities and Long-Term Debt decreased by \$28.6 million, a 5% decrease primarily due to making the scheduled payments on existing bonds and the transfer of the remaining balance of the Water Revenue Bonds Series 2013 to current liabilities.
- Total liabilities decreased by \$23.3 million, a 4% decrease from the prior year primarily due to a decrease in accounts payable and accrued liabilities-unrestricted, a decrease in accrued interest payable, and a decrease in long-term debt.

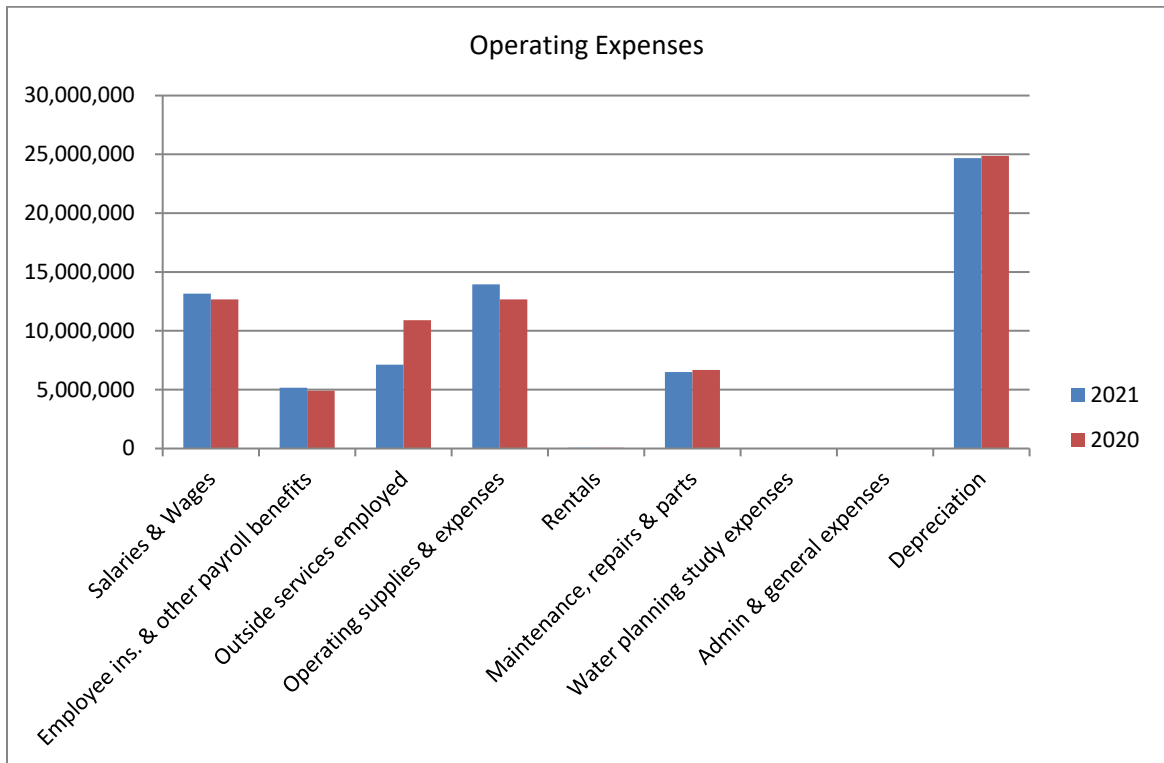
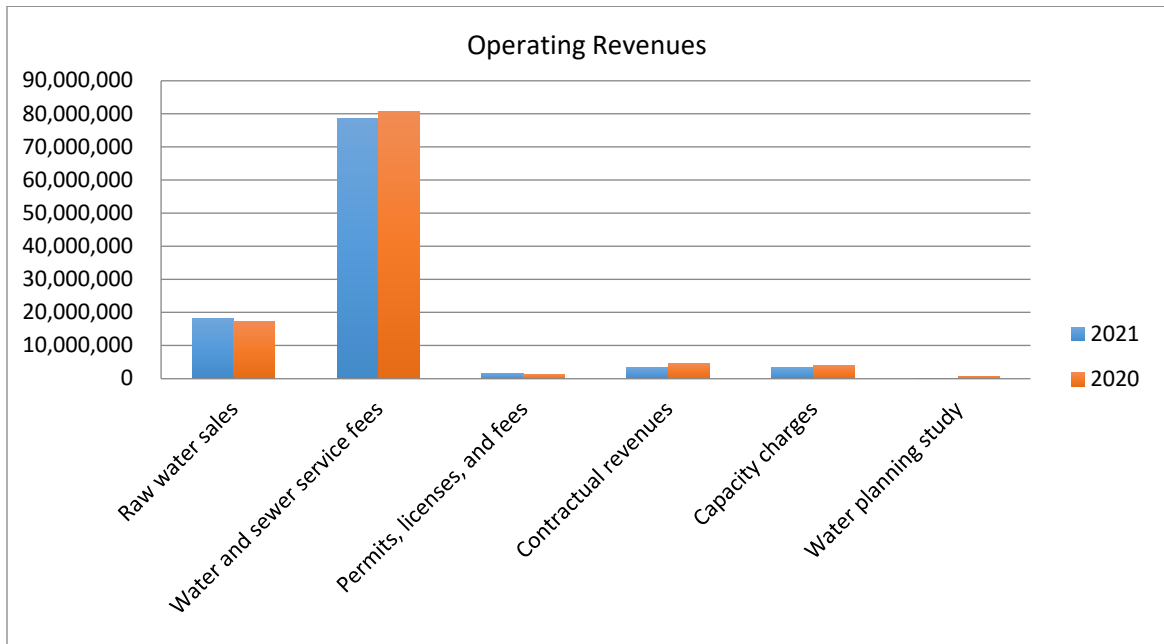
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

For the Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Raw water sales	\$ 18,319,519	\$ 17,397,573
Water and sewer service fees	78,733,012	80,590,320
Permits, licenses and fees	1,450,549	1,293,958
Contractual revenues	3,398,148	4,641,065
Capacity charges	3,293,800	3,918,310
Water planning study (Region H)	198,998	744,516
Total Operating Revenues	<u>105,394,026</u>	<u>108,585,742</u>
Operating Expenses:		
Salaries and wages	13,157,947	12,666,436
Employee insurance and other payroll benefits	5,165,348	4,904,352
Outside services employed	7,120,511	10,905,653
Operating supplies & expenses	13,955,163	12,667,800
Rentals	70,452	68,850
Maintenance, repairs and parts	6,505,053	6,674,429
Water planning study expenses (Region H)	1,446	1,965
Depreciation	24,677,108	24,868,561
Total Operating Expenses	<u>70,653,028</u>	<u>72,758,046</u>
Operating Income	34,740,998	35,827,696
Nonoperating Revenues (Expenses)	(21,457,385)	(19,254,371)
Contributed Capital	<u>176,927</u>	<u>279,024</u>
Net Income	13,460,540	16,852,349
Net position at beginning of year	<u>189,553,370</u>	<u>172,701,021</u>
Net Position at End of Year	<u>\$ 203,013,910</u>	<u>\$ 189,553,370</u>

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



- Outside services employed decreased by \$3.8 million, an decrease of 35% over the previous year. This decrease is primarily due to a reduction in legal expenses for ongoing litigation and a reduction in engineering, consultants, and survey expenses.

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

The Authority's net capital assets as of August 31, 2021 totaled \$603.0 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 \$11.4 million, a 2% decrease.

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

- The Authority added \$10.5 million for Wastewater Utility Systems primarily related to improvements to Bear Branch Gravity Main, added \$6.3 million for Water Systems primarily related to improvements at Siphon 29 and the addition of Ground Storage Tank No. 2 at Water Plant No. 4, and added \$1.3 million for Land primarily related to the acquisition of multiple parcels in the Highlands Division.
- The Authority decreased \$6.4 million for Construction in Progress for capital projects primarily related to the net effect of transferring improvements to the Bear Branch Gravity Main and Siphon 29, Ground Storage Tank No. 2 at Water Plant No. 4, and land in the Highlands to in service assets and the addition of in progress projects primarily related to improvements to digesters nos. 1, 2, and 3 and the tertiary filters at Wastewater Treatment Plant No. 2, rehabilitation of a gravity sewer main located along the south side of Lake Woodlands, improvements at Siphon Nos. 25 and 26, the addition of two access culverts at the Highlands Reservoir, and improvements at the Lake Houston Pump Station campus.

	<u>2021</u>	<u>2020</u>
Capital Assets - at cost		
Land	\$ 33,529,391	\$ 32,200,438
Water permits and rights	30,947,801	30,947,801
Office furniture, fixtures & equip	5,825,762	5,485,100
Other machinery and equipment	14,341,097	14,077,157
Automobiles and trucks	3,193,105	2,899,901
Buildings	27,115,615	26,893,811
Dams and appurtenances	9,434,710	9,434,710
Water systems	604,045,531	597,747,149
Wastewater utility systems	120,413,382	109,946,723
Capital improvement plans	3,611,319	3,611,319
Construction in progress	8,656,863	15,086,923
Less accumulated depreciation	<u>(258,113,797)</u>	<u>(233,955,273)</u>
Total Capital Assets	<u>\$ 603,000,779</u>	<u>\$ 614,375,759</u>

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 \$552.9 million. The debt primarily represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

As of August 31, 2021 and 2020

Long-Term Debt	2021	2020
First Lien Bonds-		
less current maturities	\$ 547,865,000	\$ 575,145,000
Notes payable less current	-	1,030,735
Unamortized bond premium	5,055,206	5,514,059
Total Long-Term Debt	\$ 552,920,206	\$ 581,689,794

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, 2021

	<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>
<u>Assets and Deferred Outflows</u>					
Current Assets					
Cash and cash equivalents					
Unrestricted	\$ 24,270,058	\$	\$	\$ 10,603,449	\$ 3,517,805
Restricted:					
Debt service	77,118,278			14,004,912	
Construction	59,641,165			10,533,594	4,009,283
Other	2,611,826				
Accounts receivable, net	17,839,558	(3,168,884)	1,646,271	1,165,605	4,396,013
Other receivables	1,825,000				
Inventory	301,214			7,289	
Prepaid expenses	1,845,307			81,282	73,760
Total Current Assets	185,452,406	(3,168,884)	1,646,271	36,396,131	11,996,861
Noncurrent Assets					
Accounts receivable - long-term	13,504,966				
Total Noncurrent Assets	13,504,966				
Capital Assets - at cost					
Land	29,171,438			6,745,323	5,403,113
Land Improvements	4,357,953			237,233	579,635
Water permits and rights	30,947,801		30,947,801		
Furniture, fixtures and equipment	5,825,762			331,236	331,108
Other machinery and equipment	14,341,097			2,903,505	393,437
Automobiles and trucks	3,193,105			287,272	123,589
Buildings	27,115,615			1,608,098	158,923
Dams and appurtenances	9,434,710				7,715,775
Water systems	604,045,531			76,206,441	6,747
Wastewater utility systems	120,413,382				
Capital improvement plans	3,611,319			3,076,459	
Construction in progress	8,656,863			3,408,643	180,598
Accumulated depreciation	(258,113,797)			(20,733,223)	(4,371,778)
Total Capital Assets	603,000,779		30,947,801	74,070,987	10,521,147
Deferred Outflows of Resources					
Deferred outflows related to pension and OPEB	2,707,873				
Total Deferred Outflows of Resources	2,707,873				
Total Assets and Deferred Outflows					
	\$ 804,666,024	\$ (3,168,884)	\$ 32,594,072	\$ 110,467,118	\$ 22,518,008

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Flood Management Division	Bear Branch	Region H	General and Administration Division
\$ 3,152,515	\$ 4,502,638	\$	\$	\$	\$ 2,493,651
6,705,267	56,408,099				
41,358,408	1,622,120				2,117,760
2,147,344		50,000	168,206	139,404	106,872
5,006,730	8,418,034				375,789
		1,825,000			
248,281	45,644				
454,544	551,373	3,414	1,918		679,016
<u>59,073,089</u>	<u>71,547,908</u>	<u>1,878,414</u>	<u>170,124</u>	<u>139,404</u>	<u>5,773,088</u>
	13,504,966				
	13,504,966				
1,832,159	14,306,156		884,687		
922,596	2,470,693		90,314		57,482
1,229,982	2,444,738	2,381			1,486,317
10,168,637	785,881				89,637
1,317,232	474,446				990,566
2,873,224	15,601,688				6,873,682
			1,718,935		
106,371,326	421,282,343				178,674
120,413,382					
534,860					
4,824,294		240,853			2,475
(138,501,276)	(90,384,467)	(439)	(403,721)		(3,718,893)
<u>111,986,416</u>	<u>366,981,478</u>	<u>242,795</u>	<u>2,290,215</u>		<u>5,959,940</u>
					2,707,873
					2,707,873
<u>\$ 171,059,505</u>	<u>\$ 452,034,352</u>	<u>\$ 2,121,209</u>	<u>\$ 2,460,339</u>	<u>\$ 139,404</u>	<u>\$ 14,440,901</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF NET POSITION

August 31, 2021

	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	\$ 5,039,421	\$ (3,168,884)	\$ 24,602	\$ 569,345	\$ 852,194
Restricted for Debt service:					
Current portion of bonds	27,280,000		1,430,000	7,300,000	
Accrued interest payable	9,853,408		93,667	830,949	
Restricted for Construction:					
Retainage payable	120,984				21,281
Unearned revenue	1,992,741		2,190		115,551
Total Current Liabilities	44,286,554	(3,168,884)	1,550,459	8,700,294	989,026
Noncurrent Liabilities					
Net Pension liability	156,794				
OPEB liability	1,683,854			321,405	602,501
Total Noncurrent Liabilities	1,840,648			321,405	602,501
Long-Term Debt					
First lien water revenue bonds - less current maturities	552,920,206		4,553,303	45,654,280	
Notes payable less current					
Total Long-Term Debt	552,920,206		4,553,303	45,654,280	
Total Liabilities	599,047,408	(3,168,884)	6,103,762	54,675,979	1,591,527
Deferred Inflows of Resources					
Deferred inflows related to pension and OPEB	2,604,706				
Total Deferred Inflows of Resources	2,604,706				
<u>Fund Equity</u>					
Net Position					
Net investment in capital assets	65,681,398		24,964,498	21,116,707	10,521,147
Restricted:					
Debt service	67,358,537			13,173,963	
Construction	16,639,356			10,533,594	3,988,002
Other	2,583,909				
Unrestricted	50,750,710		1,525,812	10,966,875	6,417,332
Total Net Position	203,013,910		26,490,310	55,791,139	20,926,481
Total Liabilities, Deferred Inflows and Fund Equity	\$ 804,666,024	\$ (3,168,884)	\$ 32,594,072	\$ 110,467,118	\$ 22,518,008

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Flood Management Division	Bear Branch	Region H	General and Administration Division
\$ 4,332,273	\$ 2,303,492	\$ 53,865	\$ 29,835	\$	\$ 42,699
3,675,000	14,875,000				
712,826	8,215,966				
99,703					
		1,875,000			
<u>8,819,802</u>	<u>25,394,458</u>	<u>1,928,865</u>	<u>29,835</u>		<u>42,699</u>
					156,794
637,600					122,348
<u>637,600</u>					<u>279,142</u>
65,341,234	437,371,389				
<u>65,341,234</u>	<u>437,371,389</u>				
<u>74,798,636</u>	<u>462,765,847</u>	<u>1,928,865</u>	<u>29,835</u>		<u>321,841</u>
					2,604,706
					<u>2,604,706</u>
84,228,887	(83,642,791)	242,795	2,290,215		5,959,940
5,992,441	48,192,133				
					2,117,760
2,147,344		50,000	140,289	139,404	106,872
3,892,197	24,719,163	(100,451)			3,329,782
<u>96,260,869</u>	<u>(10,731,495)</u>	<u>192,344</u>	<u>2,430,504</u>	<u>139,404</u>	<u>11,514,354</u>
<u>\$ 171,059,505</u>	<u>\$ 452,034,352</u>	<u>\$ 2,121,209</u>	<u>\$ 2,460,339</u>	<u>\$ 139,404</u>	<u>\$ 14,440,901</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended August 31, 2021

	Business - Type Activities -				
	Total	Eliminations	Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
Operating Revenues:					
Water sales:					
Industrial and Municipal	\$ 18,195,773	\$ (2,645,043)	\$ 20,461,362	\$	\$
Irrigation	123,746		123,746		
Water and sewer service fees	78,733,012	(15,382,084)			
Permits, licenses and fees	1,450,549				1,243,479
Contractual revenues	3,398,148				3,398,148
Capacity charges	3,293,800				
Water planning grant	198,998				
Total Operating Revenues	<u>105,394,026</u>	<u>(18,027,127)</u>	<u>20,585,108</u>		<u>4,641,627</u>
Operating Expenses:					
Salaries and wages	13,157,947		138,334	1,899,375	1,839,030
Employee insurance and other payroll benefits	5,165,348		44,866	690,956	764,025
Outside services employed	7,120,511	(15,382,084)	113,202	319,154	2,368,076
Operating supplies and expenses	13,955,163	(2,645,043)	237,583	454,426	298,270
Rentals	70,452	(30,156)		16,866	50,682
Maintenance, repairs & parts	6,505,053			925,180	359,277
Water planning grant expenses	1,446				
General and admin. expenses allocated			38,258	352,341	918,535
Depreciation	24,677,108			2,580,600	167,227
Total Operating Expenses	<u>70,653,028</u>	<u>(18,057,283)</u>	<u>572,243</u>	<u>7,238,898</u>	<u>6,765,122</u>
Operating Income (Loss)	<u>34,740,998</u>	<u>30,156</u>	<u>20,012,865</u>	<u>(7,238,898)</u>	<u>(2,123,495)</u>
Nonoperating Revenues (Expenses)					
Interest income	86,504		669	12,110	8,771
Gain (Loss) on disposal of assets	128,101			76,000	149,001
Other revenues	1,623,571	(30,156)	800	7,682	64,413
Amortization of bond premium/discounts	458,854		90,826	153,891	
Interest expense and bond issuance costs	(23,754,415)		(228,250)	(1,998,801)	
Total Nonoperating Revenues (Expenses)	<u>(21,457,385)</u>	<u>(30,156)</u>	<u>(135,955)</u>	<u>(1,749,118)</u>	<u>222,185</u>
Income (Loss) Before Contributions and Transfers					
Contributions and Transfers	13,283,613		19,876,910	(8,988,016)	(1,901,310)
Transfers			(18,629,165)	12,729,466	2,578,546
Capital Contributions	176,927				
Change in Net Position	<u>13,460,540</u>		<u>1,247,745</u>	<u>3,741,450</u>	<u>677,236</u>
Net Position at Beginning of Year	189,553,370		25,242,565	52,049,689	20,249,245
Net Position at End of Year	<u>\$ 203,013,910</u>	<u>\$</u>	<u>\$ 26,490,310</u>	<u>\$ 55,791,139</u>	<u>\$ 20,926,481</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
\$	\$ 379,454	\$	\$	\$	\$
37,685,059 207,070	56,430,037				
3,293,800				198,998	
<u>41,185,929</u>	<u>56,809,491</u>			<u>198,998</u>	
5,000,118	3,221,766	323,977	39,641		695,706
2,053,281	1,304,939	90,269	15,004		202,008
16,771,499	2,048,136	126,240	48,327	186,704	521,257
4,510,098	10,304,688	15,759	2,600		776,782
19,104					13,956
2,992,004	2,006,284		103,779		118,529
				1,446	
787,315	411,188	54,871	20,925		(2,583,433)
6,945,685	14,658,492	321	20,184		304,599
<u>39,079,104</u>	<u>33,955,493</u>	<u>611,437</u>	<u>250,460</u>	<u>188,150</u>	<u>49,404</u>
<u>2,106,825</u>	<u>22,853,998</u>	<u>(611,437)</u>	<u>(250,460)</u>	<u>10,848</u>	<u>(49,404)</u>
39,906	8,698	8,278	223		7,849
(105,306)	15,750				(7,344)
92,054	1,459,525	45	10		29,198
207,125	7,012				
<u>(1,720,638)</u>	<u>(19,753,631)</u>				<u>(53,095)</u>
<u>(1,486,859)</u>	<u>(18,262,646)</u>	<u>8,323</u>	<u>233</u>		<u>(23,392)</u>
619,966	4,591,352	(603,114)	(250,227)	10,848	(72,796)
(375,000)		552,675			3,143,478
			176,927		
<u>244,966</u>	<u>4,591,352</u>	<u>(50,439)</u>	<u>(73,300)</u>	<u>10,848</u>	<u>3,070,682</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>\$ 96,260,869</u>	<u>\$ (10,731,495)</u>	<u>\$ 192,344</u>	<u>\$ 2,430,504</u>	<u>\$ 139,404</u>	<u>\$ 11,514,354</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended August 31, 2021

	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	\$ 102,267,190	\$ (18,027,127)	\$ 20,779,099	\$ (546,116)	\$ 4,361,676
Cash payments to suppliers for goods and services	(28,356,748)	18,057,283	(342,703)	(1,468,748)	(3,032,459)
Cash paid for employee services	(18,542,889)		(183,200)	(2,589,925)	(2,602,294)
Other revenues	1,623,571	(30,156)	800	7,682	64,413
Net Cash Provided (Used) by Operating Activities	<u>56,991,124</u>		<u>20,253,996</u>	<u>(4,597,107)</u>	<u>(1,208,664)</u>
Cash Flows from Noncapital Financing Activities					
Transfers			(18,629,165)	12,729,466	2,578,546
Net Cash Provided (Used) by Noncapital Finance Activities			<u>(18,629,165)</u>	<u>12,729,466</u>	<u>2,578,546</u>
Cash Flows from Capital and Related Financing Activities					
Principal paid on bonds	(21,960,000)		(1,380,000)	(2,020,000)	
Principal paid on notes	(1,371,156)				
Interest paid	(24,006,890)		(245,500)	(2,021,421)	
Proceeds from bond sales					
Bond issue expense					
Acquisition of facilities and equipment	(13,485,948)			(4,174,448)	(156,099)
Proceeds from the sale of assets	311,922			76,000	149,001
Capital contributions/(distributions)	176,927				
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(60,335,145)</u>		<u>(1,625,500)</u>	<u>(8,139,869)</u>	<u>(7,098)</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
\$ 40,814,773	\$ 52,495,518	\$ 123,949	\$ (20,925)	\$ 83,701	\$ 2,202,642
(25,598,723)	(14,225,113)	(154,707)	(136,002)	(204,414)	(1,251,162)
(7,052,594)	(4,526,705)	(414,246)	(54,645)		(1,119,280)
92,054	1,459,525	45	10		29,198
<u>8,255,510</u>	<u>35,203,225</u>	<u>(444,959)</u>	<u>(211,562)</u>	<u>(120,713)</u>	<u>(138,602)</u>
(375,000)		552,675			3,143,478
(375,000)		552,675			3,143,478
(4,130,000)	(14,430,000)				(1,371,156)
(1,756,675)	(19,930,199)				(53,095)
(8,451,960)	(127,629)	(65,994)			(509,818)
45,668	15,750				25,503
			176,927		
<u>(14,292,967)</u>	<u>(34,472,078)</u>	<u>(65,994)</u>	<u>176,927</u>		<u>(1,908,566)</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended August 31, 2021

	Business - Type Activities -				
	Total	Eliminations	Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
Cash Flows from Investing Activities					
Interest earned	86,504		669	12,110	8,771
Net Cash Provided by Investing Activities	<u>86,504</u>		<u>669</u>	<u>12,110</u>	<u>8,771</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,257,517)			4,600	1,371,555
Cash and equivalents at beginning of year	<u>166,898,844</u>			<u>35,137,355</u>	<u>6,155,533</u>
Cash and Equivalents at End of Year	<u>\$ 163,641,327</u>	<u>\$</u>	<u>\$</u>	<u>\$ 35,141,955</u>	<u>\$ 7,527,088</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 34,740,998	\$ 30,156	\$ 20,012,865	\$ (7,238,898)	\$ (2,123,495)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Other revenues and expenses	1,623,571	(30,156)	800	7,682	64,413
Depreciation	24,677,108			2,580,600	167,227
(Increase) decrease in receivables	(1,633,728)	3,168,884	240,719	(193,775)	705,337
(increase) decrease in inventory	(31,696)				
(Increase) decrease in prepaid expenses and deposits	586,928			(4,491)	(13,986)
(Increase) decrease in net pension asset					
Increase (decrease) in net pension liability	156,794				
Increase (decrease) in accounts payable and accrued liabilities	(4,427,547)	(3,168,884)	8,082	251,369	57,832
Increase (decrease) in OPEB liability	2,126			406	761
Increase (decrease) in deferred outflows	417,957				
Increase (decrease) in deferred inflows	(985,619)				
Increase (decrease) in unearned revenue	1,675,775		(8,470)		(66,753)
Total Adjustments	<u>22,250,126</u>	<u>(30,156)</u>	<u>241,131</u>	<u>2,641,791</u>	<u>914,831</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 56,991,124</u>	<u>\$</u>	<u>\$ 20,253,996</u>	<u>\$ (4,597,107)</u>	<u>\$ (1,208,664)</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
39,906	8,698	8,278	223		7,849
39,906	8,698	8,278	223		7,849
(6,372,551)	739,845	50,000	(34,412)	(120,713)	1,104,159
59,736,085	61,793,012		202,618	260,117	3,614,124
<u>\$ 53,363,534</u>	<u>\$ 62,532,857</u>	<u>\$ 50,000</u>	<u>\$ 168,206</u>	<u>\$ 139,404</u>	<u>\$ 4,718,283</u>
\$ 2,106,825	\$ 22,853,998	\$ (611,437)	\$ (250,460)	\$ 10,848	\$ (49,404)
92,054	1,459,525	45	10		29,198
6,945,685	14,658,492	321	20,184		304,599
416,159	(3,902,785)	(1,696,180)			(372,087)
(44,919)	13,223	(691)			
10,908	(465)		85		594,877
					189,148
					156,794
					189,148
(1,272,007)	121,237	(12,017)	18,619	(16,264)	(415,514)
805					154
					417,957
					(985,619)
		1,875,000		(115,297)	(8,705)
6,148,685	12,349,227	166,478	38,898	(131,561)	99,950
<u>\$ 8,255,510</u>	<u>\$ 35,203,225</u>	<u>\$ (444,959)</u>	<u>\$ (211,562)</u>	<u>\$ (120,713)</u>	<u>\$ 50,546</u>
					189,148

San Jacinto River Authority
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FIDUCIARY FUND

August 31, 2021

Assets

Current Assets

Investments, at fair value	\$ 22,163,897
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Total Assets	<u>22,163,897</u>
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Liabilities and Net Position

Liabilities

Accrued expenses and benefit payable	<u> </u>
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Total Net Position Restricted for Pension	<u>\$ 22,163,897</u>
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See Notes to Financial Statements.

San Jacinto River Authority

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PENSION TRUST FIDUCIARY FUND

August 31, 2021

Additions

Employer contributions	\$ 1,174,817
Investment Income	915,003
Total Additions	<u>2,089,820</u>

Deductions

Service Benefits	529,185
Administrative expenses	6,212
Total Deductions	<u>535,397</u>

Change in Net Position Restricted for Pension 1,554,423

Net Position at Beginning of Year	<u>20,609,474</u>
Net Position at End of Year	<u>\$ 22,163,897</u>

See Notes to Financial Statements.

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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 94-95) 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 \$25,451,399 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, 2021, 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, 2021, 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. Fiduciary Activity

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Authority's business-type activities because the resources of those funds are not available to the Authority. The Authority has fiduciary responsibility for the defined benefit pension plan. Accordingly, the Authority's Pension Trust Fund is included in the accompanying basic financial statement as a pension trust fund in the fiduciary funds statements.

D. 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.

E. 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.

F. 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 collectability 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, 2021, the Authority has record \$124,880 in bad debts.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

G. 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 January 27, 2022, 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, 2021 follows:

	Capital Assets - Net of Depreciation	Notes and Bonds Payable	Total
General and Administration Division	\$ 5,959,940	\$	\$ 5,959,940
Raw Water Supply	30,947,801	(5,983,303)	24,964,498
Highlands Division	74,070,987	(52,954,280)	21,116,707
Lake Conroe Division	10,521,147		10,521,147
Woodlands Division	111,986,416	(27,757,529)	84,228,887
Groundwater Reduction Plan Division	366,981,478	(450,624,269)	(83,642,791)
Flood Management	242,795		242,795
Bear Branch	2,290,215		2,290,215
Total	\$ 603,000,779	\$ (537,319,381)	\$ 65,681,398

A summary of net position restricted for **debt service** as of August 31, 2021 follows:

	Restricted Cash for Debt Service	Liabilities Payable from Restricted Cash for Debt Service	Total
Highlands Division	\$ 14,004,912	\$ (830,949)	\$ 13,173,963
Woodlands Division	6,705,267	(712,826)	5,992,441
Groundwater Reduction Plan Division	56,408,099	(8,215,966)	48,192,133
Total	\$ 77,118,278	\$ (9,759,741)	\$ 67,358,537

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A summary of net position restricted for **construction** as of August 31, 2021 follows:

	Restricted Cash for Construction	Bonds Payable	Liabilities Payable from Restricted Cash for Construction	Total
General and Administration Division	\$ 2,117,760	\$	\$	\$ 2,117,760
Highlands Division	10,533,594			10,533,594
Lake Conroe Division	4,009,283		(21,281)	3,988,002
Woodlands Division	41,358,408	(41,258,705)	(99,703)	-
Groundwater Reduction Plan Division	1,622,120	(1,622,120)		-
Total	<u>\$ 59,641,165</u>	<u>\$ (42,880,825)</u>	<u>\$ (120,984)</u>	<u>\$ 16,639,356</u>

A summary of net position restricted for **other** as of August 31, 2021 follows:

	Emergency Reserve	Grants and other	Total
General and Administration Division	\$	\$ 106,872	\$ 106,872
Woodlands Division	2,147,344		2,147,344
Groundwater Reduction Plan Division			-
Flood Management		50,000	50,000
Bear Branch		140,289	140,289
Region H		139,404	139,404
Total	<u>\$ 2,147,344</u>	<u>\$ 436,565</u>	<u>\$ 2,583,909</u>

A summary of net position – **unrestricted** as of August 31, 2021 follows:

<u>Designated</u>				
	Operating Reserve	Emergency	Undesignated	Total
General & Administration Div.	\$ 1,577,292	\$ 505,920	\$ 1,246,570	\$ 3,329,782
Raw Water Supply			1,525,812	1,525,812
Highlands Division	2,552,838	2,529,600	5,884,437	10,966,875
Lake Conroe Division	988,206	2,529,600	2,899,526	6,417,332
Woodlands Division	842,539		3,049,658	3,892,197
Flood Management			(100,451)	(100,451)
Groundwater Reduct. Plan Div.			24,719,163	24,719,163
Total	<u>\$ 5,960,875</u>	<u>\$ 5,565,120</u>	<u>\$ 39,224,715</u>	<u>\$ 50,750,710</u>

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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.

	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Insurance & Fair Value of Collateral</u>
Collateral held by pledging banks in the Authority's name	\$ 32,865,992	\$ 36,310,830	\$ 56,117,441
Cash equivalents, not requiring pledging by banks, money funds & Pools	<u>130,775,335</u>	<u>130,775,336</u>	N/A
Total Cash and Cash Equivalents	<u>\$ 163,641,327</u>	<u>\$ 167,086,166</u>	

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.

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, 2021.

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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, 2021, the Authority participated in TexPool (\$44,807,198), TexStar (\$10,486,700) and Texas CLASS (40,097,169).

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, TexStar and Texas CLASS were rated AAAM by Standard and Poor's.

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, 2021 follow:

	<u>Receivables</u>	<u>Payables</u>
Enterprise Funds:		
Raw Water Supply	\$ 233,778	\$
General and Administration Division	318,576	
Highlands Division	758,270	53,105
Woodlands Division	53,105	2,489,274
Lake Conroe Division		
Groundwater Reduction Plan Division	1,805,155	620,201
Region H		
Bear Branch		6,304
	<u>\$ 3,168,884</u>	<u>\$ 3,168,884</u>

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

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

	<u>Balance at Sept. 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Aug. 31, 2021</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 27,915,585	\$ 1,255,966	\$ (113)	\$ 29,171,438
Water permits and rights	30,947,801			30,947,801
Construction in progress	15,086,923	12,519,851	(18,949,911)	8,656,863
Total Capital Assets Not Being Depreciated	<u>73,950,309</u>	<u>13,775,817</u>	<u>(18,950,024)</u>	<u>68,776,102</u>
Capital Assets Being Depreciated:				
Land improvements	1,426,026	73,100		1,499,126
Roads	2,858,827			2,858,827
Furniture, fixtures and equipment	5,485,100	340,662		5,825,762
Other machinery and equipment	14,077,157	451,964	(188,024)	14,341,097
Automobiles and trucks	2,899,901	559,826	(266,622)	3,193,105
Buildings	26,893,811	263,355	(41,551)	27,115,615
Dams and appurtenances	9,434,710			9,434,710
Water systems	597,747,149	6,298,379		604,045,528
Wastewater utility systems	109,946,723	10,672,870	(206,208)	120,413,385
Capital improvement plans	3,611,319			3,611,319
Total Capital Assets Being Depreciated	<u>774,380,723</u>	<u>18,660,156</u>	<u>(702,405)</u>	<u>792,338,474</u>
Less Accumulated Depreciation for:				
Roads	1,216,242	135,142		1,351,384
Land improvements	982,336	50,667		1,033,003
Furniture, fixtures and equipment	4,543,015	196,817		4,739,832
Other machinery and equipment	8,726,708	851,903	(169,611)	9,409,000
Automobiles and trucks	2,374,825	250,398	(264,659)	2,360,564
Buildings	4,853,557	559,061	(8,706)	5,403,912
Dams and appurtenances	3,326,240	103,859		3,430,099
Water systems	143,707,223	19,250,389		162,957,612
Wastewater utility systems	63,689,586	3,213,227	(75,608)	66,827,205
Capital improvement plans	535,541	65,645		601,186
Total Accumulated Depreciation	<u>233,955,273</u>	<u>24,677,108</u>	<u>(518,584)</u>	<u>258,113,797</u>
Total Capital Assets Being Depreciated, Net	<u>540,425,450</u>	<u>(6,016,952)</u>	<u>(183,821)</u>	<u>534,224,677</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 614,375,759</u>	<u>\$ 7,758,865</u>	<u>\$ (19,133,845)</u>	<u>\$ 603,000,779</u>

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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, 2020	Current Year Amortization	Retirements	Balance at Aug. 31, 2021
Raw Water Supply					
Water Revenue Refunding Bonds:					
Series 2019R-A	\$ 537,386	\$ 454,129	\$ 90,826	\$	\$ 363,303
Total Raw Water Supply	<u>537,386</u>	<u>454,129</u>	<u>90,826</u>		<u>363,303</u>
Highlands Division					
Water Revenue Bonds:					
Series 2013	265,830	191,469	10,032		181,437
Series 2014	(1,348)	(1,008)	(59)		(949)
Series 2019R-B	2,434,636	2,302,710	143,918		2,158,792
Total Highlands Division	<u>2,699,118</u>	<u>2,493,171</u>	<u>153,891</u>		<u>2,339,280</u>
Total Raw Water Enterprise	<u>3,236,504</u>	<u>2,947,300</u>	<u>244,717</u>		<u>2,702,583</u>
Woodlands Division					
Special Project Revenue Refunding Bonds:					
Series 2010	252,508	5,072	5,072		
Series 2014	1,183,116	740,206	72,807		667,399
Series 2014	2,488,017	1,688,081	129,246		1,558,835
Total Woodlands Division	<u>3,923,641</u>	<u>2,433,359</u>	<u>207,125</u>		<u>2,226,234</u>
GRP Division					
Special Project Revenue Bonds:					
Series 2011	114,995	74,692	4,355		70,337
Series 2016	69,788	58,709	2,657		56,052
Total GRP Division	<u>184,783</u>	<u>133,401</u>	<u>7,012</u>		<u>126,389</u>
Totals	<u>\$ 7,344,928</u>	<u>\$ 5,514,060</u>	<u>\$ 458,854</u>	<u>\$</u>	<u>\$ 5,055,206</u>

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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, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at Aug. 31, 2021</u>	<u>Due Within One Year</u>
Raw Water Supply							
Water Revenue Refunding Bonds:							
Series 2012	2.00-3.00%	3,710,000	\$ 320,000	\$	\$ 320,000	\$ 5,620,000	\$ 1,430,000
Series 2019A	'3.00-4.00%	6,680,000	6,680,000		1,060,000	5,620,000	1,430,000
Total Raw Water Supply			<u>7,000,000</u>		<u>1,380,000</u>	<u>5,620,000</u>	<u>1,430,000</u>
Highlands Division							
Water Revenue Bonds:							
Series 2013	2.00-5.00%	6,730,000	5,625,000		200,000	5,425,000	5,425,000
Series 2014	2.00-3.50%	5,360,000	4,715,000		170,000	4,545,000	175,000
Series 2015	0.89-4.28%	29,000,000	25,580,000		900,000	24,680,000	920,000
Series 2019A	2.00-5.00%	16,715,000	16,715,000		750,000	15,965,000	780,000
Total Highlands Division			<u>52,635,000</u>		<u>2,020,000</u>	<u>50,615,000</u>	<u>7,300,000</u>
Total Raw Water Enterprise			<u>59,635,000</u>		<u>3,400,000</u>	<u>56,235,000</u>	<u>8,730,000</u>
Woodlands Division							
Special Project Revenue Refunding Bonds:							
Series 2010	4.00-5.00%	4,440,000	530,000		530,000	7,640,000	630,000
Series 2014	2.00-5.00%	11,355,000	8,245,000		605,000	19,535,000	1,405,000
Series 2014	3.00-5.00%	26,700,000	20,890,000		1,355,000	39,615,000	1,640,000
Series 2017	0.00-1.710%	42,895,000	41,255,000		1,640,000	66,790,000	3,675,000
Total Woodlands Division			<u>70,920,000</u>		<u>4,130,000</u>	<u>66,790,000</u>	<u>3,675,000</u>
Groundwater Reduction Plan Division							
Special Project Revenue Bonds: *							
Series 2009	0.85-2.66%	21,500,000	16,550,000		1,690,000	14,860,000	1,715,000
Series 2011	3.00-5.25%	83,155,000	69,790,000		2,540,000	67,250,000	2,635,000
Series 2011A	1.47-4.97%	67,470,000	52,365,000		2,380,000	49,985,000	2,460,000
Series 2012	1.47-4.62%	175,000,000	139,760,000		5,515,000	134,245,000	5,685,000
Series 2012A	1.67-4.62%	165,000,000	151,990,000		1,200,000	150,790,000	1,245,000
Series 2013	0.53-4.76%	39,850,000	34,055,000		1,040,000	33,015,000	1,070,000
Series 2016	2.00-4.00%	2,305,000	2,040,000		65,000	1,975,000	65,000
Total Groundwater Reduction Plan Division			<u>466,550,000</u>		<u>14,430,000</u>	<u>452,120,000</u>	<u>14,875,000</u>
Total Bonds Payable			<u>\$ 597,105,000</u>	<u>\$</u>	<u>\$ 21,960,000</u>	<u>\$ 575,145,000</u>	<u>\$ 27,280,000</u>

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

Of the \$575,145,000 of bonds payable, \$547,865,000 is considered long-term and \$27,280,000 is considered current.

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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.

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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			
2022	\$ 8,730,000	\$ 2,050,929	\$ 10,780,929
2023	3,440,000	1,820,156	5,260,156
2024	3,555,000	1,691,936	5,246,936
2025	3,205,000	1,567,414	4,772,414
2026	2,155,000	1,465,242	3,620,242
2027-2031	12,200,000	5,891,560	18,091,560
2032-2036	14,845,000	3,258,774	18,103,774
2037-2041	8,105,000	705,029	8,810,029
2042-2043			
	<u>\$ 56,235,000</u>	<u>\$ 18,451,040</u>	<u>\$ 74,686,040</u>
Woodlands Division			
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	4,035,000	1,281,746	5,316,746
2027-2031	22,265,000	4,236,693	26,501,693
2032-2036	11,430,000	1,597,456	13,027,456
2037-2041	9,730,000	750,783	10,480,783
2042-2043	4,125,000	70,632	4,195,632
	<u>\$ 66,790,000</u>	<u>\$ 14,087,373</u>	<u>\$ 80,877,373</u>
Groundwater Reduction Plan Division			
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	17,185,000	17,176,263	34,361,263
2027-2031	97,225,000	74,573,404	171,798,404
2032-2036	121,505,000	50,295,341	171,800,341
2037-2041	153,385,000	18,422,966	171,807,966
2042-2043	130,000	2,194	132,194
	<u>\$ 452,120,000</u>	<u>\$ 235,207,791</u>	<u>\$ 687,327,791</u>

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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 repaid the balance of the note during fiscal year 2021.

Notes payable activity for the year ended August 31, 2021 follows:

Balance at beginning of year	\$	1,371,156
Additions		
Retirements		<u>(1,371,156)</u>
Balance at end of year	\$	<u>0</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, 2021.

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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.

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NOTES TO FINANCIAL STATEMENTS

Defined Benefit Pension Plan

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, 2019, there were 162 plan members including 112 active members, 19 terminated vested members, 31 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

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NOTES TO FINANCIAL STATEMENTS

needed to fund the unfunded actuarial accrued liability over a ten year amortization period as determined from the actuarial valuation report.

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, 2020.

<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, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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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, 2019	\$ 20,609,474	12.00	1.00	\$ 21,495,108
Monthly Net External Cash Flows:				
November	(44,616)	12.00	1.00	(46,534)
December	(44,616)	11.00	0.92	(46,377)
January	1,130,201	10.00	0.83	1,170,367
February	(44,616)	9.00	0.75	(46,047)
March	(44,616)	8.00	0.67	(45,892)
April	(44,616)	7.00	0.58	(45,719)
May	(44,616)	6.00	0.50	(45,565)
June	(44,616)	5.00	0.42	(45,412)
July	(44,616)	4.00	0.33	(45,240)
August	(44,616)	3.00	0.25	(45,088)
September	(44,616)	2.00	0.17	(44,937)
October	(44,616)	1.00	0.08	<u>(44,767)</u>
Ending Value - October 31, 2020	\$ 22,163,897			<u>\$ 22,163,897</u>
Money-Weighted Rate of Return	4.30%			

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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, 2020.

<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%	0.77%
US Interm Bonds	Barclays IT Gvt/Credit	10.00%	0.44%
US Inflation-Indexed Bonds	Barclays US TIPS	5.00%	0.98%
US High Yield Bonds	BAML High Yield	5.00%	3.72%
US Large Caps	S&P 500	12.00%	4.38%
US Small & Mid Caps	Russell 2500	4.00%	5.48%
US Large Growth	Russell 1000 Growth	8.00%	4.55%
US Large Value	Russell 1000 Value	8.00%	4.58%
US Small Growth	Russell 2000 Growth	4.00%	6.23%
US Small Value	Russell 2000 Value	4.00%	5.78%
US MidCap Growth	Russell MidCap Growth	5.00%	5.27%
US MidCap Value	Russell MidCap Value	5.00%	4.78%
Foreign Developed Equity	MSCI EAFE NR	10.00%	5.80%
US REITs	FTSE NAREIT Equity REIT	5.00%	4.85%
Assumed Inflation - Mean			2.21%
Assumed Inflation - Standard Deviation			1.65%
Portfolio Real Mean Return			3.67%
Portfolio Nominal Mean Deviation			5.89%
Portfolio Standard Deviation			11.35%
Long-Term Expected Rate of Return			6.00%

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NOTES TO FINANCIAL STATEMENTS

Net Pension Liability

	October 31, 2019	October 31, 2020
Total pension liability	\$ 20,420,326	\$ 22,320,691
Fiduciary net position	20,609,474	22,163,897
Net Pension Liability (Asset)	\$ (189,148)	\$ 156,794
Fiduciary net position as a % of total pension liability	100.93%	99.30%
Covered payroll	\$ 10,042,812	\$ 8,680,506
Net pension liability as a % of covered payroll	-1.88%	1.81%

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

	October 31, 2019	October 31, 2020
Discount rate	6.00%	6.00%
Long-term expected rate of return, net of investment expense	6.00%	6.00%
Municipal bond rate	N/A	N/A

Other Key Actuarial Assumptions

	October 31, 2019	October 31, 2020
Valuation date	November 1, 2018	November 1, 2019
Measurement date	October 31, 2019	October 31, 2020
Inflation	2.30%	2.20%
Salary increases including inflation	5.00%	5.00%
Mortality	RP-2000 w/ generational projection per Scale BB	PubG-2010 Public Retirement Plans Amount-Weighted projected with Scale MP-2019
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.

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

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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	\$ 25,716,772	\$ 22,320,691	\$ 19,512,125
Fiduciary net position	22,163,897	22,163,897	22,163,897
Net Pension Liability (Asset)	\$ 3,552,875	\$ 156,794	\$ (2,651,772)

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, 2020	\$ 20,420,326	\$ 20,609,474	\$ (189,148)
Changes for the year:			
Service cost	1,130,300		1,130,300
Interest on total pension liability	1,277,394		1,277,394
Effect of economic/demographic gains or losses	(136,299)		(136,299)
Effect of assumptions changes or inputs	158,155		158,155
Benefit payments	(529,185)	(529,185)	
Administrative expenses		(6,212)	6,212
Net investment income		915,003	(915,003)
Employer contributions		1,174,817	(1,174,817)
Balances as of August 31, 2021	\$ 22,320,691	\$ 22,163,897	\$ 156,794

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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

Pension Expense	September 01, 2020 to August 31, 2021
Service cost	\$ 1,130,300
Interest on total pension liability	1,277,394
Administrative expenses	6,212
Expected investment return net of investment expenses	(1,255,472)
Recognition of economic/demographic gains and losses	(241,408)
Recognition of assumption changes or inputs	123,261
Recognition of investment gains and losses	(133,146)
	\$ 907,141

As of August 31, 2021, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions made subsequent to measurement date	\$	\$ 988,629
Difference between expected and actual experience	(2,239,435)	705,440
Changes in assumptions	(127,204)	1,004,097
Net difference between projected and actual earnings	(169,496)	
Total	\$ (2,536,135)	\$ 2,698,166

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:	
2022	\$ (321,301)
2023	(38,299)
2024	(232,430)
2025	(50,054)
2026	(107,315)
Thereafter*	(77,199)

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

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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.

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NOTES TO FINANCIAL STATEMENTS

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

As of September 1, 2019 actuarial valuation, 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.

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 \$46,737 for OPEB medical insurance coverage for retired employees covered under the OPEB plan during the fiscal year ending August 31, 2021. 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, 2021, 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.

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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, 2020</u>	<u>August 31, 2021</u>
Total OPEB liability	\$ 1,681,728	\$ 1,683,855
Covered payroll	\$ 263,108	\$ 263,108
Total OPEB liability as a % of covered payroll	639.18%	639.99%

Discount Rate

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

Discount Rate

	<u>August 31, 2020</u>	<u>August 31, 2021</u>
Discount rate	2.20%	2.14%
20 Year Tax-Exempt Municipal Bond Yield	2.20%	2.14%

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NOTES TO FINANCIAL STATEMENTS

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of August 31, 2021 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, 2020	August 31, 2021
Valuation date	September 1, 2019	September 1, 2019
Measurement date	August 31, 2020	August 31, 2021
Inflation	2.20%	2.20%
Salary increases including inflation	5.00%	5.00%
Mortality	RP-2000 Mortality headcount weighted) for Employees, Healthy and Contingent Annuitants projected forward (fully generational) with MP-2019	RP-2000 Mortality headcount weighted) for Employees, Healthy and Contingent Annuitants projected forward (fully generational) with MP-2020
Actuarial cost method	Entry Age Normal	Entry Age Normal

Changes in OPEB Liability

	Total OPEB Liability
Balances as of September 1, 2020	\$ 1,681,728
Changes for the year:	
Service cost	29,934
Interest on total OPEB liability	37,146
Effect on economic/demographic gains or loss	
Effect of assumptions changes inputs	(18,216)
Benefit payments	(46,737)
Balances as of August 31, 2020	\$ 1,683,855

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NOTES TO FINANCIAL STATEMENTS

Sensitivity Analysis.

The following presents the total OPEB liability of the Authority, calculated using the discount rate of 2.14 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 (1.14 percent) or 1-percentage-point higher (3.14 percent) than the current rate:

	Discount		
	1% Decrease	Rate	1% Increase
	1.14%	2.14%	3.14%
Total OPEB Liability	\$ 1,957,776	\$ 1,683,855	\$ 1,506,592

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	\$ 1,419,837	\$ 1,683,855	\$ 2,014,870

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

For the year ended August 31, 2021, the Authority recognized OPEB expense of \$(124,726) and \$(91,369) for fiscal year 2020 and fiscal year 2021 respectively.

OPEB Expense

	Year Ended August 31	
	2020	2021
OPEB Expense		
Service cost	\$ 23,037	\$ 29,934
Interest on total OPEB liability	60,194	37,146
Effect of plan changes		
Recognition of economic/demographic gains and losses	(258,694)	(258,694)
Recognition of assumption changes or inputs	50,737	100,245
	<u>\$ (124,726)</u>	<u>\$ (91,369)</u>

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At August 31, 2021, 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	\$ (59,463)	\$
Changes in assumptions	(9,108)	9,707
Total	<u>\$ (68,571)</u>	<u>\$ 9,707</u>

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

Year Ended August 31:

2022	\$ (58,864)
2023	
2024	
2025	
2026	

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 \$18,284,413 were invoiced to the Authority's three largest customers of the Raw Water Supply Division. This accounts for 89% of the Raw Water Supply Division water sales revenues for the year ended August 31, 2021.

Revenues totaling \$3,381,640 accrued from the Authority's primary contractual partner (City of Houston) in the Lake Conroe reservoir project. This accounts for 73% of the Lake Conroe Division's operating revenues for the year ended August 31, 2021.

Water pumpage and surface water fees totaling \$23,897,194 were invoiced to the Authority's two largest customers of the Groundwater Reduction Plan Division. This accounts for 42% of Groundwater Reduction Plan Division's operating revenues for the year ended August 31, 2021.

Water and sewer service fees totaling \$26,975,177 were invoiced to the Authority's five largest customers of the Woodlands Division. This accounts for approximately 72% of The Woodlands Division's Water and sewer fees for the year ended August 31, 2021.

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NOTE 11 – CONTINGENCIES

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 nine (9) additional cases which were originally filed in Harris County but have been transferred to counties in which the allegedly damaged properties are located, including Orange, Montgomery, Liberty, Jefferson, Brazoria, San Jacinto, and Wharton Counties.

The Authority is contesting all of these claims vigorously and intends to continue to do so. In all of the filed lawsuits, the Authority has filed a motion to dismiss or a plea to the court's jurisdiction. The Authority anticipates that pleas to the court's jurisdiction will be resolved in at least two of the cases within the next few months. Because there is an automatic right to interlocutory appeal following a court's ruling on a governmental entity's plea to the jurisdiction, the Authority anticipates that these cases will be on appeal shortly thereafter. Two of the 18 active lawsuits filed in Harris County are on appeal, with one before the Supreme Court of Texas and the other before the Fourteenth Court of Appeals in Houston.

GRP Litigation.

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. Litigation ensued as described below.

Exparte San Jacinto River Authority, No. 03-21-00137-CV, in the Court of Appeals for the Third District of Texas, Austin, Texas. 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 Splendora, 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 Splendora, Texas petitioned the Texas Supreme Court for review of the Third Court's affirmance, and

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review was granted. The Texas Supreme Court heard oral argument in January 2020 and issued its corrected opinion on June 12, 2020. The Court stated 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 intervening parties appealed the judgment to the Third Court of Appeals, Austin. The parties have filed all briefing and expect that the Court will set the case for oral argument.

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 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, as discussed above, to the validity of the GRP Contracts and excluded 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. That appeal is styled *San Jacinto River Authority v. City of Conroe, Texas and City of Magnolia, Texas*, No. 09-20-00180-CV, in the Court of Appeals for the Ninth District of Texas, Beaumont, Texas. The rest of 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 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. The utilities asked the trial court to stay the case pending the outcome of the Authority’s interlocutory appeal discussed in the preceding paragraph. The trial court denied the utilities’ request. The utilities then filed a mandamus and sought a stay from the Third Court of Appeals. The court of appeals granted the stay but has not yet ruled on the mandamus.

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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. The Fifth Circuit panel issued its opinion in August 2021 holding that the state-action doctrine did not apply to the Authority's actions as pled in the plaintiffs' complaint. The case has been remanded back to the district court and discovery has commenced.

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 collections and/or 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.

Please refer to the Management Discussion and Analysis (page 8) for past due balances due and owed under GRP Contract and are subject to the above-referenced litigation and, in certain cases, other collections litigation brought by the Authority.

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.

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.

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NOTES TO FINANCIAL STATEMENTS

NOTE 14 – COMPENSATED ABSENCES

Vacation

As of August 31, 2021, 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

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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, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Aug. 31, 2021</u>
Lake Conroe Vacation	\$ 28,789	\$	\$ 2,542	\$ 26,247
Highlands Vacation	12,493	6,278		18,771
Flood Management	300	7,657		7,957
General & Admin Vacation	239,274		8,262.00	231,012
Woodlands Vacation	109,532	5,366		114,898
GRP Vacation	47,336	560		47,896
Vacation Total	<u>437,724</u>	<u>19,861</u>	<u>10,804</u>	<u>446,781</u>
Lake Conroe Sick Leave				
Highlands Sick Leave				
Flood Management				
General & Admin Sick Leave	25,982	3,615		29,597
Woodlands Sick Leave	1,414	197		1,611
GRP, Sick Leave				
Sick Leave Total	<u>27,396</u>	<u>3,812</u>		<u>31,208</u>
Lake Conroe Comp Time	1,635	448		2,083
Highlands Comp Time	549	970		1,519
Flood Management				
General & Admin Comp Time	2,566		187	2,379
Woodlands Comp Time	887	130		1,017
GRP Comp Time	1,188		25	1,163
Compensatory Time Total	<u>6,825</u>	<u>1,548</u>	<u>212</u>	<u>8,161</u>
Total	<u>\$ 471,945</u>	<u>\$ 25,221</u>	<u>\$ 11,016</u>	<u>\$ 486,150</u>

The current year expense and ending fiscal year 2021 liability for compensatory time is calculated based on the total employee hours accrued times the end of fiscal year 2021 pay rate.

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NOTE 15 – GASB STATEMENT NO. 84

During fiscal year 2021, the Authority implemented GASB Statement No. 84, "Fiduciary Activities." The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. The Statement establishes criteria for identify fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activities and (2) the beneficiaries with whom fiduciary relationships exist. The Authority's Pension Trust Fund is considered a fiduciary activity.

REQUIRED SUPPLEMENTARY INFORMATION



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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, 2021

Fiscal Year Ending August 31	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Total Pension Liability</u>				
Service cost	\$ 1,130,300	\$ 1,111,238	\$ 1,243,286	\$ 1,200,814
Interest on total pension liability	1,277,394	1,288,568	1,119,847	1,057,429
Effect of plan changes				
Effect of assumption changes or inputs	158,155	692,910		535,907
Effect of economic/demographic gains or (losses)	(136,299)	(1,910,767)	1,007,771	(376,723)
Benefit payments	(529,185)	(526,971)	(551,303)	(667,764)
Net change in total pension liability	<u>1,900,365</u>	<u>654,978</u>	<u>2,819,601</u>	<u>1,749,663</u>
Total pension liability, beginning	20,420,326	19,765,348	16,945,747	15,196,084
Total Pension Liability, Ending (a)	<u><u>\$ 22,320,691</u></u>	<u><u>\$ 20,420,326</u></u>	<u><u>\$ 19,765,348</u></u>	<u><u>\$ 16,945,747</u></u>
<u>Fiduciary Net Position</u>				
Employer contributions	\$ 1,174,817	\$ 1,318,812	\$ 1,281,550	\$ 1,446,275
Member contributions				
Investment income net of investment expenses	915,003	2,047,106	110,522	2,338,816
Benefit payments	(529,185)	(526,971)	(551,303)	(667,764)
Administrative expenses	(6,212)	(6,087)	(6,936)	(7,226)
Net Change in Plan Fiduciary Net Position	<u>1,554,423</u>	<u>2,832,860</u>	<u>833,833</u>	<u>3,110,101</u>
Fiduciary net position, beginning	20,609,474	17,776,614	16,942,781	13,832,680
Fiduciary Net Position, Ending (b)	<u><u>\$ 22,163,897</u></u>	<u><u>\$ 20,609,474</u></u>	<u><u>\$ 17,776,614</u></u>	<u><u>\$ 16,942,781</u></u>
Net Pension Liability, Ending (a)-(b)	<u><u>\$ 156,794</u></u>	<u><u>\$ (189,148)</u></u>	<u><u>\$ 1,988,734</u></u>	<u><u>\$ 2,966</u></u>
Fiduciary Net Position as a % of total pension liability	99.30%	100.93%	89.94%	99.98%
Covered Payroll	\$ 8,333,286	\$ 9,564,583	\$ 9,946,465	\$ 10,524,840
Net Pension Liability as a % of Covered Payroll	1.88%	-1.98%	19.99%	0.03%

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.

2017	2016	2015	2014	2013	2012
\$ 1,045,193	\$ 1,000,263	\$ 904,125	\$	\$	\$
938,603	882,137	805,717			
(258,264)					
(467,654)	(336,786)				
(359,464)	(306,775)	(280,659)			
898,414	1,238,839	1,429,183			
14,297,670	13,058,831	11,629,648			
<u>\$ 15,196,084</u>	<u>\$ 14,297,670</u>	<u>\$ 13,058,831</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 1,225,120	\$ 1,222,436	\$ 1,200,435	\$	\$	\$
488,949	265,496	754,693			
(359,464)	(306,775)	(280,659)			
(6,875)	(7,379)	(11,471)			
1,347,730	1,173,778	1,662,998			
12,484,950	11,311,172	9,648,174			
<u>\$ 13,832,680</u>	<u>\$ 12,484,950</u>	<u>\$ 11,311,172</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ 1,363,404</u>	<u>\$ 1,812,720</u>	<u>\$ 1,747,659</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
91.03%					
\$ 10,081,467	\$ 9,002,044	\$ 8,355,491	\$ 5,642,798	\$ 4,491,803	\$ 3,923,220
13.52%	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, 2021

Fiscal Year Ended August 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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%
2021	999,597	1,174,817	(175,220)	8,680,506	13.53%

Actuarial Methods and Assumptions Used for Funding Policy

The following actuarial methods and assumptions were used in the November 1, 2019 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 December 16, 2016 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

Market Value

Corridor

None

Inflation

2.20%

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, 2021

<u>Fiscal Year Ended August 31</u>	<u>Net Money- Weighted Rate of Return</u>
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%
2021	4.30%

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, 2021

Fiscal Year Ending August 31	2021	2020	2019	2018
<u>Total OPEB Liability</u>				
Service cost	\$ 29,934	\$ 23,037	\$ 20,070	\$ 22,695
Interest on total OPEB liability	37,146	60,194	72,789	68,240
Changes of benefit terms				
Effect of economic/demographic gains or (losses)		(455,879)	(181,457)	
Effect of assumption changes or inputs	(18,216)	74,419	321,952	(144,021)
Benefit payments	(46,737)	(47,103)	(48,166)	(52,564)
Change in total OPEB liability	2,127	(345,332)	185,188	(105,650)
Total OPEB liability, beginning	1,681,728	2,027,060	1,841,872	1,947,522
Total OPEB Liability, Ending	\$ 1,683,855	\$ 1,681,728	\$ 2,027,060	\$ 1,841,872
Covered Payroll	\$ 263,108	\$ 263,108	\$ 322,813	\$ 322,115
Net Pension Liability as a % of Covered Payroll	639.99%	639.18%	627.94%	571.81%

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 28,903 61,195	\$	\$	\$	\$	\$
(242,418) (51,636)					
<u>(203,956)</u>					
2,151,478					
<u>\$ 1,947,522</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 393,447	\$ 352,848	\$ 347,971	\$ 336,482	\$ 413,753	\$ 474,846
494.99%					

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, 2021

Fiscal Year Ended August 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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%
2021	46,737	46,737		263,108	17.76%

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, 2020: 2.2%

August 31, 2021: 2.14%

Healthcare Cost Trend Rates

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 3.9% per year in the eighty-second year and beyond.

Retirement

100% at age 65

Mortality

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

OTHER SUPPLEMENTARY INFORMATION



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

Year Ended August 31, 2021

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<u>Operating Revenues</u>				
Water revenues	\$ 24,679,595	\$ 24,679,595	\$ 23,983,256	\$ (696,339)
Permits, licenses and fees	1,124,879	1,124,879	1,243,479	118,600
Total Revenues	<u>25,804,474</u>	<u>25,804,474</u>	<u>25,226,735</u>	<u>(577,739)</u>
<u>Operating Expenses</u>				
Current:				
Salaries and wages	4,418,449	4,418,449	3,876,739	(541,710)
Employee insurance and other payroll benefits	2,084,080	2,084,080	1,499,847	(584,233)
Outside services employed	2,947,705	2,947,705	2,800,432	(147,273)
Operating supplies and expenses	1,174,115	1,174,115	990,279	(183,836)
Rentals	87,205	87,205	67,548	(19,657)
Maintenance, repairs and parts	2,035,650	2,035,650	1,284,457	(751,193)
General and administrative	1,737,645	1,737,645	1,309,134	(428,511)
Depreciation			2,747,827	2,747,827
Total Expenditures	<u>14,484,849</u>	<u>14,484,849</u>	<u>14,576,263</u>	<u>91,414</u>
Operating Net Income	11,319,625	11,319,625	10,650,472	(669,153)
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	14,000	14,000	21,550	7,550
Interest expense on bonds	(2,231,050)	(2,231,050)	(2,227,051)	3,999
Other	14,767	14,767	542,613	527,846
Total Nonoperating Revenues (Expenses)	<u>(2,202,283)</u>	<u>(2,202,283)</u>	<u>(1,662,888)</u>	<u>539,395</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 9,117,342</u>	<u>\$ 9,117,342</u>	<u>\$ 8,987,584</u>	<u>\$ (129,758)</u>

SAN JACINTO RIVER AUTHORITY

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

WOODLANDS DIVISION

Year Ended August 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Operating Revenues</u>				
Water and sewer service fees	\$ 41,337,920	\$ 41,337,920	\$ 37,685,059	\$ (3,652,861)
Permits, licenses and fees	205,100	205,100	207,070	1,970
Capacity charges	3,293,800	3,293,800	3,293,800	
Total Revenues	<u>44,836,820</u>	<u>44,836,820</u>	<u>41,185,929</u>	<u>(3,650,891)</u>
<u>Operating Expenses</u>				
Current:				
Salaries and wages	4,802,222	4,802,222	5,000,118	197,896
Employee insurance and other payroll benefits	2,260,805	2,260,805	2,053,281	(207,524)
Outside services employed	18,706,904	18,706,904	16,771,499	(1,935,405)
Operating supplies and expenses	4,486,154	4,486,154	4,510,098	23,944
Rentals	25,200	25,200	19,104	(6,096)
Maintenance, repairs and parts	6,267,200	6,467,200	2,992,004	(3,475,196)
General and administrative	772,946	772,946	787,315	14,369
Depreciation			6,945,685	6,945,685
Total Expenditures	<u>37,321,431</u>	<u>37,521,431</u>	<u>39,079,104</u>	<u>1,557,673</u>
Operating Net Income (Loss)	7,515,389	7,315,389	2,106,825	(5,208,564)
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	168,600	168,600	39,906	(128,694)
Interest expense	(1,722,847)	(1,722,847)	(1,720,638)	2,209
Bond issuance costs				
Other			193,873	193,873
Total Nonoperating Revenues	<u>(1,554,247)</u>	<u>(1,554,247)</u>	<u>(1,486,859)</u>	<u>67,388</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 5,961,142</u>	<u>\$ 5,761,142</u>	<u>\$ 619,966</u>	<u>\$ (5,141,176)</u>

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, 2021

	Budgeted Amounts		Actual	Variance Over (Under)
	Original	Final		
<u>Operating Revenues</u>				
Industrial and Municipal water sales	\$	\$ 571,886	\$ 379,454	\$ (192,432)
Water revenues *	54,695,838	54,607,654	56,430,037	1,822,383
Total Revenues	54,695,838	55,179,540	56,809,491	1,629,951
<u>Operating Expenses</u>				
Current:				
Salaries and wages	3,250,097	3,250,097	3,221,766	(28,331)
Employee insurance and other payroll benefits	1,432,712	1,432,712	1,304,939	(127,773)
Outside services employed	3,692,540	3,692,540	2,048,136	(1,644,404)
Operating supplies and expenses	10,814,272	11,232,913	10,304,688	(928,225)
Rentals	1,500	1,500		(1,500)
Maintenance, repairs and parts	1,429,800	1,429,800	2,006,284	576,484
General and administrative	526,394	526,394	411,188	(115,206)
Depreciation			14,658,492	14,658,492
Total Expenditures	21,147,315	21,565,956	33,955,493	12,389,537
Operating Net Income	33,548,523	33,613,584	22,853,998	(10,759,586)
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	27,000	27,000	8,698	(18,302)
Interest expense	(19,753,631)	(19,753,631)	(19,753,631)	
Other **	5,400	5,400	1,482,287	1,476,887
Total Nonoperating Revenues (Expenses)	(19,721,231)	(19,721,231)	(18,262,646)	1,458,585
Income (Loss) Before Contributions and Transfers	\$ 13,827,292	\$ 13,892,353	\$ 4,591,352	\$ (9,301,001)

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 \$56,430,037 includes short pays of fees for City of Conroe (\$2,232,360) and City of Magnolia (\$93,191), and nonpayments for Quadvest, LP. (\$3,061,913) and Woodlands Oak Utilities (\$307,780).

** Other nonoperating revenues of \$1,482,287 includes nonpayment of interest and penalties for City of Conroe (\$816,787), City of Magnolia (\$39,926), Quadvest, LP. (\$476,176), and Woodlands Oak Utilities (\$40,452).

SAN JACINTO RIVER AUTHORITY
SCHEDULE OF NET POSITION
GROUNDWATER REDUCTION PLAN DIVISION

August 31, 2021

Assets

Current Assets

Cash and cash equivalents	
Unrestricted	\$ 4,502,638
Restricted for debt service	56,408,099
Restricted for construction	1,622,120
Accounts receivable, inventory and prepaids	9,015,051
Total Current Assets	<u>71,547,908</u>

Noncurrent Asset

13,504,966

Capital Assets - at cost

Land	14,306,156
Land improvements	2,470,693
Furniture and fixtures	2,444,738
Other machinery and equipment	785,881
Automobiles and trucks	474,446
Buildings	15,601,688
Water systems	421,282,343
Construction in progress	0
Accumulated Depreciation	(90,384,467)

366,981,478

Total Noncurrent and Capital Assets 380,486,444

Total Assets \$ 452,034,352

Liabilities

Current Liabilities

Accounts payable and accrued liabilities - unrestricted	\$ 2,303,492
Restricted for debt services - current portion of bonds	14,875,000
Restricted for debt services - accrued interest payable	8,215,966
Total Current Liabilities	<u>25,394,458</u>

Noncurrent Liabilities

First lien water revenue bonds - less current maturities	437,245,000
Unamortized bond premium or discount	126,389

437,371,389

Total Liabilities 462,765,847

Net Position

Net Position

Net investment in capital assets	(83,642,791)
Restricted for debt service	48,192,133
Unrestricted	24,719,163

\$ (10,731,495)

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

Year Ended August 31, 2021

Operating Revenues

Industrial and Municipal water sales	\$ 379,454
Water revenues (GRP Pumpage and Surface Water Fees)	56,430,037
Total Revenues	<u>56,809,491</u>

Operating Expenses

Current:

Salaries and wages	3,221,766
Employee insurance and other payroll benefits	1,304,939
Outside services employed	2,048,136
Operating supplies and expenses	10,304,688
Rentals	
Maintenance, repairs and parts	2,006,284
General and administrative expenses	411,188
Depreciation	14,658,492
Total Expenditures	<u>33,955,493</u>

Operating Net Income (Loss) 22,853,998

Nonoperating Revenues (Expenses)

Interest income	8,698
Gain (Loss) on disposal of assets	15,750
Amortization of debt issuance costs	7,012
Interest expense on bonds	(19,753,631)
Other	1,459,525

Total Nonoperating Revenues (Expenses) (18,262,646)

Income (Loss) Before Transfers and Contributions 4,591,352

**Transfers
Contributions**

Change in Net Position 4,591,352

Net Position at Beginning of Year (15,322,847)

Net Position at End of Year \$ (10,731,495)

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

Year Ended August 31, 2021

Cash Flows from Operating Activities	
Cash received from customers	\$ 52,495,518
Cash payments to suppliers for goods and services	(14,225,113)
Cash paid for employee services	(4,526,705)
Other revenues and expenses	1,459,525
Net Cash Provided by Operating Activities	<u>35,203,225</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	(14,430,000)
Interest paid on bonds	(19,930,199)
Acquisition of capital assets	(127,629)
Proceeds from the sale of assets	15,750
Capital contributions	
Net Cash (Used) by Capital and Related Financing Activities	<u>(34,472,078)</u>
Cash Flows from Investing Activities	
Interest earned	<u>8,698</u>
Net Cash Flows Provided by Investing Activities	<u>8,698</u>
Net (Decrease) in Cash and Cash Equivalents	739,845
Cash and equivalents at beginning of year	<u>61,793,012</u>
Cash and Equivalents at End of Year	<u>\$ 62,532,857</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 22,853,998
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Other revenues and expenses	1,459,525
Depreciation	14,658,492
(Increase) decrease in receivables	(3,902,785)
(Increase) decrease in inventory	13,223
(Increase) decrease in prepaids	(465)
Increase (decrease) in accounts payable and accrued liabilities	121,237
Increase in unearned revenue	<u>0</u>
Total Adjustments	<u>12,349,227</u>
Net Cash Provided by Operating Activities	<u>\$ 35,203,225</u>

SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2021

Dam and Appurtenances:

Dam and appurtenances - joint	\$ 21,370,613
Dam and appurtenances - San Jacinto River Authority	1,213,522
Total Dam and Appurtenances	<u>22,584,135</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	970,573
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	797,421
Computer hardware - joint	121,569
Telephone system - joint	23,148
Miscellaneous equipment - joint	49,871
Construction and maintenance equipment - San Jacinto River Authority	53,289
Total Equipment	<u>2,503,019</u>

Land:

Land easements and improvements - joint	7,574,634
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	108,635
Total Land	<u>15,065,677</u>

Total Lake Conroe Dam, Reservoir and Related Equipment 40,344,324

Less City of Houston Contribution (25,451,399)

**San Jacinto River Authority's Interest in Lake Conroe Dam, Reservoir
and Related Equipment** 14,892,925

**Less Accumulated Depreciation on San Jacinto River Authority's Interest
in Assets** (4,371,778)

Net Interest in Lake Conroe Dam, Reservoir and Related Equipment \$ 10,521,147

SAN JACINTO RIVER AUTHORITY

INSURANCE COVERAGES

August 31, 2021

<u>Types of Coverages</u>	<u>Amount of Coverage</u>	<u>Insurer</u>	<u>Coverage to</u>
Property Coverages			
Buildings	\$ 243,497,455	TWCA Risk Management Fund	7/1/2022
Contents	6,505,740	TWCA Risk Management Fund	7/1/2022
EDP Equipment	1,157,074	TWCA Risk Management Fund	7/1/2022
Equipment/Contractors Equip	2,710,514	TWCA Risk Management Fund	7/1/2022
Miscellaneous Property & Equipment	4,411,033	TWCA Risk Management Fund	7/1/2022
Rented Equipment	200,000	TWCA Risk Management Fund	7/1/2022
Boiler and Machinery	177,704,716	TWCA Risk Management Fund	7/1/2022
Total Property Coverages	<u>\$436,186,532</u>		
Automobile:			
Bodily injury and property damage	Combined limit \$1,000,000	TWCA Risk Management Fund	7/1/2022
Excess auto liability	\$9,000,000	TWCA Risk Management Fund	7/1/2022
Physical damage	Actual cash value	TWCA Risk Management Fund	7/1/2022
General Liability	\$1,000,000	TWCA Risk Management Fund	7/1/2022
	per occurrence		
Excess General Liability	\$9,000,000	TWCA Risk Management Fund	7/1/2022
Public Officials:			
Errors and omissions	\$1,000,000	TWCA Risk Management Fund	7/1/2022
Excess errors and omissions	\$9,000,000	TWCA Risk Management Fund	7/1/2022
GRP Review Committee	\$1,000,000	JI Special Risk Insurance Agency	6/3/2022
Workers' Compensation	Statutory	TWCA Risk Management Fund	7/1/2022

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, 2021

Directors

Ronnie Anderson, President
P.O. Box 329
Conroe, Texas 77305-0329

Ed Boulware, Vice-President
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Conroe, Texas 77305-0329

Mark Micheletti, Treasurer
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William "Wil" Faubel, Secretary
P.O. Box 329
Conroe, Texas 77305-0329

Ricardo "Rick" Mora, Secretary-Pro Tem
P.O. Box 329
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Stacey Buick
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Staff

Jace Houston, General Manager
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Ronald Kelling, P.E., Deputy General Manager
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Tom Michel, Director of Financial & Administrative
Services
P.O. Box 329
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Wayne Owen, Director of Raw Water & Flood
Management
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Conroe, Texas 77305-0329

Heather Ramsey Cook, Director of Public
Communication
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Conroe, Texas 77305-0329

Ed Shackelford, P.E., Director of Utility
Operations
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Pam J. Steiger, Controller
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Conroe, Texas 77305-0329

Consultants

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Bond Financial Advisor
Jan Bartholomew
Robert W. Baird & Co.
1331 Lamar, Suite 1360
Houston, Texas 77010

STATISTICAL SECTION



This section of the San Jacinto River Authority's annual comprehensive 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	82-85
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	86-88
These schedules contain information to help the reader assess the Authority's most significant local revenue source, the water and sewer service.	
Debt Capacity	89-91
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	92-95
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	96-99
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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Business-type activities				
Net Investment in capital assets	\$ 81,039,024	\$ 34,279,471	\$ 52,304,682	\$ 81,417,800
Restricted	27,079,260	68,491,559	59,550,621	52,279,716
Unrestricted	34,648,654	38,155,393	34,447,449	33,386,039
Total business-type activities net position	<u>\$ 142,766,938</u>	<u>\$ 140,926,423</u>	<u>\$ 146,302,752</u>	<u>\$ 167,083,555</u>
Primary government				
Net Investment in capital assets	\$ 81,039,024	\$ 34,279,471	\$ 52,304,682	\$ 81,417,800
Restricted	27,079,260	68,491,559	59,550,621	52,279,716
Unrestricted	34,648,654	38,155,393	34,447,449	33,386,039
Total primary government net position	<u>\$ 142,766,938</u>	<u>\$ 140,926,423</u>	<u>\$ 146,302,752</u>	<u>\$ 167,083,555</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

2016	2017	2018	2019	2020	2021
\$ 76,461,833	\$ 54,705,951	\$ 51,689,036	\$ 57,974,629	\$ 61,352,744	\$ 65,681,398
54,932,005	56,121,250	60,520,121	80,940,146	75,754,603	86,581,802
38,519,086	41,920,578	48,534,255	33,786,246	52,446,023	50,750,710
<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>	<u>\$ 203,013,910</u>
\$ 76,461,833	\$ 54,705,951	\$ 51,689,036	\$ 57,974,629	\$ 61,352,744	\$ 65,681,398
54,932,005	56,121,250	60,520,121	80,940,146	75,754,603	86,581,802
38,519,086	41,920,578	48,534,255	33,786,246	52,446,023	50,750,710
<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>	<u>\$ 203,013,910</u>

SAN JACINTO RIVER AUTHORITY

CHANGES IN NET POSITION

Last Ten Fiscal Years

	2012	2013	2014	2015
Expenses				
Business-type activities:				
Salaries and wages	\$ 7,958,296	\$ 8,392,601	\$ 8,872,719	\$ 10,720,810
Employee insurance and other payroll benefits	2,772,375	3,476,905	3,443,181	4,255,143
Outside services employed	3,908,048	4,072,695	4,943,193	3,759,083
Operating supplies and expenses	7,388,455	7,797,323	9,405,454	6,754,835
Rentals	352,479	234,674	118,467	69,320
Maintenance, repairs and parts	4,550,249	4,538,373	3,773,308	4,113,761
Water planning study expenses	197,815	257,465	520,071	802,042
General and administrative expenses				
Depreciation	6,898,534	7,404,035	7,783,943	8,753,185
Total business-type activities expenses	34,026,251	36,174,071	38,860,336	39,228,179
Total primary government expenses	\$ 34,026,251	\$ 36,174,071	\$ 38,860,336	\$ 39,228,179
Program Revenues:				
Business-type activities				
Water sales:				
Industrial	\$ 9,223,102	\$ 10,125,269	\$ 11,070,653	\$ 10,550,443
Irrigation	108,342	109,004	129,878	141,375
Water and sewer service fees	33,360,551	44,863,366	52,090,243	60,607,860
Permits, licenses, and fees	1,007,532	1,002,670	1,070,828	1,131,372
Contractual revenues				1,716,011
Capacity charges	5,242,829	5,252,805	5,188,612	5,022,163
Water planning study	210,072	249,233	492,810	759,984
Total business-type activities revenues	49,152,428	61,602,347	70,043,024	79,929,208
Total primary government revenues	\$ 49,152,428	\$ 61,602,347	\$ 70,043,024	\$ 79,929,208
Net (Expenses) Revenue				
Business-type activities				
Interest income	\$ 713,705	\$ 1,189,490	\$ 376,774	\$ 238,633
Gain (Loss) on disposal of capital assets	167,866	(144,605)	959,459	(33,748)
Oil and gas royalty income	3,165			
Other revenues	220,754	117,973	87,035	40,825
FEMA Grant				
Other expenses		(1,234,093)	(3,097,923)	(799,966)
Amortization of bond premium or discounts	(454,979)	77,657	166,343	278,431
Interest expense on bonds	(11,489,309)	(22,414,786)	(25,688,916)	(25,183,782)
Total business-type activities	(10,838,798)	(22,408,364)	(27,197,228)	(25,459,607)
Total primary government	\$ (10,838,798)	\$ (22,408,364)	\$ (27,197,228)	\$ (25,459,607)
General Revenues and Other Change in Net Position				
Business-type activities:				
Capital Contributions/(Distributions)	\$ 837,109	\$ 3,300,933	\$ 1,390,869	\$ 4,030,000
Total business-type activities	837,109	3,300,933	1,390,869	4,030,000
Total primary government	\$ 837,109	\$ 3,300,933	\$ 1,390,869	\$ 4,030,000
Change in Net Position				
Business-type activities	5,124,488	6,320,845	5,376,329	19,271,422
Total primary government	\$ 5,124,488	\$ 6,320,845	\$ 5,376,329	\$ 19,271,422

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					
2016	2017	2018	2019	2020	2021
\$ 11,724,348	\$ 12,182,806	\$ 12,255,875	\$ 12,511,453	\$ 12,666,436	\$ 13,157,947
4,715,723	4,924,773	5,179,617	5,493,433	4,904,352	5,165,348
5,042,298	6,283,542	6,367,524	8,366,993	10,905,653	7,120,511
11,252,100	11,732,077	11,849,544	11,958,973	12,667,800	13,955,163
85,327	75,774	80,229	67,175	68,850	70,452
5,279,400	6,080,155	7,792,350	7,891,447	6,674,429	6,505,053
17,877	1,943	1,479	1,732	1,965	1,446
23,527,194	24,446,476	24,381,708	24,170,719	24,868,561	24,677,108
61,644,267	65,727,546	67,908,326	70,461,925	72,758,046	70,653,028
<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>\$ 70,653,028</u>
\$ 12,622,941	\$ 13,553,382	\$ 14,571,525	\$ 16,532,985	\$ 17,287,532	\$ 18,195,773
139,677	204,387	120,487	118,548	110,041	123,746
67,391,878	73,727,688	77,933,431	69,595,114	80,590,320	78,733,012
1,125,274	1,351,718	1,334,353	1,424,817	1,293,958	1,450,549
1,486,056	2,065,619	2,617,142	3,314,511	4,641,065	3,398,148
3,834,462	3,856,538	3,846,463	9,646,449	3,918,310	3,293,800
359,554	112,377	667,766	470,686	744,516	198,998
86,959,842	94,871,709	101,091,167	101,103,110	108,585,742	105,394,026
<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>\$ 105,394,026</u>
\$ 396,775	\$ 527,927	\$ 1,408,665	\$ 1,856,573	\$ 2,353,932	\$ 86,504
452,827	588,168	557,773	1,854,993	388,847	128,101
39,697	675,300	574,180	861,342	2,296,497	1,623,571
(108,133)		(4,015,162)			
278,666	273,179	314,621	281,686	461,056	458,854
(24,954,257)	(25,644,260)	(25,517,682)	(25,087,078)	(24,754,703)	(23,754,415)
(23,894,425)	(23,579,686)	(26,677,605)	(20,232,484)	(19,254,371)	(21,457,385)
<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>\$ (21,457,385)</u>
\$ 1,408,219	\$ (21,992,683)	\$ 1,490,397	\$ 1,548,908	\$ 279,024	\$ 176,927
1,408,219	(21,992,683)	1,490,397	1,548,908	279,024	176,927
<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>\$ 176,927</u>
2,829,369	(16,428,206)	7,995,633	11,957,609	16,852,349	13,460,540
<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>\$ 13,460,540</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		
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
2021	\$ 11,006,957	12,666,410	\$ 23,673,367	\$ 2.26	\$ 4.62

(1) Direct Rate based on per thousand gallons

SAN JACINTO RIVER AUTHORITY

PRINCIPAL WOODLANDS DIVISION WATER AND SEWER FEES PAYERS

August 31, 2021

Customer	2021			2012		
	Revenue Base Attributable	Rank	% Base of The total Revenue Base	Revenue Base Attributable	Rank	% Base of The total Revenue Base
MUD 6	\$ 2,073,786	8	5%	\$ 1,010,351	8	5%
MUD 7	\$ 2,822,251	6	7%	\$ 1,529,331	5	7%
MUD 36	\$ 1,425,856	9	4%	\$ 747,733	9	4%
MUD 39	\$ 1,386,982	10	4%	\$ 718,027	10	4%
MUD 1*	\$ 2,713,766	7	7%	\$ 1,693,958	4	8%
MUD 46	\$ 8,513,424	1	23%	\$ 5,318,491	1	26%
MUD 47	\$ 6,433,606	2	17%	\$ 4,161,582	2	20%
MUD 60	\$ 4,140,372	4	11%	\$ 2,331,741	3	11%
MUD 67	\$ 3,604,581	5	10%	\$ 1,505,296	6	7%
Metro MUD	\$ 4,283,193	3	11%	\$ 1,487,422	7	7%

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, 2021

Raw Water Enterprise

Chevron Phillips Chemical Company
Crosby Municipal Utility District
ECO Services Operations, LLC
Entergy
ExxonMobil
Harris County MUD No. 50
Lake Windcrest Property Owners Association
Monument Chemical Baytown, LLC
Newport MUD
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

Bentwater Yacht & Country Club, Ltd.
GPW Two LLC
Lakeside Resort JV, LLC
LCY Elastomers, LP

Seven Coves Association
SHM Walden Marina
Sports Harbour, LLC
The Palms Marine on Lake Conroe

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				
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
2021	\$ 56,235,000	518,910,000	0	\$ 575,145,000	485.87%	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>						
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
2021	\$ 20,585,108	\$ 5,230,541	\$ 15,354,567	\$ 3,400,000	\$ 2,266,921	2.71
<u>GRP Division</u>						
2012	\$	\$	\$	\$	\$	
2013	\$	\$	\$	\$	\$	
2014	\$	\$	\$	\$	\$	
2015	\$	\$	\$	\$	\$	
2016	\$	\$	\$	\$	\$	
2017	\$	\$	\$	\$	\$	
2018	\$	\$	\$	\$	\$	
2019	\$	\$	\$	\$	\$	
2020	\$	\$	\$	\$	\$	
2021	\$	\$	\$	\$	\$	

Special Project Revenue Bonds

Revenue	Less Operating Expenses	Net Available for Debt Service	Debt Service		Cover Ratio
			Principal	Interest	
\$ 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
\$ 40,978,859	\$ 32,133,419	\$ 8,845,440	\$ 4,130,000	\$ 1,756,675	1.50
\$ 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
\$ 56,809,491	\$ 19,297,001	\$ 37,512,490	\$ 14,430,000	\$ 19,930,199	1.09

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	3,807
Baytown	76,635
Crosby	2,645
Grimes County	27,984
Highlands	7,720
Liberty County	88,219
Montgomery County	607,391
San Jacinto County	28,180
Walker County	72,971
Waller County	51,832

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	70%	9%
Baytown	78%	15%
Crosby	82%	16%
Grimes County	81%	16%
Highlands	79%	12%
Liberty County	80%	12%
Montgomery County	88%	34%
San Jacinto County	85%	11%
Walker County	87%	19%
Waller County	83%	21%

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	40	Anadarko
Baytown	33	ChevronPhillips
Crosby	38	Conroe Independent School District
Grimes County	40	Hewitt
Highlands	38	Houston Methodist The Woodlands Hospital
Liberty County	35	Huntsman Corporation
Montgomery County	38	Lone Star College System - Montgomery
San Jacinto County	45	Maersk Line
Walker County	37	Memorial Hermann The Woodlands Medical Center
Waller County	29	St. Luke's The Woodlands Hospital

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	51,593
Baytown	57,270
Crosby	35,147
Grimes County	52,913
Highlands	59,052
Liberty County	50,049
Montgomery County	88,695
San Jacinto County	41,614
Waller County	47,170
Walker County	59,642

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	7.6%
Baytown	5.3%
Crosby	3.7%
Grimes County	8.0%
Highlands	7.9%
Liberty County	10.6%
Montgomery County	7.5%
San Jacinto County	8.1%
Walker County	7.2%
Waller County	7.8%

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Highlands	7	7	7	7	6
Lake Conroe	14	13	14	14	14
Woodlands	45	39	33	38	42
General & Administration	56	77	79	83	86
Groundwater Reduction Plan	5	7	12	23	29
Flood Management					
Total	127	143	145	165	177

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 2012 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 2012.

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
10	11	9	10	10
13	14	14	14	13
39	39	37	42	34
80	74	77	76	75
27	29	26	26	25
		1	1	2
<hr/>				
169	167	164	169	159
<hr/> <hr/>				

SAN JACINTO RIVER AUTHORITY

OPERATING STATISTICS

Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Raw Water Enterprise (Lake Conroe and Highlands Division)</u>					
Water Delivered (Thousand Gallons)	22,813,154	22,634,039	23,192,114	23,611,611	24,583,145
Water Rights (See detail below)	7	7	7	7	7

Woodlands Division

Water Average Pumpage (Thousand Gallons)	7,036,323	6,628,769	6,115,812	5,529,976	6,015,090
Wastewater Average Flow (Thousand Gallons per Day)	7,742	7,315	7,677	7,746	7,960
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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
32,205,585	30,979,017	31,520,814	30,359,231	31,896,926
7	7	8	8	8
6,132,615	5,927,160	5,068,824	5,680,388	5,248,377
7,864	7,689	7,760	7,364	7,387
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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Raw Water Enterprise, Highlands and General & Administration				
Land	\$	\$	\$ 10,000	\$ 58,876
Water permits and rights	1,090			
Construction in progress	5,804,413	13,887,890	9,772,503	7,427,025
Furniture, fixtures and equipment	130,150	18,540	160,680	134,167
Other machinery and equipment	223,889	300,528	361,139	70,271
Automobiles and trucks	369,830	131,621	100,878	65,171
Buildings	41,360		1,484,025	774
Water systems	2,173,361	17,875,400	2,802,551	8,574,076
Lake Conroe Division				
Land				2,596
Construction in progress	15,062	63,109	501,722	642,080
Furniture, fixtures and equipment	292	1,134	7,055	39,036
Other machinery and equipment	12,721	1,828	10,864	43,014
Automobiles and trucks	9,653	17,215	21,814	12,854
Buildings	2,656			
Dams and appurtenances	40,289	6,908		1,132,947
Water systems				
Woodlands Division				
Land	14,236	6,568		23,194
Construction in progress	7,841,826	7,662,672	6,548,527	5,020,431
Furniture, fixtures and equipment	42,559	196,702	71,413	386,203
Other machinery and equipment		9,849	372,450	49,496
Automobiles and trucks	56,106	58,209	46,058	7,410
Buildings	82,024		6,720	
Dams and appurtenances			256,356	
Water systems	3,798,904	5,458,285	3,783,083	3,296,024
Wastewater utility systems	827,430	2,511,040	3,020,956	1,801,043
Capital Improvement Plans				
Groundwater Reduction Plan Division				
Land	1,880,898	85,157		500,536
Construction in Progress	40,586,454	81,722,501	218,185,401	111,689,168
Furniture, fixtures and equipment	320,489	104,686	189,621	534,634
Other machinery and equipment				
Automobiles and trucks	58,551	19,529		206,776
Buildings	2,287,713	47,963		43,153
Water systems				
Total Capital Asset Additions	<u>\$ 66,621,956</u>	<u>\$ 130,187,334</u>	<u>\$ 247,713,816</u>	<u>\$ 141,760,955</u>

2016	2017	2018	2019	2020	2021
462,528	\$ 31,328	\$ 3,811,415	\$ 1,206	\$ 172,742	\$ 1,255,966
12,317,956	9,439,000	7,808,330	5,522,593	1,394,463	4,401,510
52,201	70,175	171,677	84,988	82,097	48,105
178,617	11,732	189,732	34,019	826,825	145,324
86,271	66,379	16,066	148,789	198,841	269,458
147,491	12,628		5,696	592,304	263,355
1,378,675	19,779,516	6,434,762	569,257	5,059,490	3,202,734
1,833	2,541				
64,925	609,074	60,182	95,327	70,690	355,307
56,850	2,912	907	1,301	3,345	123,013
	16,624	76,639	3,905	6,150	2,237
10,400	11,373	9,172	16,096	13,502	
87		72,154			
		489,081			
				84,949	73,100
7,941,930	2,318,762	5,850,096	5,990,530	11,496,920	7,763,035
14,261	66,713	26,764	27,108	68,688	90,980
337,314	46,714	53,589	91,656	1,450,429	261,906
129,939	57,982	73,207	97,004	92,707	220,203
				14,297	
1,758,450	3,297,838		674,106	709,306	3,095,645
1,660,236	7,610,604	146,497	35,966	13,447,243	10,672,870
	12,583,964	586,852			
25,045,377	3,239,805	416,023	58,489	61,097	
1,088,875	10,543	19,455	13,536	55,519	78,563
342,658	168,058	107,072	86,105	7,102	42,497
113,450		25,808	43,363		70,165
13,186,309	34,680	1,870			
417,692,912	1,023,991	2,480,945	5,229	71,588	
<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>	<u>\$ 32,435,973</u>