

SAN JACINTO RIVER AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
AUGUST 31, 2015



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

TABLE OF CONTENTS

San Jacinto River Authority
Comprehensive Annual Financial Report for Fiscal Year Ended August 31, 2015

	<u>Page</u>
<i>Introductory Section</i>	
Letter of Transmittal	i-vi
Certificate of Achievement for Excellence in Financial Reporting	vii
Organizational Chart	viii
Board of Directors	ix
<i>Financial Section</i>	
Independent Auditors' Report	3-4
Management Discussion and Analysis	5-12
Basic Financial Statements	
Statement of Net Position	14-17
Statement of Revenues, Expenses and Changes In Net Position	18-19
Statement of Cash Flows	20-23
Notes to Financial Statements	25-58
Required Supplementary Information	
Governmental Accounting Standards Board Statement Nos. 67 & 68, Defined Benefit Pension Plan, Schedule of Changes in Net Pension Liability and Related Ratios	60-61
Governmental Accounting Standards Board Statement Nos. 67 & 68, Defined Benefit Pension Plan, Schedule of Employer Contributions	62
Governmental Accounting Standards Board Statement Nos. 67 & 68, Defined Benefit Pension Plan, Schedule of Investment Returns	63
Schedule of Employer Contributions and Funding Progress for the Retiree Healthcare (OPEB) Plan	64
Other Supplementary Information	
Schedule of Revenues and Expenses – Budget and Actual – Raw Water Enterprise	66
Schedule of Revenues and Expenses – Budget and Actual (Budgetary Basis) – Woodlands Division	67
Schedule of Revenues and Expenses – Budget and Actual – Groundwater Reduction Plan Division	68
Schedule of Net Position–Groundwater Reduction Plan	69
Schedule of Revenues and Expenses – Groundwater Reduction Plan Division	70
Schedule of Cash Flows–Groundwater Reduction Plan Division	71
Schedule of Capital Assets–Lake Conroe Dam, Reservoir and Related Equipment	72
Insurance Coverage	73
Principal Officials	74

Statistical Section

Index and Explanation	75
Net Position by Component	76-77
Changes in Net Position	78-79
Woodlands Division Water and Sewer Service Fees by Source	80
Principal Woodlands Division Water and Sewer Fee Payers	81
List of Principal Customers	82
Ratio of Outstanding Debt by Type	83
Pledge – Revenue Coverage	84-85
District Demographics	86-87
Number of Employees by Division	88-89
Operating Statistics	90-91
Schedule of Capital Asset Additions	92-93

INTRODUCTORY SECTION



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San Jacinto River Authority

ADMINISTRATIVE OFFICE
P.O. Box 329 • Conroe, Texas 77305
(T) 936.588.3111 • (F) 936.588.3043

December 8, 2015

Board of Directors
San Jacinto River Authority
Montgomery County, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the San Jacinto River Authority (SJRA or Authority) for the fiscal year ended August 31, 2015. The purpose of the CAFR is to provide reliable financial information about the SJRA to the SJRA's Board of Directors, customers, general public, and other interested parties. The SJRA's Accounting Department has prepared the CAFR in accordance with generally accepted accounting principles (GAAP). Management assumes full responsibility for the completeness and reliability of the information contained in the CAFR, based upon a comprehensive framework of internal controls that are established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective of such internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

An independent auditor, Sandersen, Knox & Co, L.L.P., Certified Public Accountants, has issued an unmodified ("clean") opinion on the SJRA's financial statements for the year ended August 31, 2015. The independent auditor's report is located at the front of the financial section of the CAFR. An OMB Circular A-133, "Single Audit", was performed for fiscal year 2015 since SJRA did receive sufficient Texas Water Development Board grant funds related to Region H to require such a Single Audit.

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 complement 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

LAKE CONROE DIVISION
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Conroe, Texas 77305
(T) 936.588.1111
(F) 936.588.1114

GRP DIVISION
P.O. Box 329
Conroe, Texas 77305
(T) 936.588.1662
(F) 936.588.7182

i

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

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

the 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.

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 and responsibility for developing, conserving, and protecting the water resources of the San Jacinto River watershed. The SJRA provides a variety of services including water and wastewater treatment; municipal, industrial and agricultural raw water supply; water quality management and reservoir operations. These operations are accounted for in the division descriptions below.

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

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

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

The **Woodlands Division** is located in southern Montgomery County and provides wholesale water supply and wastewater treatment services to the 100,000 person community of The Woodlands. To provide these services, the SJRA operates wastewater treatment plants, lift stations, water wells, water plants, water booster pump stations, elevated and ground storage tanks, and miles of wastewater conveyance and water transmission facilities.

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

Groundwater Conservation District (LSGCD) and ensure reliable, long-term water supplies for all public utilities in Montgomery County that choose to join the program. The GRP Division designed, constructed, operates, maintains, and administers a surface water treatment plant and transmission lines. The GRP Division will primarily withdraw raw surface water from Lake Conroe, treat it to meet or exceed drinking water standards, and then transmit it to customer cities and water utilities within Montgomery County.

ECONOMIC CONDITION AND OUTLOOK

The Texas Economy. According to the Texas Comptroller of Public Accounts in the latest issue of “The Texas Economy – Economic Outlook,” Texas added jobs in 9 of the 11 major industries. “Pre-recession Texas employment peaked at 10,638,100 in August 2008, a level that was surpassed in November 2011, and by October 2015 Texas added an additional 1,208,600 jobs. Texas and the nation returned to economic growth in 2010, 2011, and 2012. In calendar 2014, Texas real gross domestic product grew by 5.2 percent, compared with 2.39 percent for the U.S.” Texas’ unemployment rate was 4.4 percent for October 2015 vs. 5.3 percent in August 2014.

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 Houston area and is authorized to operate in Harris County east of the San Jacinto River. The SJRA does not receive money from the state, nor does it collect any type of taxes. During fiscal year 2015 the SJRA had a need to increase its GRP staff by 7%, bringing job opportunities to its surrounding areas. Continued population growth within SJRA’s service area will necessitate the demand for water. With the SJRA’s service area located between Houston and Dallas, two rapidly growing major metropolitan areas, the need for future water supplies and reliable planning is vital, and as a result, the SJRA’s Board of Directors and staff are working diligently to plan for future water supplies in order to better assure the region’s future economic vitality.

FINANCIAL INFORMATION

Management of the SJRA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the SJRA are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable assurance, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As demonstrated by the statements and schedules included in the financial section of this report as well as the Management Discussion and Analysis (MD&A) also included

herein, the SJRA continues to meet its responsibility for sound financial management. The SJRA recommends that readers 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. One of the SJRA's major initiatives for Fiscal Year 2015 included 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 desired future conditions for groundwater aquifers in Southeast Texas.

A major initiative in Fiscal Year 2015 was the continued implementation of critical facility rehabilitation to the SJRA's raw water delivery system in the Highlands as primarily financed by low interest bonds from the Texas Water Development Board. This multi-year project includes repair and replacement of numerous siphons, construction of a water pumping station, and installation of additional flow measuring equipment. This program will increase the capabilities and reliability of the delivery system. In addition to critical facility rehabilitation, the SJRA completed a comprehensive hydraulic and facilities assessment of the Highlands system to determine hydraulic capacities and identify additional repair and improvement needs.

Another major initiative was the continued financing and construction activities for the Groundwater Reduction Plan (GRP) program. SJRA had completed approximately 98% of the financing for the GRP program by the end of Fiscal Year 2015. During Fiscal Year 2015, construction completed on the new GRP facilities, which include a raw water intake and pump station, a 30 million gallons per day surface water treatment plant, ground storage tanks, high service pump station, over 50 miles of transmission lines, surface water receiving facilities, and a standpipe.

For the Future. In November 2009, the LSGCD adopted final regulations that require certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how large volume water users intended to meet a 2016 deadline for the reduction of groundwater use and conversion to alternative water supplies. The SJRA responded to this regulatory requirement with the development of a long-term countywide approach that will provide a compliance solution for all users in the county who choose to join. The SJRA plan was designed so that any large volume groundwater user in the county could join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required GRP Pumpage Fee monthly. For fiscal year 2015, the GRP Pumpage Fee was set at \$2.25 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. It is anticipated that this fee will increase each year as costs are incurred for design, construction,

operation, maintenance and repair of the necessary infrastructure to deliver surface water by the 2016 deadline. SJRA Board approved the new rates based on the current rate studies suggesting that the GRP Pumpage Fee would be \$2.32 per thousand gallons for groundwater users and \$2.51 per thousand gallons for surface water users for fiscal year 2016. The estimated cost of the entire surface water system that must be constructed to meet the 2016 deadline is \$490 million. As of the end of the 2015 fiscal year, the cities and water utilities that have joined the SJRA GRP represent approximately 80 percent of the water use in Montgomery County. The GRP Division will be responsible for implementing the surface water program, constructing, operating, and maintaining the necessary infrastructure to deliver water no later than January 1, 2016.

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 Sandersen, Knox & Co., LLP was selected by the Board for the 2015 fiscal year. We appreciate their professionalism, timeliness, and assistance in completing this report. Copies of this report will be filed with the TCEQ, State Comptroller, State Auditor, and Texas Water Development Board.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the SJRA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2014. [This was the sixth consecutive year that the SJRA has achieved this prestigious award]. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

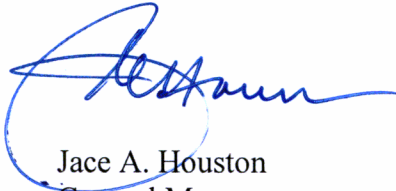
The Comptroller of Public Accounts of the State of Texas began the Leadership Circle Awards Program to recognize local government bodies across Texas who were striving to achieve high standards of online transparency to the public they serve. The Comptroller of Public Accounts' goal was to give special recognition to those entities that were opening their books to the public by providing annual budgets, monthly financials, monthly expenditures, and annual financial reports online with easy access to the general public for viewing.

Local governments who submitted an application were awarded a designation of Bronze, Silver, or Gold depending on the level of transparency provided on their website.

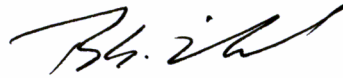
The level of transparency was determined by the information available to be viewed, the ease to which it was accessible, the clearness to the public on how the funds were being spent, and the ability to request additional information if needed. SJRA was awarded the Gold designation. The designation is given to those entities that are considered to be setting the bar for transparency.

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

Sincerely,

A blue ink signature of Jace A. Houston, featuring a large, stylized initial 'J' and 'H'.

Jace A. Houston
General Manager

A blue ink signature of Tom Michel, appearing as a fluid, cursive script.

Tom Michel
Director of Financial and
Administrative Services

A blue ink signature of Pam J. Steiger, written in a cursive style.

Pam J. Steiger, CPA
Controller

SAN JACINTO RIVER AUTHORITY

Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**San Jacinto River Authority
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2014

Executive Director/CEO

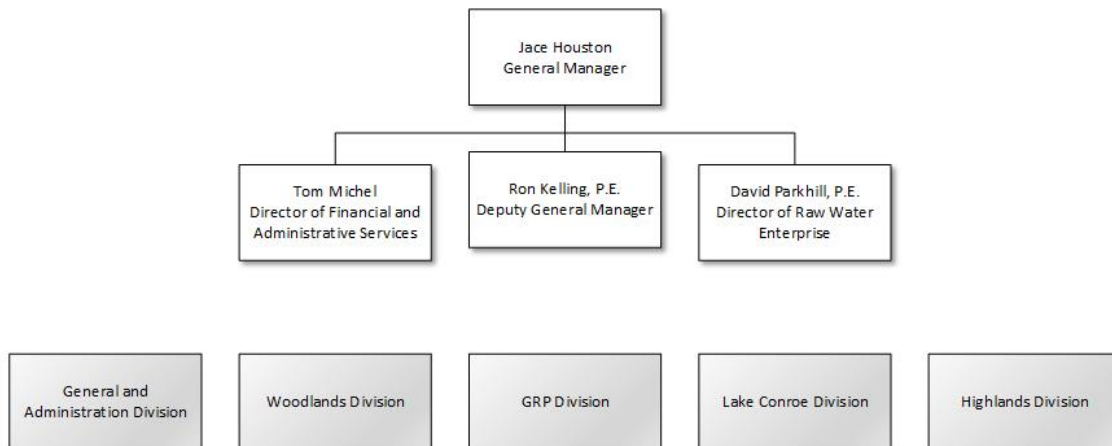
SAN JACINTO RIVER AUTHORITY

Organizational Chart

BOARD OF DIRECTORS



SENIOR MANAGEMENT TEAM



SAN JACINTO RIVER AUTHORITY

Board of Directors

	<u>Term Expires</u>
Lloyd B. Tisdale, President	2019
Fredrick Koetting, Vice President	2015
Mary L. Rummell, Secretary	2015
Joseph L. Stunja, Treasurer	2017
John Eckstrum, Member	2017
Michael G. Bleier, Member	2019
Jim Alexander, Member	2019

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



Independent Auditors' Report

Board of Directors
San Jacinto River Authority
Montgomery County, Texas

We have audited the accompanying financial statements of the business-type activities of the San Jacinto River Authority, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the San Jacinto River Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the San Jacinto River Authority, as of August 31, 2015, and the respective changes in financial position and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 5-12 and 60-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Jacinto River Authority's internal control over financial reporting and compliance.



Sugar Land, Texas
December 3, 2015

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 year ended August 31, 2015. 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 were \$864.5 million; of this amount, approximately \$655.1 million represents net capital assets and \$190.2 million represents cash and cash equivalents under both, current and restricted assets.
- Liabilities for the Authority totaled \$697.5 million of which \$639.3 million accounts for obligations under long-term debt.
- The Authority's total assets exceeded liabilities by approximately \$167.1 million. This amount represents net position; of this amount, \$81.4 million is net investment in capital assets. An additional \$52.3 million is restricted net position and the remaining \$33.4 million represents unrestricted net position.
- Operating revenues for the Authority at year-end were \$79.9 million. The major revenue sources were capacity charges, and water and wastewater treatment service fees to Woodlands' municipal utility districts of \$38.6 million; untreated water sales to industrial, municipal and agricultural customers of \$12.4 million; and Groundwater Reduction Plan fees of \$38.5 million.
- Operating expenses totaled \$39.2 million. Highlights within operating expenses were salaries, wages and employee benefits of \$15.0 million, operating supplies of \$6.8 million and depreciation of \$8.8 million.
- Non-operating expenses exceeded non-operating revenues by approximately \$25.5 million. This was primarily attributable to interest expense paid on bonds that totaled \$25.0 million as of year-end.
- Capital contributions and distributions totaled \$4.0 million - contribution from Highlands Industrial Customer.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

ENTERPRISE FUNDS

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

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

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

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The Governmental Accounting Standards Board (GASB) believes the users of the Authority's financial statements should know whether "Net Position" were 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 \$165.9 million at the close of the most recent fiscal year.

As of August 31, 2015 and 2014

	2015	2014
Assets		
Current assets	\$ 206,275,540	\$ 285,532,654
Noncurrent assets	3,114,213	209,606
Capital assets	655,147,424	549,445,998
Total Assets	<u>\$ 864,537,177</u>	<u>\$ 835,188,258</u>
Liabilities		
Current liabilities	\$ 55,035,808	\$ 63,892,305
Noncurrent liabilities	642,417,814	624,993,201
Total Liabilities	<u>\$ 697,453,622</u>	<u>\$ 688,885,506</u>
Net Position		
Net Investment in		
Capital Assets	\$ 81,417,800	\$ 53,512,386
Restricted:		
Debt service	50,405,307	57,996,912
Other	1,874,409	
Unrestricted	33,386,039	34,793,454
Total Net Position	<u>\$ 167,083,555</u>	<u>\$ 146,302,752</u>

- Current assets decreased by \$79.3 million which represents a 28% decrease from the prior year primarily due to a decrease in cash and cash equivalents - spending related to capital assets for the Groundwater Reduction Plan Division's (GRP) construction of water treatment plant and transmission lines.
- Noncurrent assets increased by \$2.9 million, an 385% increase due to accrual for Pension Plan (new Government Accounting Standards Board 67 and 68) and Other Post Employment Benefits.
- Capital assets increased by \$105.7 million, a 19% increase due to aforementioned GRP construction of water treatment plant and transmission lines.
- Total liabilities increased by \$8.6 million, a 1% increase from the prior year primarily due to bonds payable for the Groundwater Reduction Plan Division and Highlands Division.
- Current liabilities from accounts payable decreased by \$8.9 million, a 14% decrease due to construction being completed on new GRP plant and transmission lines.
- Noncurrent liabilities increased by \$17.4 million, a 3% increase primarily due to new bond issues for the Highlands Division.

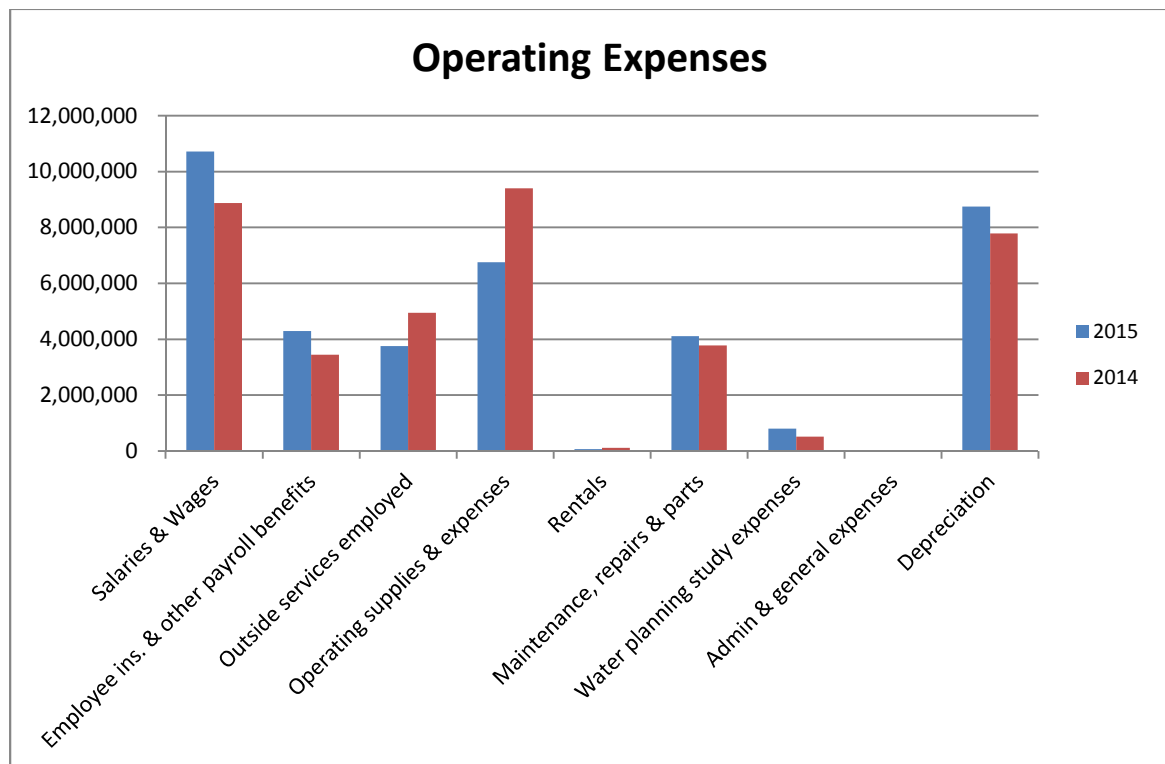
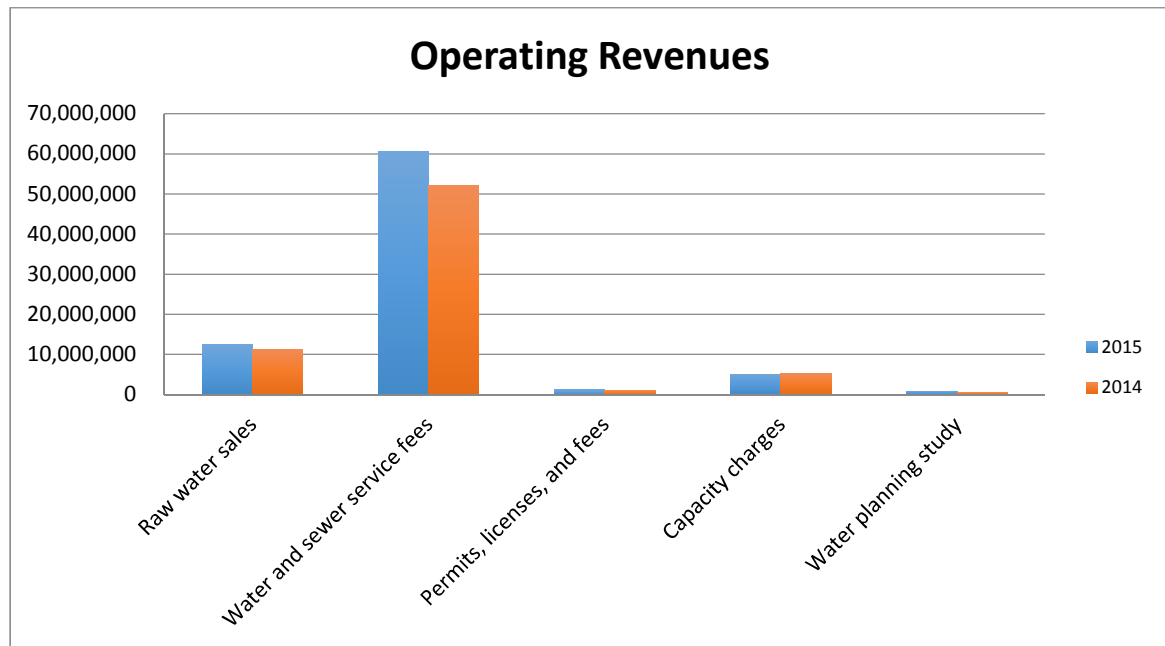
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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, and provide 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, 2015 and 2014

	2015	2014
Operating Revenues:		
Raw water sales	\$ 12,407,829	\$ 11,200,531
Water and sewer service fees	60,607,860	52,090,243
Permits, licenses and fees	1,131,372	1,070,828
Capacity charges	5,022,163	5,188,612
Water planning study (Region H)	759,984	492,810
Total Operating Revenues	79,929,208	70,043,024
Operating Expenses:		
Salaries and wages	10,720,810	8,872,719
Employee insurance and other payroll benefits	4,255,143	3,443,181
Outside services employed	3,759,083	4,943,193
Operating supplies & expenses	6,754,835	9,405,454
Rentals	69,320	118,467
Maintenance, repairs and parts	4,113,761	3,773,308
Water planning study expenses (Region H)	802,042	520,071
Depreciation	8,753,185	7,783,943
Total Operating Expenses	39,228,179	38,860,336
Operating Income	40,701,029	31,182,688
Nonoperating Revenues (Expenses)	(25,459,607)	(27,197,228)
Contributed Capital	4,030,000	1,390,869
Net Income	19,271,422	5,376,329
Net position at beginning of year	147,812,133	142,435,804
Net Position at End of Year	\$ 167,083,555	\$ 147,812,133

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



- Salaries and wages increased by \$1.8 million, a 21% increase from the prior year which was due to additional GRP, Woodlands, and General and Administrative employees.
- Depreciation expense increased by \$1.0 million, an increase of 12% from the previous year. Most of this increase was due to the addition of capital assets by purchase/construction of capital assets.

CAPITAL ASSETS AND LONG-TERM DEBT

The Authority's investment in net capital assets as of August 31, 2015 totaled \$655.1 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 increase in the Authority's investment in net capital assets for the current fiscal year was \$105.7 million, a 19% increase.

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

- The Authority added \$100.0 million to the construction in progress for the water treatment facility and transmission lines of the Groundwater Reduction Plan Division.
- The Authority completed the dam gate rehabilitation at a capital cost of \$3.4 million which includes City of Houston's share, leaving a net capital cost of \$1.1 million for the Lake Conroe Division.
- The Authority completed a 2 million gallon ground storage tank at a cost of \$2.0 million for the Woodlands Division.

Water permits and rights	30,947,801	30,947,801
Office furniture, fixtures & equip	3,889,381	2,847,883
Other machinery and equipment	3,162,152	2,999,370
Automobiles and trucks	2,520,012	2,320,248
Buildings	12,949,534	12,933,871
Dams and appurtenances	9,648,676	8,515,730
Water systems	143,792,919	132,453,395
Wastewater utility systems	92,236,618	90,435,574
Capital improvement plans	376,882	376,882
Construction in progress	457,476,529	359,623,466
Less accumulated depreciation	<u>(114,746,204)</u>	<u>(106,316,306)</u>
Total Capital Assets	<u>\$ 655,147,424</u>	<u>\$ 549,445,998</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 \$632.4 million. The debt represents primarily bonds secured solely by specified revenue sources (i.e. revenue bonds).

As of August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Long-Term Debt		
First Lien Bonds-		
less current maturities	\$ 632,385,000	\$ 616,380,000
Notes payable less current	2,596,704	2,885,105
Unamortized bond premium	<u>4,360,409</u>	<u>4,638,840</u>
Total Long-Term Debt	<u><u>\$ 639,342,113</u></u>	<u><u>\$ 623,903,945</u></u>

The Authority's total first lien bonds increased a net of \$15.9 million from the previous year, due to the sale of the Water Revenue Bonds (HD), Series 2014 and Series 2015 associated with the East Canal transfer station and various siphon and canal improvements in the Highlands.

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

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



SAN JACINTO RIVER AUTHORITY

STATEMENT OF NET POSITION

August 31, 2015

	Total	Eliminations	Business Type Activities -		
			Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
<u>Assets and Deferred Outflows</u>					
Current Assets					
Cash and cash equivalents					
Unrestricted	\$ 35,500,567	\$	\$	\$ 17,335,904	\$ 2,617,714
Restricted:					
Debt service	61,586,336			4,915,633	
Construction	91,030,685			31,211,743	
Other	2,099,554				
Accounts receivable	13,229,033	(2,353,412)	1,258,212	127,506	995,110
Inventory	51,414			5,412	
Prepaid expenses	2,777,951			44,479	30,669
Total Current Assets	206,275,540	(2,353,412)	1,258,212	53,640,677	3,643,493
Noncurrent Assets					
Prepaid reservations fees	1,891,774				
Deferred Outflows of Resources					
Pension contributions made subsequent to measurement date	1,222,439				
Capital Assets - at cost					
Land	10,396,821			1,181,278	5,400,821
Land Improvements	2,496,303				
Water permits and rights	30,947,801		30,947,801		
Furniture, fixtures and equipment	3,889,381			264,633	132,920
Other machinery and equipment	3,162,152			2,092,454	216,911
Automobiles and trucks	2,520,012			225,841	129,587
Buildings	12,949,534			1,612,443	175,790
Dams and appurtenances	9,648,676				7,839,427
Water systems	143,792,919			43,211,843	6,747
Wastewater utility systems	92,236,618				
Capital improvement plans	376,882				
Construction in progress	457,476,529			6,623,204	35,892
Accumulated depreciation	(114,746,204)			(8,480,655)	(3,565,776)
Total Capital Assets	655,147,424		30,947,801	46,731,041	10,372,319
Total Assets and Deferred Outflows	\$ 864,537,177	\$ (2,353,412)	\$ 32,206,013	\$ 100,371,718	\$ 14,015,812

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Bear Branch	Region H	General and Administration Division
\$ 2,876,938	\$ 8,912,173	\$ 200,756	\$	\$ 3,557,082
4,340,149	52,330,554			
13,261,436	46,557,506			
1,858,803			240,751	
6,309,894	6,567,754			323,969
46,002				
393,918	1,731,918	1,825		575,142
<u>29,087,140</u>	<u>116,099,905</u>	<u>202,581</u>	<u>240,751</u>	<u>4,456,193</u>
	1,891,774			
				1,222,439
1,829,065	1,138,325	847,332		
28,095	2,468,208			
1,016,656	1,235,123			1,240,049
845,018	7,769			
1,161,189	335,280			668,115
2,814,140	2,378,828			5,968,333
		1,809,249		
100,387,977	7,678			178,674
92,236,618				
376,882				
5,595,979	445,220,222			1,232
(98,792,121)	(1,206,613)	(275,138)		(2,425,901)
<u>107,499,498</u>	<u>451,584,820</u>	<u>2,381,443</u>		<u>5,630,502</u>
<u>\$ 136,586,638</u>	<u>\$ 569,576,499</u>	<u>\$ 2,584,024</u>	<u>\$ 240,751</u>	<u>\$ 11,309,134</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF NET POSITION

August 31, 2015

	Total	Eliminations	Business - Type Activities -		
			Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
<u>Liabilities</u>					
Current Liabilities					
Accounts payable and accrued liabilities - unrestricted	\$ 17,946,111	\$ (2,353,412)	\$ 50,991	\$ 2,340,417	\$ 898,163
Restricted for Debt service:					
Current portion of bonds	18,355,000		1,190,000	910,000	
Current portion of notes	274,178				
Accrued interest payable	11,390,373		209,344	640,514	
Restricted for Construction:					
Accounts payable					
Retainage payable	6,789,018			297,079	8,220
Deferred revenue	281,128		9,600		175,637
Total Current Liabilities	55,035,808	(2,353,412)	1,459,935	4,188,010	1,082,020
Noncurrent Liabilities					
Net Pension obligation	1,747,659				
Net OPEB obligation	1,249,237			238,439	446,974
Total Noncurrent Liabs	2,996,896			238,439	446,974
Long-Term Debt					
First lien water revenue bonds -					
less current maturities	636,745,409		12,909,462	63,055,248	
Notes payable less current	2,596,704				
Total Long-Term Debt	639,342,113		12,909,462	63,055,248	
Total Liabilities	697,374,817	(2,353,412)	14,369,397	67,481,697	1,528,994
Deferred Inflows of Resources					
Differences between projected and actual earnings on pension plan investments	78,805				
<u>Fund Equity</u>					
Net Position					
Net investment in capital assets	81,417,800		16,848,339	13,680,457	10,364,099
Restricted:					
Debt service	50,405,307			4,275,119	
Other	1,874,409				
Unrestricted	33,386,039		988,277	14,934,445	2,122,719
Total Net Position	167,083,555		17,836,616	32,890,021	12,486,818
Total Liabilities, Deferred Inflows and Fund Equity	\$ 864,537,177	\$ (2,353,412)	\$ 32,206,013	\$ 100,371,718	\$ 14,015,812

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Bear Branch	Region H	General and Administration Division
\$ 5,471,545	\$ 10,669,150	\$ 28,816	\$ 134,375	\$ 706,066
3,245,000	13,010,000			274,178
1,693,783	8,846,732			
286,219	6,197,500			
5,121			90,770	
<u>10,701,668</u>	<u>38,723,382</u>	<u>28,816</u>	<u>225,145</u>	<u>980,244</u>
				1,747,659
473,012				90,812
<u>473,012</u>				<u>1,838,471</u>
42,429,173	518,351,526			2,596,704
<u>42,429,173</u>	<u>518,351,526</u>			<u>2,596,704</u>
<u>53,603,853</u>	<u>557,074,908</u>	<u>28,816</u>	<u>225,145</u>	<u>5,415,419</u>
				78,805
74,800,542	(39,416,700)	2,381,443		2,759,620
2,646,366	43,483,822			
1,858,803			15,606	
3,677,074	8,434,469	173,765		3,055,290
<u>82,982,785</u>	<u>12,501,591</u>	<u>2,555,208</u>	<u>15,606</u>	<u>5,814,910</u>
<u>\$ 136,586,638</u>	<u>\$ 569,576,499</u>	<u>\$ 2,584,024</u>	<u>\$ 240,751</u>	<u>\$ 11,309,134</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended August 31, 2015

			Business - Type Activities -		
			Raw Water Enterprise		
	Total	Eliminations	Raw Water Supply	Highlands Division	Lake Conroe Division
Operating Revenues:					
Water sales:					
Industrial and Municipal	\$ 10,550,443	\$ (825,206)	\$ 11,375,649	\$	\$
Irrigation	141,375		141,375		
Water and sewer service fees	60,607,860	(12,438,018)	939,124		
Permits, licenses and fees	1,131,372				1,131,372
Contractual revenues	1,716,011				1,716,011
Capacity charges	5,022,163				
Water planning grant	759,984				
Total Operating Revenues	<u>79,929,208</u>	<u>(13,263,224)</u>	<u>12,456,148</u>		<u>2,847,383</u>
Operating Expenses:					
Salaries and wages	10,720,810			1,251,835	1,278,643
Employee insurance and other payroll benefits	4,255,143			534,455	570,987
Outside services employed	3,759,083		308,174	435,181	565,127
Operating supplies and expenses	6,754,835	(13,263,224)		266,470	218,643
Rentals	69,320	(19,235)		2,226	39,852
Maintenance, repairs & parts	4,113,761			88,975	364,375
Water planning grant expenses	802,042				
General and admin. expenses allocated				387,420	699,649
Depreciation	8,753,185			1,426,393	163,540
Total Operating Expenses	<u>39,228,179</u>	<u>(13,282,459)</u>	<u>308,174</u>	<u>4,392,955</u>	<u>3,900,816</u>
Operating Income (Loss)	<u>40,701,029</u>	<u>19,235</u>	<u>12,147,974</u>	<u>(4,392,955)</u>	<u>(1,053,433)</u>
Nonoperating Revenues (Expenses)					
Interest income	238,633			54,355	
Gain (Loss) on disposal of assets	(33,748)			(11,317)	57,427
Other revenues	40,825	(19,235)	31	4,632	12,569
Amortization of bond premium or discounts	278,431		32,623	16,496	
Bond issuance costs	(799,966)			(793,461)	
Interest expense	(25,183,782)		(505,096)	(1,365,824)	
Total Nonoperating Revenues (Expenses)	<u>(25,459,607)</u>	<u>(19,235)</u>	<u>(472,442)</u>	<u>(2,095,119)</u>	<u>69,996</u>
Income (Loss) Before Contributions and Transfers	<u>15,241,422</u>		<u>11,675,532</u>	<u>(6,488,074)</u>	<u>(983,437)</u>
Transfers			<u>(10,459,044)</u>	<u>9,595,377</u>	<u>573,857</u>
Capital Contributions/(Distributions)	<u>4,030,000</u>			<u>4,000,000</u>	
Change in Net Position	<u>19,271,422</u>		<u>1,216,488</u>	<u>7,107,303</u>	<u>(409,580)</u>
Net Position at Beginning of Year	147,812,133		16,620,128	25,782,718	12,896,398
Net Position at End of Year	<u>\$ 167,083,555</u>	<u>\$</u>	<u>\$ 17,836,616</u>	<u>\$ 32,890,021</u>	<u>\$ 12,486,818</u>

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Bear Branch	Region H	General and Administration Division
\$	\$	\$	\$	\$
33,577,220	38,529,534			
5,022,163				
			759,984	
<u>38,599,383</u>	<u>38,529,534</u>		<u>759,984</u>	
4,153,251	3,388,980	23,692		624,409
1,674,833	1,192,760	8,903		273,205
1,620,936	438,347	468	4,750	386,100
16,662,742	2,042,735	3,418		824,051
26,568				19,909
3,415,150	60,062	98,365		86,834
			802,042	
684,036	723,981	13,485		(2,508,571)
6,226,431	456,781	21,705		458,335
<u>34,463,947</u>	<u>8,303,646</u>	<u>170,036</u>	<u>806,792</u>	<u>164,272</u>
<u>4,135,436</u>	<u>30,225,888</u>	<u>(170,036)</u>	<u>(46,808)</u>	<u>(164,272)</u>
18,773	157,884	131		7,490
(246,245)	164,305			2,082
9,950	1,956			30,922
224,959	4,353			
	(6,505)			
<u>(1,944,344)</u>	<u>(21,252,840)</u>			<u>(115,678)</u>
<u>(1,936,907)</u>	<u>(20,930,847)</u>	<u>131</u>		<u>(75,184)</u>
2,198,529	9,295,041	(169,905)	(46,808)	(239,456)
32,540	83,136	10,837		163,297
		30,000		
<u>2,231,069</u>	<u>9,378,177</u>	<u>(129,068)</u>	<u>(46,808)</u>	<u>(76,159)</u>
80,751,716	3,123,414	2,684,276	62,414	5,891,069
<u>\$ 82,982,785</u>	<u>\$ 12,501,591</u>	<u>\$ 2,555,208</u>	<u>\$ 15,606</u>	<u>\$ 5,814,910</u>

SAN JACINTO RIVER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended August 31, 2015

	Business - Type Activities -				
	Raw Water Enterprise				
	Total	Eliminations	Raw Water Supply	Highlands Division	Lake Conroe Division
Cash Flows from Operating Activities					
Cash received from customers	\$ 76,574,507	\$ (13,263,224)	\$ 12,422,845	\$	\$ 2,279,491
Cash payments to suppliers for goods and services	(17,549,720)	13,282,459	(290,382)	(47,459)	(750,970)
Cash paid for employee services	(14,857,677)			(1,755,750)	(1,792,381)
Other revenues & expenses	40,825	(19,235)	31	4,632	12,569
Net Cash Provided (Used) by Operating Activities	44,207,935		12,132,494	(1,798,577)	(251,291)
Cash Flows from Noncapital Financing Activities					
Transfers			(10,459,044)	9,595,377	573,857
Net Cash Provided (Used) by Noncapital Finance Activities			(10,459,044)	9,595,377	573,857
Cash Flows from Capital and Related Financing Activities					
Principal paid on bonds	(18,450,000)		(1,155,000)	(880,000)	
Principal paid on notes	(277,821)				
Interest paid	(24,638,116)		(518,450)	(1,209,717)	
Proceeds from bond sales	34,360,000			34,360,000	
Bond issue expenses	(799,966)			(793,461)	
Acquisition of facilities and equipment	(120,582,223)			(7,251,097)	(735,923)
Proceeds from the sale of assets	44,347				
Capital contributions/(distributions)	4,030,000			4,000,000	
Net Cash Provided (Used) by Capital and Related Financing Activities	(126,313,779)		(1,673,450)	28,225,725	(735,923)

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Bear Branch	Region H	General and Administration Division
\$ 35,934,120	\$ 35,990,239	\$	\$ 850,754	\$ 2,360,282
(19,843,993)	(7,731,268)	(96,025)	(792,081)	(1,280,001)
(5,767,500)	(4,581,740)	(32,595)		(927,711)
9,950	1,956			30,922
10,332,577	23,679,187	(128,620)	58,673	183,492
32,540	83,136	10,837		163,297
32,540	83,136	10,837		163,297
(3,525,000)	(12,890,000)			(277,821)
(1,450,665)	(21,343,606)			(115,678)
	(6,505)			
(4,910,285)	(107,610,787)			(74,131)
34,747				9,600
		30,000		
(9,851,203)	(141,850,898)	30,000		(458,030)

SAN JACINTO RIVER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended August 31, 2015

			Business - Type Activities -		
			Raw Water Enterprise		
	Total	Eliminations	Raw Water Supply	Highlands Division	Lake Conroe Division
Cash Flows from Investing Activities					
Interest earned	238,632			54,355	
Net Cash Provided by Investing Activities	238,632			54,355	
Net Increase (Decrease) in Cash and Cash Equivalents	(81,867,212)			36,076,880	(413,357)
Cash and equivalents at beginning of year	272,084,354			17,386,400	3,031,071
Cash and Equivalents at End of Year	<u>\$ 190,217,142</u>	<u>\$</u>	<u>\$</u>	<u>\$ 53,463,280</u>	<u>\$ 2,617,714</u>

Reconciliation of Operating Income (Loss) to Net

Cash Provided (Used) by Operating Activities

Operating Income (Loss)	\$ 40,701,029	\$ 19,235	\$ 12,147,974	\$ (4,392,955)	\$ (1,053,433)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Other revenues and expenses	40,825	(19,235)	31	4,632	12,569
Depreciation	8,753,185			1,426,393	163,540
(Increase) decrease in receivables	(1,563,668)	2,353,412	(34,979)	(89,200)	157,050
(increase) decrease in inventory	(51,414)			(5,412)	
(Increase) decrease in prepaid expenses and deposits	1,132,145			(2,820)	(1,826)
(Increase) decrease in net pension asset	209,606				
Increase (decrease) in accounts payable and accrued liabilities	(4,994,717)	(2,353,412)	17,792	1,230,245	438,853
Increase (decrease) in net OPEB obligation	(49,625)			30,540	57,249
Increase (decrease) in deferred outflows	(22,004)				
Increase (decrease) in deferred inflows	(19,701)				
Increase (decrease) in deferred revenue	72,274		1,676		(25,293)
Total Adjustments	<u>3,506,906</u>	<u>(19,235)</u>	<u>(15,480)</u>	<u>2,594,378</u>	<u>802,142</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 44,207,935</u>	<u>\$</u>	<u>\$ 12,132,494</u>	<u>\$ (1,798,577)</u>	<u>\$ (251,291)</u>

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Bear Branch	Region H	General and Administration Division
18,773	157,884	130		7,490
18,773	157,884	130		7,490
532,687	(117,930,691)	(87,653)	58,673	(103,751)
21,804,639	225,730,924	288,409	182,078	3,660,833
<u>\$ 22,337,326</u>	<u>\$ 107,800,233</u>	<u>\$ 200,756</u>	<u>\$ 240,751</u>	<u>\$ 3,557,082</u>
\$ 4,135,436	\$ 30,225,888	\$ (170,036)	\$ (46,808)	\$ (164,272)
9,950	1,956			30,922
6,226,431	456,781	21,705		458,335
(1,986,348)	(1,815,314)			(148,289)
(46,002)				
33,816	1,175,437	(157)		(72,305)
				209,606
1,893,589	(6,365,561)	19,868	14,711	109,198
60,584				(197,998)
				(22,004)
				(19,701)
5,121			90,770	
6,197,141	(6,546,701)	41,416	105,481	347,764
<u>\$ 10,332,577</u>	<u>\$ 23,679,187</u>	<u>\$ (128,620)</u>	<u>\$ 58,673</u>	<u>\$ 183,492</u>

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SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Business-Type Activities

The business-type activities and the related accounts of the Authority are organized on the basis of Enterprise Funds, each of which is considered a separate accounting entity. The operations of each Enterprise Fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses, as appropriate. These Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost of providing services to customers on a continuing basis (expenses, including depreciation) be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability 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 four operating divisions, Region H and Bear Branch and their time and salary costs are allocated to each division based on time worked. The majority of the growth occurring during and after 2007 (see Number of Employees by Division, pages 88-89) has been directly related to the planning and implementation of a countywide groundwater reduction program in response to regulations adopted by the Lone Star Groundwater Conservation District.

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 the water yield of Lake Conroe. The Authority, in whom the legal title to the physical properties is vested, owns the remaining one-third of the water yield. The Authority operates Lake Conroe for the benefit of customers it serves and the City of Houston and customers they serve. The operating costs of Lake Conroe are generally borne one-third by the Authority and two-thirds by the City of Houston. The accompanying financial statements include only the costs of the Authority's ownership interest in Lake Conroe; therefore, the costs of the City of Houston's ownership interest of \$23,480,521 in Lake Conroe are excluded from the capital asset totals presented.

During the useful life of Lake Conroe, the Authority has contracted to operate Lake Conroe for the benefit of the Authority and for the benefit of the City of Houston and its undivided two-thirds ownership interest. 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 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 twelve 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 countywide groundwater reduction program administered by the Authority and the pumpage fee income and related payments are reflected in the eliminations column of the financial statements.

All activities necessary to provide 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 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, 2015, the following municipal utility districts have purchased reserve capacity in such Central Facilities: Montgomery County Municipal Utility District Nos. 6, 7, 36, 39, 40, 46, 47, 60 and 67, The Woodlands Municipal Utility District No. 2, The Woodlands Metro Center Municipal Utility District and Harris Montgomery Counties Municipal Utility District No. 386.

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Groundwater Reduction Plan Fund ("Groundwater Reduction Plan Division")

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

On October 16, 2009, a Water Supply Contract with City of Houston was signed 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 expenses for Lake Conroe. 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 also 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, 2015, 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.

C. Measurement Focus and Basis of Accounting

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

D. Cash and Cash Equivalents

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

E. Accounts Receivable

The allowance for doubtful accounts is established to provide an estimate of bad debts charged to revenues. Losses are charged against the allowance when Management believes the collectibility of a receivable is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by Management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. As of August 31, 2015, no allowance for bad debts is recorded.

F. Depreciation

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

G. Unamortized Bond Premium or Discount

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

H. Date of Management's Review

Subsequent events have been evaluated through December 3, 2015, 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 through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position represents the remaining portion of net position.

A summary of **net investment in capital assets** as of August 31, 2015 follows:

	Capital Assets - Net of Depreciation	Notes and Bonds Payable	Total
General and Administration Division	\$ 5,630,502	\$ (2,870,882)	\$ 2,759,620
Raw Water Enterprise	30,947,801	(14,099,462)	16,848,339
Highlands Division	46,731,041	(33,050,584)	13,680,457
Lake Conroe Division	10,372,319	(8,220)	10,364,099
Woodlands Division	107,499,498	(32,698,956)	74,800,542
Groundwater Reduction Plan Division	451,584,820	(491,001,520)	(39,416,700)
Bear Branch	2,381,443		2,381,443
Region H			
Total	\$ 655,147,424	\$ (573,729,624)	\$ 81,417,800

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A summary of net position restricted for **debt service** as of August 31, 2015 follows:

	Restricted Cash for Debt Service	Liabilities Payable from Restricted Cash for Debt Service	Total
General and Administration Division	\$	\$	\$
Raw Water Enterprise			
Highlands Division	4,915,633	(640,514)	4,275,119
Lake Conroe Division			
Woodlands Division	4,340,149	(1,693,783)	2,646,366
Groundwater Reduction Plan Division	52,330,554	(8,846,732)	43,483,822
Bear Branch			
Region H			
Total	\$ 61,586,336	\$ (11,181,029)	\$ 50,405,307

A summary of net position restricted for **construction** as of August 31, 2015 follows:

	Restricted Cash for Construction	Bonds Payable	Liabilities Payable from Restricted Cash for Construction	Total
General and Administration Division	\$	\$	\$	\$
Raw Water Enterprise				
Highlands Division	31,211,743	(30,914,664)	(297,079)	-
Lake Conroe Division				
Woodlands Division	13,261,436	(12,975,217)	(286,219)	-
Groundwater Reduction Plan Division	46,557,506	(40,360,006)	(6,197,500)	-
Bear Branch				
Region H				
Total	\$ 91,030,685	\$ (84,249,887)	\$ (6,780,798)	\$ -

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A summary of net position restricted for **other** as of August 31, 2015 follows:

	Contingency Reserve	Grants	Total
General and Administration Division	\$	\$	\$
Raw Water Enterprise			
Highlands Division			
Lake Conroe Division			
Woodlands Division	1,858,803		1,858,803
Groundwater Reduction Plan Division			
Bear Branch			
Region H		15,606	15,606
Total	\$ 1,858,803	\$ 15,606	\$ 1,874,409

A summary of net position – **unrestricted** as of August 31, 2015 follows:

	Designated				
	Operating Reserve	Contingency	Capital Reserve and Replacement	Undesignated	Total
General & Administration Div.	\$ 750,959	\$ 1,501,917	\$ 927,523	\$ (125,109)	\$ 3,055,290
Raw Water Enterprise				988,277	988,277
Highlands Division	787,627	1,575,255	4,677,201	7,894,362	14,934,445
Lake Conroe Division	396,683	793,365	1,427,666	(494,995)	2,122,719
Woodlands Division	783,429			2,893,645	3,677,074
Groundwater Reduct. Plan Div.	6,996,005			1,438,464	8,434,469
Bear Branch				173,765	173,765
Region H					
Total	\$ 9,714,703	\$ 3,870,537	\$ 7,032,390	\$ 12,768,409	\$ 33,386,039

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 the U.S. Bank and are carried at market value.

	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Insurance & Market Value of Collateral</u>
Collateral held by pledging banks in the Authority's name	\$ 8,310,085	\$ 8,355,033	\$ 13,740,939
Cash equivalents, not requiring pledging by banks, money funds & Pools	<u>181,907,057</u>	<u>181,907,057</u>	N/A
Total Cash and Cash Equivalents	<u>\$ 190,217,142</u>	<u>\$ 190,262,090</u>	

The aforementioned cash equivalents are secured by U.S. Government obligations and 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, 2015.

Public Funds Investment Pools

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The Authority has been authorized by the Board of Directors to invest in the Pools. The Authority's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Investments in pools are deemed to have a weighted average maturity of one day.

At August 31, 2015, the Authority participated in TexPool (\$98,082,304) and TexStar (\$4,418,873).

Interest Rate Risk

In accordance with its investment policy, the Authority manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolio to less than two years, in order to meet cash requirements for ongoing operation. The Authority's investments in the state investment pools via TexPool and TexStar were rated Aaa by Moody Investments and AAAm by Standard and Poor's. These investment pools are considered a '2a-7 like pools' under Governmental Accounting Standards Statement No. 31.

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, 2015 follow:

	<u>Receivables</u>	<u>Payables</u>
Enterprise Funds:		
General and Administration Division	\$ 320,558	\$
Highlands Division	73,660	
Woodlands Division		2,085,110
Groundwater Reduction Plan Division	1,959,194	265,308
Bear Branch		2,994
	<u>\$ 2,353,412</u>	<u>\$ 2,353,412</u>

Interfund balances and transfers primarily result from payroll transactions with related employee benefits and GRP pumpage 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 fee which is a source of revenue to the GRP Division and an expense of the Woodlands Division.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

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

	Balance at Sept. 1, 2014	Additions	Deletions	Balance at Aug. 31, 2015
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 12,308,084	\$ 66,216	\$ (1,977,479)	\$ 10,396,821
Water permits and rights	30,947,801			30,947,801
Construction in progress	359,623,466	124,788,396	(26,935,333)	457,476,529
Total Capital Assets Not Being Depreciated	402,879,351	124,854,612	(28,912,812)	498,821,151
Capital Assets Being Depreciated:				
Land improvements		2,496,303		2,496,303
Furniture, fixtures and equipment	2,847,883	1,094,041	(52,543)	3,889,381
Other machinery and equipment	2,999,370	162,782		3,162,152
Automobiles and trucks	2,320,248	292,211	(92,447)	2,520,012
Buildings	12,933,871	43,927	(28,264)	12,949,534
Dams and appurtenances	8,515,730	1,132,946		9,648,676
Water systems	132,453,395	11,870,100	(530,576)	143,792,919
Wastewater utility systems	90,435,574	1,801,044		92,236,618
Capital improvement plans	376,882			376,882
Total Capital Assets Being Depreciated	252,882,953	18,893,354	(703,830)	271,072,477
Less Accumulated Depreciation for:				
Furniture, fixtures and equipment	1,092,779	696,843	(52,846)	1,736,776
Other machinery and equipment	2,520,700	267,589		2,788,289
Automobiles and trucks	1,755,095	275,254	(92,447)	1,937,902
Buildings	2,013,997	167,488	(21,200)	2,160,285
Dams and appurtenances	3,259,457	393,738		3,653,195
Water systems	46,498,242	4,334,987	(156,794)	50,676,435
Wastewater utility systems	48,943,027	2,612,726		51,555,753
Capital improvement plans	233,009	4,560		237,569
Total Accumulated Depreciation	106,316,306	8,753,185	(323,287)	114,746,204
Total Capital Assets Being Depreciated, Net	146,566,647	10,140,169	(380,543)	156,326,273
Business-Type Activities				
Capital Assets, Net	\$ 549,445,998	\$ 134,994,781	\$ (29,293,355)	\$ 655,147,424

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – UNAMORTIZED BOND PREMIUM OR DISCOUNT

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

	Original Bond Premium or (Discount)	Balance at Sept. 1, 2014	Current Year Amortization	Balance at Aug. 31, 2015
Raw Water Supply				
Water Revenue Refunding Bonds:				
Series 2010	\$ 421,941	\$ 303,502	\$ 29,610	\$ 273,892
Series 2012	70,827	63,584	3,014	60,570
Total Raw Water Supply	<u>492,768</u>	<u>367,086</u>	<u>32,624</u>	<u>334,462</u>
Highlands Division				
Water Revenue Bonds:				
Series 2010	130,316	109,660	5,160	104,500
Series 2013	265,830	252,084	10,032	242,052
Series 2014	(1,348)		(44)	(1,304)
Total Highlands Division	<u>394,798</u>	<u>361,744</u>	<u>15,148</u>	<u>345,248</u>
Total Raw Water Enterprise	<u>887,566</u>	<u>728,830</u>	<u>47,772</u>	<u>679,710</u>
Woodlands Division				
Special Project Revenue Bonds:				
Series 2007	(144,350)	(10,912)	(5,797)	(5,115)
Special Project Revenue Refunding Bonds:				
Series 2010	103,982	35,648	15,998	19,650
Series 2010	252,508	149,338	24,049	125,289
Series 2014	1,183,116	1,171,490	61,461	1,110,029
Series 2014	2,488,017	2,463,568	129,248	2,334,320
Total Woodlands Division	<u>3,883,273</u>	<u>3,809,132</u>	<u>224,959</u>	<u>3,584,173</u>
GRP Division				
Special Project Revenue Bonds:				
Series 2011	114,995	100,879	4,353	96,526
Total GRP Division	<u>114,995</u>	<u>100,879</u>	<u>4,353</u>	<u>96,526</u>
Totals	<u>\$ 4,885,834</u>	<u>\$ 4,638,841</u>	<u>\$ 277,084</u>	<u>\$ 4,360,409</u>

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT

A summary of changes in bonds payable follows:

	Interest Rates	Original Issuance	Balance at Sept. 1, 2014	Additions	Deductions	Balance at Aug. 31, 2015	Due Within One Year
Raw Water Supply							
Water Revenue Refunding Bonds:							
Series 2010	3.00-4.25%	14,000,000	\$ 11,465,000	\$	\$ 895,000	\$ 10,570,000	\$ 920,000
Series 2012	2.00-3.00%	3,710,000	3,455,000		260,000	3,195,000	270,000
Total Raw Water Supply			<u>14,920,000</u>		<u>1,155,000</u>	<u>13,765,000</u>	<u>1,190,000</u>
Highlands Division							
Water Revenue Bonds:							
Series 2010	3.00-4.38%	25,380,000	23,410,000		705,000	22,705,000	730,000
Series 2013	2.00-5.00%	6,730,000	6,730,000		175,000	6,555,000	180,000
Series 2014	2.00-3.50%	5,360,000		5,360,000		5,360,000	
Series 2015	0.89-4.28%	29,000,000		29,000,000		29,000,000	
Total Highlands Division			<u>30,140,000</u>	<u>34,360,000</u>	<u>880,000</u>	<u>63,620,000</u>	<u>910,000</u>
Total Raw Water Enterprise			<u>45,060,000</u>	<u>34,360,000</u>	<u>2,035,000</u>	<u>77,385,000</u>	<u>2,100,000</u>
Woodlands Division							
Special Project Revenue Bonds:							
Series 2007	5.25-5.50%	14,435,000	1,170,000		370,000	800,000	390,000
Special Project Revenue Refunding Bonds:							
Series 2004	4.00-4.00%	21,310,000	1,180,000		1,180,000		
Series 2004	4.00-4.00%	18,970,000	690,000		690,000		
Series 2010	4.00-5.00%	4,440,000	3,275,000		415,000	2,860,000	430,000
Series 2010	4.00-4.00%	2,365,000	1,245,000		400,000	845,000	415,000
Series 2014	2.00-5.00%	11,355,000	11,355,000		125,000	11,230,000	1,225,000
Series 2014	3.00-5.00%	26,700,000	26,700,000		345,000	26,355,000	785,000
Total Woodlands Division			<u>45,615,000</u>		<u>3,525,000</u>	<u>42,090,000</u>	<u>3,245,000</u>
Groundwater Reduction Plan Division							
Special Project Revenue Bonds:							
Series 2009	0.85-2.66%	21,500,000	21,500,000			21,500,000	
Series 2011	3.00-5.25%	83,155,000	83,155,000		2,035,000	81,120,000	2,095,000
Series 2011A	1.47-4.97%	67,470,000	65,430,000		2,070,000	63,360,000	2,105,000
Series 2012	1.47-4.62%	175,000,000	170,220,000		4,845,000	165,375,000	4,920,000
Series 2012A	1.67-4.62%	165,000,000	164,000,000		3,005,000	160,995,000	2,950,000
Series 2013	0.53-4.76%	39,850,000	39,850,000		935,000	38,915,000	940,000
Total Groundwater Reduction Plan Division			<u>544,155,000</u>		<u>12,890,000</u>	<u>531,265,000</u>	<u>13,010,000</u>
Total Bonds Payable			<u>\$ 634,830,000</u>	<u>\$ 34,360,000</u>	<u>\$ 18,450,000</u>	<u>\$ 650,740,000</u>	<u>\$ 18,355,000</u>

Of the \$650,740,000 of bonds payable, \$632,385,000 is considered long-term and \$18,355,000 is considered current.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The Water Revenue Bonds 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.

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

	Principal	Interest	Total
Raw Water Enterprise			
2016	\$ 2,100,000	\$ 2,474,966	\$ 4,574,966
2017	3,160,000	2,757,432	5,917,432
2018	3,260,000	2,665,544	5,925,544
2019	3,365,000	2,567,878	5,932,878
2020	3,470,000	2,465,529	5,935,529
2021-2025	18,715,000	10,518,626	29,233,626
2026-2030	13,585,000	7,632,220	21,217,220
2031-2035	16,645,000	4,565,599	21,210,599
2036-2040	13,085,000	1,251,318	14,336,318
	<u>\$ 77,385,000</u>	<u>\$ 36,899,112</u>	<u>\$ 114,284,112</u>
Woodlands Division			
2016	\$ 3,245,000	\$ 1,723,312	\$ 4,968,312
2017	2,165,000	1,628,001	3,793,001
2018	2,270,000	1,549,000	3,819,000
2019	2,335,000	1,476,450	3,811,450
2020	2,410,000	1,390,713	3,800,713
2021-2025	11,125,000	5,635,444	16,760,444
2026-2030	13,125,000	2,936,375	16,061,375
2031-2035	5,415,000	317,774	5,732,774
	<u>\$ 42,090,000</u>	<u>\$ 16,657,069</u>	<u>\$ 58,747,069</u>
Groundwater Reduction Plan Division			
2016	\$ 13,010,000	\$ 21,219,043	\$ 34,229,043
2017	12,950,000	21,277,096	34,227,096
2018	13,255,000	20,973,969	34,228,969
2019	13,585,000	20,643,975	34,228,975
2020	13,955,000	20,271,804	34,226,804
2021-2025	76,780,000	94,349,158	171,129,158
2026-2030	92,865,000	78,272,621	171,137,621
2031-2035	115,555,000	55,583,988	171,138,988
2036-2041	179,310,000	26,073,733	205,383,733
	<u>\$ 531,265,000</u>	<u>\$ 358,665,387</u>	<u>\$ 889,930,387</u>

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Notes Payable

The General and Administration Division entered into a loan commitment in 2010. The commitment from the bank was for \$4,000,000 for a term of 120 months, interest only at 5.7% through April, 2011 and 104 principal and interest payments of \$38,095 thereafter or until such time as all principal has been repaid and interest on the unpaid balance. 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 has been repaid and interest on the unpaid balance. The Authority's balance of the note at August 31, 2015 was \$2,870,882.

Notes payable activity for the year ended August 31, 2015 follows:

Balance at beginning of year	\$ 3,148,703
Additions	
Retirements	(277,821)
Balance at end of year	<u><u>\$ 2,870,882</u></u>

Maturities of the loan commitments for the balances outstanding as of August 31, 2015 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General and Administration Division			
2016	\$ 274,178	\$ 119,321	\$ 393,499
2017	288,563	104,936	393,499
2018	301,059	92,441	393,500
2019	314,129	79,371	393,500
2020	327,584	65,915	393,499
2021-2024	1,365,369	114,692	1,480,061
	<u><u>\$ 2,870,882</u></u>	<u><u>\$ 576,676</u></u>	<u><u>\$ 3,447,558</u></u>

NOTE 7 – ADMINISTRATIVE AND GENERAL EXPENSES

The administrative and general 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, 2015.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – PENSION PLAN

Statement of Net Position

	<u>October 31, 2013</u>	<u>October 31, 2014</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 101,537	\$ 1,395,527
Investments:		
Fixed income	9,546,637	6,725,318
Stocks		2,635,842
Real estate		554,485
Total Investments	<u>9,546,637</u>	<u>9,915,645</u>
Total Assets	<u><u>\$ 9,648,174</u></u>	<u><u>\$ 11,311,172</u></u>
 <u>Net Position Restricted for Pensions</u>	 <u><u>\$ 9,648,174</u></u>	 <u><u>\$ 11,311,172</u></u>

Statement of Changes in Fiduciary Net Position

<u>Additions</u>	
Employer contributions	\$ 1,200,435
Total Contributions	<u>1,200,435</u>
 Investment income (loss):	
Net increase in fair value of investments	<u>754,693</u>
Net Investment Income	<u>754,693</u>
Total Additions	<u>1,955,128</u>
 <u>Deductions</u>	
Service benefits	280,659
Administrative expenses	<u>11,471</u>
Total Deductions	<u>292,130</u>
 Net Increase (Decrease)	 1,662,998
 <u>Net Position Restricted for Pensions</u>	
Beginning of year (October 31, 2013)	<u>9,648,174</u>
End of Year (October 31, 2014)	<u><u>\$ 11,311,172</u></u>

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

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

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

Plan Description

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 voluntary 457 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 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, 2013, there were 151 plan members including 112 active members, 20 terminated vested members, 13 retired members, and 6 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

SAN JACINTO RIVER AUTHORITY

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

Investment policy. In January 2012 the Board of Directors created the Retirement Plans Investment Committee for the purposes of developing an investment strategy for the Authority's Pension Plan and Deferred Compensation Plan (457 Plan). The Committee is made up of a member of the Board of Directors, the General Manager, the Deputy General Manager, the Director of Financial and Administrative Services, the Controller, and the Human Resources Manager. The Committee was tasked with creating an investment strategy and then implementing that strategy. The Authority utilizes The Standard Retirement Services and Lincoln Financial Group as the retirement funds administrative managers. The Authority utilizes an outside investment advisor, Alliant Retirement Services to advise the Investment Committee in the development and ongoing administration of investment strategies as well as assisting in the coordination with Standard and Lincoln. The following was the Authority's retirement fund asset allocations as of August 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	22%
Domestic Equities	54%
Foreign Equities	16%
Real Estate	8%
Total	100%

Rate of return. For the plan year ended October 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Calculation of Money-Weighted Rate of Return

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

<u>Interest</u>	<u>Net External Cash Flows</u>	<u>Periods Invested</u>	<u>Period Weight</u>	<u>Net External Cash Flows With</u>
Beginning Value - November 1, 2013	\$ 9,648,174	12.00	1.00	\$ 10,363,620
Monthly Net External Cash Flows:				
November	(24,344)	12.00	1.00	(26,149)
December	(24,344)	11.00	0.92	(26,000)
January	(24,344)	10.00	0.83	(25,833)
February	(24,344)	9.00	0.75	(25,686)
March	(24,344)	8.00	0.67	(25,539)
April	1,176,091	7.00	0.58	1,225,912
May	(24,344)	6.00	0.50	(25,231)
June	(24,344)	5.00	0.42	(25,087)
July	(24,344)	4.00	0.33	(24,926)
August	(24,344)	3.00	0.25	(24,783)
September	(24,344)	2.00	0.17	(24,642)
October	(24,344)	1.00	0.08	(24,484)
Ending Value - October 31, 2014	\$ 11,311,172			<u>\$ 11,311,172</u>
Money-Weighted Rate of Return	7.42%			

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Real Rate of Return**</u>
Core Fixed Income	Barclays Aggregate	14.00%	1.68%
Inflation-Indexed Bonds	Barclays US TIPS	8.00%	1.04%
Large Cap US Equities	S&P 500	26.00%	4.83%
Mid Cap US Equities	Russell Mid Cap	16.00%	4.81%
Small Cap US Equities	Russell 2000	12.00%	5.39%
Developed Foreign Equities	MSCI EAFE	16.00%	5.02%
Real Estate (REITS)	FTSE NAREIT Equity REIT	8.00%	4.52%
Assumed Inflation - Mean			2.30%
Assumed Inflation - Standard Deviation			2.00%
Expected Nominal Annual Return: Arithmetic Mean (next 30 years)			6.47%
Expected Nominal Standard Deviation of Annual Return			13.64%
Long-Term Expected Rate of Return			6.50%

* As approved by the SJRA retirement investment committee.

** Assumes 0.5% passive portfolio management fees.

Net Pension Liability

	<u>October 31, 2013</u>	<u>October 31, 2014</u>
Total pension liability	\$ 11,629,648	\$ 13,058,831
Fiduciary net position	9,648,174	11,311,172
Net Pension Liability	\$ 1,981,474	\$ 1,747,659
Fiduciary net position as a % of total pension liability	82.96%	86.62%
Covered payroll	\$ 7,693,148	\$ 8,773,266
Net pension liability as a % of covered payroll	25.76%	19.92%

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

Discount rate	6.50%	6.50%
Long-term expected rate of return, net of investment expense	6.50%	6.50%
Municipal bond rate	N/A	N/A

Other Key Actuarial Assumptions

Valuation date	November 1, 2012	November 1, 2013
Measurement date	October 31, 2013	October 31, 2014
Inflation	2.50%	2.50%
Salary increases including inflation	5.00%	5.00%
Mortality	RP-2000 w/ generational projection per Scale AA	RP-2000 w/ generational projection per Scale AA
Actuarial cost method	Frozen Initial Liability	Entry Age Normal

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 6.50 percent, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease	Current	1% Increase
	5.50%	Discount Rate	7.50%
		6.50%	
Total pension liability	\$ 15,046,716	\$ 13,058,831	\$ 11,393,207
Fiduciary net position	11,311,172	11,311,172	11,311,172
Net Pension Liability	\$ 3,735,544	\$ 1,747,659	\$ 82,035

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Pension	Liability
	(a)	(b)	(a)-(b)
Balances as of August 31, 2014	\$ 11,629,648	\$ 9,648,174	\$ 1,981,474
Changes for the year:			
Service cost	904,125		904,125
Interest on total pension liability	805,717		805,717
Benefit payments	(280,659)	(280,659)	
Administrative expenses		(11,471)	11,471
Net investment income		754,693	(754,693)
Employer contributions		1,200,435	(1,200,435)
Balances as of August 31, 2015	\$ 13,058,831	\$ 11,311,172	\$ 1,747,659

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

Pension Expense

	<u>September 01, 2014 to August 31, 2015</u>
Pension Expense	
Service cost	\$ 904,125
Interest on total pension liability	805,717
Administrative expenses	11,471
Expected investment return net of investment expenses	(656,187)
Recognition of investment gains and losses	(19,701)
	<u>\$ 1,045,425</u>

As of August 31, 2015, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Contributions made subsequent to measurement date	\$	\$ 1,222,439
Net difference between projected and actual earnings	78,805	
Total	<u>\$ 78,805</u>	<u>\$ 1,222,439</u>

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

<u>Year Ended August 31:</u>	
2016	\$ (19,701)
2017	(19,701)
2018	(19,701)
2019	(19,702)
2020	0
Thereafter*	0

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Calculation of the Discount Rate

Depletion Date Projection

In order to determine if the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, we have prepared a depletion date projection using the following techniques and assumptions:

- Current active members contribute the required employee contribution amounts.
- The employer contributes the actuarially determined contribution amounts (ADC = \$1,090,445 for plan year beginning November 1, 2013).
- Benefit payments are projected based on the actuarial assumptions and the current plan provisions.
- Members are assumed to receive pay increases, terminate, retire, become disabled, die, and so forth according to the actuarial assumptions used for the November 1, 2013 valuation.
- Terminating and retiring members will not be replaced with new employees.
- Current administrative expenses are assumed to increase by 3.00% per year.
- All cash flows are assumed to occur on average halfway through the year.
- The long-term expected rate of return on pension plan investments is 6.50%.
- The tax-exempt, high-quality general obligation municipal bond index rate is N/A.
- The funding policy used to determine actuarially determined contributions does not change. See the last page of this report for details.
- The actuarial assumptions do not change.
- The plan provisions do not change except if any material future changes have been agreed upon as of the measurement date.

Table 1: Projection of Contributions

Year	Projected Payroll Current Employees	Projected Payroll Future Employees	Total Employees Payroll	Contributions from Current Employees	Employer Contributions for Current Employees	Contributions from Future Employees*	Total Contributions
1	\$ 7,748,284	\$	\$ 7,748,284	\$	\$ 1,057,263	\$	\$ 1,057,263
2	7,920,255		7,920,255		1,124,867		1,124,867
3	8,226,696		8,226,696		1,153,901		1,153,901
4	8,484,233		8,484,233		1,135,394		1,135,394
5	8,422,558		8,422,558		1,132,034		1,132,034
6	8,498,640		8,498,640		1,164,230		1,164,230
7	8,790,955		8,790,955		1,124,230		1,124,230
8	8,564,480		8,564,480		1,164,603		1,164,603
9	8,934,635		8,934,635		1,150,522		1,150,522
10	8,843,233		8,843,233		1,119,122		1,119,122

Note: Years subsequent to year 10 have been omitted from this table.

* Contributions from future employees that are above service cost and, therefore, can be allocated to payments of benefits of current employees under GASB rules.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Table 2: Projection of Fiduciary Net Position

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings	Projected Ending Fiduciary Net Position
1	\$ 11,311,172	\$ 1,057,263	\$ 326,203	\$ 11,815	\$ 758,602	\$ 12,789,019
2	12,789,019	1,124,867	324,589	12,169	856,900	14,434,028
3	14,434,028	1,153,901	364,111	12,534	963,473	16,174,757
4	16,174,757	1,135,394	433,544	12,910	1,073,750	17,937,447
5	17,937,447	1,132,034	449,482	13,297	1,187,685	19,794,387
6	19,794,387	1,164,230	456,911	13,696	1,309,178	21,797,188
7	21,797,188	1,124,230	586,825	14,107	1,433,824	23,754,310
8	23,754,310	1,164,603	618,695	14,530	1,561,300	25,846,988
9	25,846,988	1,150,522	705,351	14,966	1,694,036	27,971,229
10	27,971,229	1,119,122	924,349	15,415	1,823,959	29,974,546

Note: Years subsequent to year 10 have been omitted from this table.

Table 3: Actuarial Present Value of Projected Benefit Payments

Year	Projected Beginning Fiduciary Net Position	Projected Benefit Payments	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments	Present Value of "Funded" Benefit Payments*	Present Value of "Unfunded" Benefit Payments**	Present Value of Total Benefit Payments***
1	\$ 11,311,172	\$ 326,203	\$ 326,203	\$	\$ 306,294	\$	\$ 306,294
2	12,789,019	324,589	324,589		286,177		286,177
3	14,434,028	364,111	364,111		301,429		301,429
4	16,174,757	433,544	433,544		337,004		337,004
5	17,937,447	449,482	449,482		328,068		328,068
6	19,794,387	456,911	456,911		313,137		313,137
7	21,797,188	586,825	586,825		377,626		377,626
8	23,754,310	618,695	618,695		373,835		373,835
9	25,846,988	705,351	705,351		400,183		400,183
10	27,971,229	924,349	924,349		492,425		492,425
95	199,016,175						
96	211,755,920						
97	225,317,859						
98	225,317,859						
99	255,124,841						
Total					22,960,311		22,960,311

Note: Years 11-94 have been omitted from this table.

* Discounted at the long-term expected rate of return, 6.50%.

** Discounted at the municipal bond rate, N/A.

*** Discounted at the single interest rate that produces a total actuarial present value equal to the sum of the actuarial present values of "funded" and "unfunded" benefit payments, 6.50%.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Authority provides other post-employment benefits (OPEB) for supplemental medical insurance coverage for certain retired employees and their dependents and grandfathered active employees. The OPEB plan is a single-employer defined benefit supplemental healthcare plan administered by the Authority. Section 49.069 of the Texas Water Code assigns the authority 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 August 31, 2015, ten former employees, dependents, and surviving spouses are receiving OPEB healthcare benefits. Five 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 \$51,223 for OPEB medical insurance coverage for retired employees covered under the OPEB plan during the fiscal year ending August 31, 2015. After review, the Authority deems no reserve necessary for OPEB healthcare plan.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The following table shows the calculation of the Annual Required Contribution and Net OPEB Obligation.

	<u>Sept. 1, 2012</u>	<u>Sept. 1, 2013</u>	<u>Sept. 1, 2014</u>
Determination of Annual Required Obligation			
Normal Cost at year end	\$ 48,911	\$ 42,857	\$ 42,857
Amortization of UAAL	109,425	124,777	191,481
Annual Required Contribution (ARC)	<u>\$ 158,336</u>	<u>\$ 167,634</u>	<u>\$ 234,338</u>
Expected Benefit Payments	<u>\$ (49,000)</u>	<u>\$ (49,446)</u>	<u>\$ (51,223)</u>
Determination of Net OPEB Obligation			
Annual required contribution	158,336	167,634	234,338
Interest on prior year Net OPEB Obligation	33,964	39,686	43,570
Adjustment to ARC		(60,757)	(66,704)
Annual OPEB cost (expense)	<u>192,300</u>	<u>146,563</u>	<u>211,204</u>
Contributions made	<u>(49,250)</u>	<u>(49,446)</u>	<u>(51,223)</u>
Increase in net OPEB obligation	143,050	97,117	159,981
Net OPEB obligation - beginning of year	849,089	992,139	1,089,256
Net OPEB obligation - end of year	<u>\$ 992,139</u>	<u>\$ 1,089,256</u>	<u>\$ 1,249,237</u>

The following table shows the annual OPEB cost and net OPEB obligation for the prior three years.

Three Year Trend Information

<u>Schedule of Contributions From the Employer</u>			
<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Estimated % of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
8/31/2013	\$ 158,336	31%	\$992,139
8/31/2014	167,634	29%	1,089,256
8/31/2015	234,338	22%	1,249,237

<u>Schedule of Funding Progress for the Retiree Healthcare (OPEB) Plan</u>						
	(1)	(2)	(3)	(4)	(5)	(6)
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>AAL Actuarial Accrued Liability</u>	<u>UAAL Unfunded AAL (2) - (1)</u>	<u>Funded Ratio (1) / (2)</u>	<u>Covered Payroll**</u>	<u>UAAL as a % of Covered Payroll (3) / (5)</u>
9/1/2012*	\$ 0	\$ 2,047,414	\$ 2,047,414	0 %	\$ 413,753	494.8 %
9/1/2013	0	2,037,561	2,037,561	0	336,482	605.5
9/1/2014*	0	2,109,673	2,109,673	0	347,971	606.3

* A full valuation was not performed for fiscal years ended August 31, 2013 or August 31, 2015. All entries have been derived from the September 1, 2010 and September 1, 2013 valuations.

** Covered payroll estimates based on active participants in the OPEB valuations and compensation provided for the pension valuations.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Funded Status and Funding Progress

As of September 1, 2014, the plan was 0% percent funded. The estimated actuarial accrued liability for benefits was \$2,109,673. This value is based on a full valuation performed as of September 1, 2013. The covered payroll (annual payroll of active employees covered by the plan) was \$347,971 and the ratio of the UAAL to the covered payroll was 606.3%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The valuation assumptions include a future inflation rate of 2.50%.

In the September 1, 2013 actuarial valuation, the projected unit credit method was used. The retirement age for an active employee was assumed to be 65, which is the first year an eligible employee would qualify for OPEB plan benefits. The probability for employees eligible for the OPEB plan separating from service before normal retirement is based on Table T-1 of the Actuary's Pension Handbook, modified for females. The marital status of eligible active employees was assumed to continue throughout retirement. Life expectancies were based on the RP2000 Mortality Table with Projection Scale AA. The actuarial assumptions also included an assumed investment rate of return of 4.0% for fiscal years 2014 and later.

The annual healthcare cost trend rate was 7.4% for fiscal 2014, 6.0% for fiscal 2015, 6.1% for fiscal 2016, 5.8% for fiscal 2017 and ultimately grade down to 4.5% per year after 2093.

The unfunded actuarial accrued liability is being amortized as a level dollar amount on a 27 year closed basis beginning September 1, 2013.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – MAJOR CUSTOMERS

Industrial water sales totaling \$10,016,681 were invoiced to the Authority's two largest customers of the Highlands Division. This accounts for 88% of the Raw Water Enterprise water sales revenues for the year ended August 31, 2015.

Revenues totaling \$1,716,011 accrued from the Authority's primary contractual partner (City of Houston) in the Lake Conroe reservoir project. This accounts for 60% of the Lake Conroe Division's operating revenues for the year ended August 31, 2015.

Water pumpage fees totaling \$20,221,634 were invoiced to the Authority's two largest customers of the Groundwater Reduction Plan Division. This accounts for 52% of Groundwater Reduction Plan Division's operating revenues for the year ended August 31, 2015.

Water and sewer service fees and capacity charges totaling \$19,030,214 accrued from the Authority's five largest customers of the Woodlands Division. This accounts for 57% of The Woodlands Division's operating revenues for the year ended August 31, 2015.

NOTE 11 – CONTINGENT LIABILITY

In the ordinary course of conducting its operations, the Authority is involved in various legal matters. These matters are in various stages in the process of resolution and the impact, if any, is not currently determinable. The Authority's Management does not believe that any unfavorable decisions would have a material impact on the financial statements.

NOTE 12 – RISK MANAGEMENT

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – FUNDING FOR REGION H WATER PLANNING GRANT

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

NOTE 14 – COMPENSATED ABSENCES

Vacation

As of August 31, 2015, 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 |
| • 5-5.99 years of employment | 22 hours per quarter |
| • 6-6.99 years of employment | 24 hours per quarter |
| • 7-7.99 years of employment | 26 hours per quarter |
| • 8-8.99 years of employment | 28 hours per quarter |
| • 9-19.99 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 be cancelled, 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 termination of employment, employees who have given proper notice, will normally be paid for unused vacation time that has been accrued through the date of termination. If the Authority terminates employment for any reason other than a lay-off or reduction in force, no payment will be made for accrued vacation. The liability and annual expense for accrued vacation was calculated based on the employees pay rate times the accrued vacation plus applicable employee benefits as of the end of the fiscal year.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Sick Leave

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

Accrual: Sick leave will accrue at the rate of one day (8 hours) per month. No more than 36 days of accrued sick leave may be carried forward from one fiscal year to the next. Balances in excess of 36 days will be canceled on September 1 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 SJRA'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 maximum of thirty-six (36) days.

Compensatory Time

Non-exempt employees may accrue compensatory time (comp time) in lieu of being paid overtime compensation upon approval by the manager. Compensatory time is overtime and requires the same management approvals. Non-exempt employees may be eligible to bank overtime for later use as compensatory time off at a rate of 1½ hours time worked.

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

Maximum Accruals:

General and Administration Employees – 40 actual hours = 60 compensatory time hours

Woodlands Employees – 20 actual hours = 30 compensatory time hours

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

Highlands Employees – 120 actual hours = 180 compensatory time hours

Compensatory time may be used for personal leave of absences that regular sick and/or vacation would not cover. Reasonable notice is required to use compensatory time. 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 or demotion becomes effective. Upon leaving employment with the Authority, a non-exempt employee will be paid for unused compensatory time at the employee's current hourly rate.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

	<u>Sept. 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Aug. 31, 2015</u>
Lake Conroe Vacation	\$ 16,760	\$ 5,411	\$	\$ 22,171
Highlands Vacation	7,382	2,678		10,060
General & Admin Vacation	181,939	10,437		192,376
Woodlands Vacation	76,544	2,598		79,142
GRP Vacation	30,692	8,973		39,665
Vacation Total	<u>313,317</u>	<u>30,097</u>		<u>343,414</u>
Lake Conroe Sick Leave				
Highlands Sick Leave				
General & Admin Sick Leave	43,581	4,314		47,895
Woodlands Sick Leave	3,438		624	2,814
GRP Sick Leave				
Sick Leave Total	<u>47,019</u>	<u>4,314</u>	<u>624</u>	<u>50,709</u>
Lake Conroe Comp Time	1,478	245		1,723
Highlands Comp Time	8,157		2,606	5,551
General & Admin Comp Time	5,698	2,865		8,563
Woodlands Comp Time		2,319		2,319
GRP Comp Time	19	930		949
Compensatory Time Total	<u>15,352</u>	<u>6,359</u>	<u>2,606</u>	<u>19,105</u>
Total	<u><u>\$ 375,688</u></u>	<u><u>\$ 40,770</u></u>	<u><u>\$ 3,230</u></u>	<u><u>\$ 413,228</u></u>

The current year expense and ending fiscal year 2015 liability for compensatory time is calculated based on the total employee hours accrued times the end of fiscal year 2015 pay rate.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 15 - IMPLEMENTATION OF NEW STANDARDS

In the current fiscal year, the Authority implemented the following new standards:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and Amendment of GASB 68* ("GASB 71"), requires employer contributions made between the measurement date, which is the date used to determine an employer's net pension liability ("NPL"), and the employer's fiscal year end be reported as a deferred outflow of resources ("DOoR").

NOTE 16 - RESTATEMENT OF NET POSITION

Beginning net position was restated from \$146,302,752 to \$146,611,698 to reflect a \$1,957,265 increase in the beginning net pension obligation, a \$1,200,135 increase in deferred outflows and a \$98,206 increase in deferred inflows in accordance with GASB 68 and a \$2,364,717 increase in beginning prepaid expenses relating to prior overpayments to the City of Houston.

REQUIRED SUPPLEMENTARY INFORMATION



SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2015

Fiscal Year Ending August 31	2015	2014	2013	2012	
<u>Total Pension Liability</u>					
Service cost	\$ 904,125	\$	\$	\$	\$
Interest on total pension liability	805,717				
Effect of plan changes					
Effect of assumption changes or inputs					
Effect of economic/demographic gains or (losses)					
Benefit payments	(280,659)				
Net change in total pension liability	1,429,183				
Total pension liability, beginning	11,629,648				
Total Pension Liability, Ending (a)	<u>\$ 13,058,831</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>Fiduciary Net Position</u>					
Employer contributions	\$ 1,200,435	\$	\$	\$	\$
Member contributions					
Investment income net of investment expenses	754,693				
Benefit payments	(280,659)				
Administrative expenses	(11,471)				
Net Change in Plan Fiduciary Net Position	1,662,998				
Fiduciary net position, beginning	9,648,174				
Fiduciary Net Position, Ending (b)	<u>\$ 11,311,172</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net Pension Liability, Ending (a)-(b)	<u>\$ 1,747,659</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Fiduciary Net Position as a % of total pension liability	86.62%				
Covered Payroll	\$ 8,773,266	\$ 7,693,148	\$ 6,776,385	\$ 5,939,787	\$
Net Pension Liability as a % of Covered Payroll	19.92%				

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>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
4,728,214	\$ 4,129,705	\$ 4,013,370	\$ 3,254,963	\$ 2,890,174	\$ 2,826,100

SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2015

Fiscal Year Ended August 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2006	\$ 267,348	\$ 328,222	\$ (60,874)	\$ 2,826,100	11.61%
2007	325,357	365,215	(39,858)	2,890,174	12.64%
2008	337,523	372,478	(34,955)	3,254,963	11.44%
2009	397,109	437,482	(40,373)	4,013,370	10.90%
2010	551,847	572,069	(20,222)	4,129,705	13.85%
2011	562,406	583,621	(21,215)	4,728,214	12.34%
2012	648,608	670,841	(22,233)	5,939,787	11.29%
2013	798,954	807,782	(8,828)	6,776,385	11.92%
2014	951,702	958,987	(7,285)	7,693,148	12.47%
2015	1,090,455	1,200,435	(109,980)	8,773,266	13.68%

Actuarial Methods and Assumptions Used for Funding Policy

The following actuarial methods and assumptions were used in the November 1, 2013 funding valuation. Each assumption is individually reasonable and, in combination, offer our best estimate of anticipated experience under the plan at the time. An experience study to evaluate continuation of these assumptions and potential assumption changes is scheduled in conjunction with the November 1, 2015 valuation. Please see the valuation report dated February 22, 2014 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

Level dollar

Amortization Method

Level percent or level dollar

Level dollar

Closed, open, or layered periods

Layered

Amortization Period at 11/1/2013

25 years for IUAAL, 5 years for subsequent gains/losses

Amortization Growth Rate

N/A

Asset Valuation Method

Smoothing period

N/A, Market Value

Recognition method

Market Value

Corridor

None

Inflation

2.50%

Salary Increases

5.00%

6.50%, based on the Plan's investment policy, including target asset allocation, and Milliman's capital market expectations.

Investment Rate of Return

None

Cost of Living Adjustment

Retirement Age

65

Turnover

Crocker-Sarason T-1 Table

Mortality

RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale AA

SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2015

Fiscal Year Ended August 31	Net Money- Weighted Rate of Return
2006	3.84%
2007	3.85%
2008	4.01%
2009	3.99%
2010	3.93%
2011	3.55%
2012	3.09%
2013	2.89%
2014	3.73%
2015	7.42%

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS FOR THE RETIREE HEALTHCARE (OPEB) PLAN

Year Ended August 31, 2015

Three Year Trend Information

Schedule of Contributions From the Employer

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Estimated % of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
8/31/2013	\$ 158,336	31%	\$992,139
8/31/2014	167,634	29%	1,089,256
8/31/2015	234,338	22%	1,249,237

Schedule of Funding Progress for the Retiree Healthcare (OPEB) Plan

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (2) - (1)</u>	<u>Funded Ratio (1) / (2)</u>	<u>Covered Payroll**</u>	<u>UAAL as a % of Covered Payroll (3) / (5)</u>
9/1/2012*	\$ 0	\$ 2,047,414	\$ 2,047,414	0 %	\$ 413,753	494.8 %
9/1/2013	0	2,037,561	2,037,561	0	336,482	605.5
9/1/2014*	0	2,109,673	2,109,673	0	347,971	606.3

* A full valuation was not performed for fiscal years ended August 31, 2013 or August 31, 2015. All entries have been derived from the September 1, 2010 and September 1, 2013 valuations.

** Covered payroll estimates based on active participants in the OPEB valuations and compensation provided for the pension valuations.

OTHER SUPPLEMENTARY INFORMATION



SAN JACINTO RIVER AUTHORITY

SCHEDULE OF REVENUE AND EXPENSES - **BUDGET AND ACTUAL - RAW WATER ENTERPRISE**

Year Ended August 31, 2015

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
<u>Operating Revenues</u>				
Water revenues	\$ 15,187,355	\$ 15,187,355	\$ 13,233,035	\$ (1,954,320)
Permits, licenses and fees	1,755,047	1,755,047	2,070,496	315,449
Total Revenues	<u>16,942,402</u>	<u>16,942,402</u>	<u>15,303,531</u>	<u>(1,638,871)</u>
<u>Operating Expenses</u>				
Current:				
Salaries and wages	2,769,717	2,769,717	2,530,478	(239,239)
Employee insurance and other payroll benefits	1,224,146	1,224,146	1,105,442	(118,704)
Outside services employed	1,449,731	1,449,731	1,308,482	(141,249)
Operating supplies and expenses	738,693	738,693	485,113	(253,580)
Rentals	93,109	93,109	42,078	(51,031)
Maintenance, repairs and parts	2,040,313	2,040,313	453,350	* (1,586,963)
General and administrative	1,187,497	1,187,497	1,087,069	(100,428)
Depreciation			1,589,933	1,589,933
Total Expenditures	<u>9,503,206</u>	<u>9,503,206</u>	<u>8,601,945</u>	<u>(901,261)</u>
Operating Net Income	7,439,196	7,439,196	6,701,586	(737,610)
<u>Nonoperating Revenues (Expenses)</u>				
Interest income	19,000	19,000	54,355	35,355
Interest expense on bonds	(2,142,458)	(2,142,458)	(1,870,920)	271,538
Other	5,980	5,980	(681,031)	(687,011)
Total Nonoperating Revenues (Expenses)	<u>(2,117,478)</u>	<u>(2,117,478)</u>	<u>(2,497,596)</u>	<u>(380,118)</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 5,321,718</u>	<u>\$ 5,321,718</u>	<u>\$ 4,203,990</u>	<u>\$ (1,117,728)</u>

* The City of Houston requested that the Authority classify the costs of the Lake Conroe dam gate rehabilitation under Maintenance expenses in the Authority's budget, however the Authority is capitalizing the costs.

SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Over (Under)
	Original	Final		
<u>Operating Revenues</u>				
Water and sewer service fees	\$ 38,528,706	\$ 38,528,706	\$ 33,577,220	\$ (4,951,486)
Total Revenues	<u>38,528,706</u>	<u>38,528,706</u>	<u>33,577,220</u>	<u>(4,951,486)</u>
<u>Operating Expenses</u>				
Current:				
Salaries and wages	4,496,084	4,496,084	4,153,251	(342,833)
Employee insurance and other payroll benefits	1,915,157	1,915,157	1,674,833	(240,324)
Outside services employed	4,822,640	4,822,640	1,620,936	(3,201,704)
Operating supplies and expenses	16,461,900	16,461,900	16,662,742	200,842
Rentals	33,900	33,900	26,568	(7,332)
Maintenance, repairs and parts	4,448,950	4,448,950	3,415,150	(1,033,800)
General and administrative	744,928	744,928	684,036	(60,892)
Asset Purchases				
Total Expenditures	<u>32,923,559</u>	<u>32,923,559</u>	<u>28,237,516</u>	<u>(4,686,043)</u>
Operating Net Income (Loss)	5,605,147	5,605,147	5,339,704	(265,443)
<u>Nonoperating Revenues</u>				
Interest income	4,500	4,500	18,773	14,273
Other			(236,295)	(236,295)
Total Nonoperating Revenues	<u>4,500</u>	<u>4,500</u>	<u>(217,522)</u>	<u>(222,022)</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 5,609,647</u>	<u>\$ 5,609,647</u>	<u>\$ 5,122,182</u>	<u>\$ (487,465)</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.

Revenues and expenses are below budget due to record year of rainfall therefore less water usage and less expenditures than budgeted.

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF REVENUE AND EXPENSES -

BUDGET AND ACTUAL

GROUNDWATER REDUCTION PLAN DIVISION

Year Ended August 31, 2015

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
Operating Revenues				
Water revenues (GRP Pumpage Fees)	\$ 46,934,564	\$ 46,934,564	\$ 38,529,534	\$ (8,405,030)
Total Revenues	<u>46,934,564</u>	<u>46,934,564</u>	<u>38,529,534</u>	<u>(8,405,030)</u>
Operating Expenses				
Current:				
Salaries and wages	3,624,846	3,624,846	3,388,980	(235,866)
Employee insurance and other payroll benefits	1,479,804	1,479,804	1,192,760	(287,044)
Outside services employed	871,632	871,632	438,347	(433,285)
Operating supplies and expenses	6,786,840	6,786,840	2,042,735	(4,744,105)
Raw water costs				
Rentals				
Maintenance, repairs and parts	130,750	130,750	60,062	(70,688)
General and administrative	946,329	946,329	723,981	(222,348)
Depreciation			456,781	456,781
Total Expenditures	<u>13,840,201</u>	<u>13,840,201</u>	<u>8,303,646</u>	<u>(5,536,555)</u>
Operating Net Income	33,094,363	33,094,363	30,225,888	(2,868,475)
Nonoperating Revenues (Expenses)				
Interest income	199,680	199,680	157,884	(41,796)
Interest expense	(21,360,309)	(21,360,309)	(21,252,840)	107,469
Other			164,109	164,109
Total Nonoperating Revenues (Expenses)	<u>(21,160,629)</u>	<u>(21,160,629)</u>	<u>(20,930,847)</u>	<u>229,782</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 11,933,734</u>	<u>\$ 11,933,734</u>	<u>\$ 9,295,041</u>	<u>\$ (2,638,693)</u>

Revenues are below budget due to record year of rainfall therefore less water usage than budgeted.

SAN JACINTO RIVER AUTHORITY

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

August 31, 2015

Assets

Current Assets

Cash and cash equivalents	
Unrestricted	\$ 8,912,173
Restricted for debt service	52,330,554
Restricted for construction	46,557,506
Accounts receivable and prepaids	8,299,672
Total Current Assets	<u>116,099,905</u>

Noncurrent Asset - Prepaid reservation fees

1,891,774

Capital Assets - at cost

Land	1,138,325
Land improvements	2,468,208
Furniture and fixtures	1,235,123
Other machinery and equipment	7,769
Automobiles and trucks	335,280
Buildings	2,378,828
Water systems	7,678
Construction in progress	445,220,222
Accumulated Depreciation	(1,206,613)
Total Capital Assets	<u>451,584,820</u>

Total Noncurrent Assets

453,476,594

Total Assets

\$ 569,576,499

Liabilities

Current Liabilities

Accounts payable and accrued liabilities - unrestricted	\$ 10,669,150
Restricted for debt services - current portion of bonds	13,010,000
Restricted for debt service - accrued interest payable	8,846,732
Restricted for construction - retainage payable	6,197,500
Total Current Liabilities	<u>38,723,382</u>

Noncurrent Liabilities

First lien water revenue bonds - less current maturities	518,255,000
Unamortized bond premium or discount	96,526
Total Noncurrent Liabilities	<u>518,351,526</u>
Total Liabilities	<u>557,074,908</u>

Net Position

Net Position

Invested in capital assets - net of related debt	(39,416,700)
Restricted for debt service	43,483,822
Unrestricted	8,434,469
Total Net Position	<u>\$ 12,501,591</u>

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

Year Ended August 31, 2015

Operating Revenues

Water revenues (GRP Pumpage Fees)	\$ 38,529,534
Total Revenues	<u>38,529,534</u>

Operating Expenses

Current:

Salaries and wages	3,388,980
Employee insurance and other payroll benefits	1,192,760
Outside services employed	438,347
Operating supplies and expenses	2,042,735
Raw water costs	
Rentals	
Maintenance, repairs and parts	60,062
General and administrative expenses	723,981
Depreciation	456,781
Total Expenditures	<u>8,303,646</u>

Operating Net Income (Loss) 30,225,888

Nonoperating Revenues (Expenses)

Interest income	157,884
Gain (Loss) on disposal of assets	164,305
Amortization of debt issuance costs	4,353
Interest expense on bonds	(21,252,840)
Other	(4,549)
Total Nonoperating Revenues (Expenses)	<u>(20,930,847)</u>

Income (Loss) Before Contributions and Transfers 9,295,041

Transfers 83,136
Contributions

Change in Net Position 9,378,177

Net Position at Beginning of Year (as restated) 3,123,414

Net Position at End of Year \$ 12,501,591

SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2015

Cash Flows from Operating Activities

Cash received from customers	\$ 35,990,239
Cash payments to suppliers for goods and services	(7,731,268)
Cash paid for employee services	(4,581,740)
Other revenues and expenses	1,956
Net Cash Provided by Operating Activities	23,679,187

Cash Flows from Noncapital Financing Activities

Transfers	83,136
Net Cash Provided by Noncapital Financing Activities	83,136

Cash Flows from Capital and Related Financing Activities

Principal paid on bonds	(12,890,000)
Interest paid on bonds	(21,343,606)
Proceeds from bond sales	
Bond issue expenses	(6,505)
Acquisition of capital assets	(107,610,787)
Capital contributions	
Net Cash (Used) by Capital and Related Financing Activities	(141,850,898)

Cash Flows from Investing Activities

Interest earned	157,884
Net Cash Flows Provided by Investing Activities	157,884

Net (Decrease) in Cash and Cash Equivalents (117,930,691)

Cash and equivalents at beginning of year 225,730,924

Cash and Equivalents at End of Year \$ 107,800,233

Reconciliation of Operating Income (Loss) to Net

Cash Provided by Operating Activities

Operating Income (Loss)	\$ 30,225,888
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Other revenues	1,956
Depreciation	456,781
(Increase) in receivables	(1,815,314)
Decrease in prepaids	1,175,437
(Decrease) in accounts payable and accrued liabilities	(6,365,561)
Total Adjustments	(6,546,701)
Net Cash Provided by Operating Activities	\$ 23,679,187

SAN JACINTO RIVER AUTHORITY

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

August 31, 2015

Dam and Appurtenances:

Dam and appurtenances - joint	\$ 20,069,127
Dam and appurtenances - San Jacinto River Authority	1,169,194
Total Dam and Appurtenances	<u>21,238,321</u>

Buildings and Residences:

Office building - joint	113,242
Warehouse building - joint	31,342
Residences - joint	190,356
Boat house - joint	108,347
Storage building - San Jacinto River Authority	23,404
Total Buildings and Residences	<u>466,691</u>

Equipment:

Construction and maintenance equipment - joint	210,790
Transportation equipment - joint	361,429
Transportation equipment - San Jacinto River Authority	7,370
Office furniture and fixtures - joint	14,547
Computer software - joint	287,430
Computer hardware - joint	90,598
Telephone system - joint	23,148
Laboratory equipment - joint	98,673
Miscellaneous equipment - joint	144,046
Construction and maintenance equipment - San Jacinto River Authority	45,919
Total Equipment	<u>1,283,950</u>

Land:

Land easements and improvements - joint	7,574,797
Land acquisition and administration - joint	5,863,768
Ayer Island improvements - joint	49,508
Land easements - Newton Park	312,928
Water supply well rehabilitation - joint	20,241
Lake Conroe land - site prep - SJRA	28,379
Land acquisition and administration - San Jacinto River Authority	580,032
Total Land	<u>14,429,653</u>

Total Lake Conroe Dam, Reservoir and Related Equipment 37,418,615

Less City of Houston Contribution (23,480,521)

**San Jacinto River Authority's Interest in Lake Conroe Dam, Reservoir
and Related Equipment** 13,938,094

**Less Accumulated Depreciation on San Jacinto River Authority's Interest
in Assets** (3,565,776)

Net Interest in Lake Conroe Dam, Reservoir and Related Equipment \$ 10,372,318

SAN JACINTO RIVER AUTHORITY

INSURANCE COVERAGE

August 31, 2015

<u>Types of Coverages</u>	<u>Amount of Coverage</u>	<u>Insurer</u>	<u>Coverage to</u>
Property Coverages			
Buildings	\$210,628,393	TWCA Risk Management Fund	7/1/2016
Contents	6,209,688	TWCA Risk Management Fund	7/1/2016
EDP Equipment	1,632,958	TWCA Risk Management Fund	7/1/2016
Equipment/Contractors Equip	2,436,974	TWCA Risk Management Fund	7/1/2016
Miscellaneous Property & Equipment	2,979,475	TWCA Risk Management Fund	7/1/2016
Rented Equipment	200,000	TWCA Risk Management Fund	7/1/2016
Boiler and Machinery	169,868,595	TWCA Risk Management Fund	7/1/2016
Total Property Coverages	<u>\$393,956,083</u>		
Automobile:			
Bodily injury and property damage	Combined limit \$1,000,000	TWCA Risk Management Fund	7/1/2016
Excess auto liability	\$9,000,000	TWCA Risk Management Fund	7/1/2016
Physical damage	Actual cash value	TWCA Risk Management Fund	7/1/2016
General Liability	\$1,000,000 per occurrence	TWCA Risk Management Fund	7/1/2016
Excess General Liability	\$9,000,000	TWCA Risk Management Fund	7/1/2016
Public Officials:			
Errors and omissions	\$1,000,000	TWCA Risk Management Fund	7/1/2016
Excess errors and omissions	\$9,000,000	TWCA Risk Management Fund	7/1/2016
GRP Review Committee	\$1,000,000	AWAC - Darwin Select Insurance	6/3/2016
Workers' Compensation	Statutory	TWCA Risk Management Fund	7/1/2016
Fiduciary Liability - 457 Plan	\$2,000,000	Chubb - Federal Insurance Co.	3/1/2016

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, 2015

Directors

Lloyd B. Tisdale, President
P.O. Box 329
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Fredrick Koetting, Vice-President
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Mary L. Rummell, Secretary
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Joseph L. Stunja, Treasurer
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John Eckstrum, Member
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Michael G. Bleier, Member
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Jim Alexander, Member
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Jace Houston, General Manager
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Tom Michel, Director of Financial &
Administrative Services
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Ron Kelling, P.E., Deputy General Manager
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Pam J. Steiger, Controller
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David Parkhill, P.E., Director of Raw Water Enterprise
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Houston, Texas 77010

STATISTICAL SECTION



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

<u>Contents</u>	<u>Page</u>
Financial Trends	76-79
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	80-82
These schedules contain information to help the reader assess the Authority's most significant local revenue source, the water and sewer service.	
Debt Capacity	83-85
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	86-89
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	90-93
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

	2006	2007	2008	2009
Business-type activities				
Net Investment in capital assets	\$ 60,374,586	\$ 65,772,745	\$ 65,030,432	\$ 71,921,272
Restricted	22,324,988	18,254,369	34,936,170	28,654,942
Unrestricted	17,451,681	16,039,280	18,156,477	23,616,921
Total business-type activities net position	<u>\$ 100,151,255</u>	<u>\$ 100,066,394</u>	<u>\$ 118,123,079</u>	<u>\$ 124,193,135</u>
Primary government				
Net Investment in capital assets	\$ 60,374,586	\$ 65,772,745	\$ 65,030,432	\$ 71,921,272
Restricted	22,324,988	18,254,369	34,936,170	28,654,942
Unrestricted	17,451,681	16,039,280	18,156,477	23,616,921
Total primary government net position	<u>\$ 100,151,255</u>	<u>\$ 100,066,394</u>	<u>\$ 118,123,079</u>	<u>\$ 124,193,135</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					
2010	2011	2012	2013	2014	2015
\$ 39,210,018	\$ 93,493,165	\$ 81,039,024	\$ 34,279,471	\$ 52,304,682	\$ 81,417,800
65,464,657	7,778,815	27,079,260	68,491,559	59,550,621	52,279,716
21,068,435	36,370,470	34,648,654	38,155,393	34,447,449	33,386,039
<u>\$ 125,743,110</u>	<u>\$ 137,642,450</u>	<u>\$ 142,766,938</u>	<u>\$ 140,926,423</u>	<u>\$ 146,302,752</u>	<u>\$ 167,083,555</u>
\$ 39,210,018	\$ 93,493,165	\$ 81,039,024	\$ 34,279,471	\$ 52,304,682	\$ 81,417,800
65,464,657	7,778,815	27,079,260	68,491,559	59,550,621	52,279,716
21,068,435	36,370,470	34,648,654	38,155,393	34,447,449	33,386,039
<u>\$ 125,743,110</u>	<u>\$ 137,642,450</u>	<u>\$ 142,766,938</u>	<u>\$ 140,926,423</u>	<u>\$ 146,302,752</u>	<u>\$ 167,083,555</u>

SAN JACINTO RIVER AUTHORITY

CHANGES IN NET POSITION

Last Ten Fiscal Years

	2006	2007	2008	2009
Expenses				
Business-type activities:				
Salaries and wages	\$ 2,537,539	\$ 2,974,694	\$ 3,609,239	\$ 4,213,962
Employee insurance and other payroll benefits	1,352,771	1,777,904	1,802,280	2,057,484
Outside services employed	1,318,626	1,981,899	2,785,842	3,279,261
Operating supplies and expenses	4,238,291	3,871,080	4,717,992	4,499,020
Rentals	18,677	32,509	48,714	111,362
Maintenance, repairs and parts	2,966,070	2,495,369	3,456,995	4,174,346
Water planning study expenses	389,211	75,104	125,700	356,123
General and administrative expenses	643,248	830,749	949,078	1,370,683
Depreciation	4,501,769	4,619,949	5,747,453	5,219,499
Total business-type activities expenses	17,966,202	18,659,257	23,243,293	25,281,740
Total primary government expenses	<u>\$ 17,966,202</u>	<u>\$ 18,659,257</u>	<u>\$ 23,243,293</u>	<u>\$ 25,281,740</u>
Program Revenues:				
Business-type activities				
Water sales:				
Industrial	\$ 3,973,539	\$ 6,020,521	\$ 7,660,698	\$ 8,264,471
Irrigation	25,752	28,147	40,013	58,291
Water and sewer service fees	11,488,378	8,558,969	13,514,338	16,270,637
Permits, licenses, and fees	157,742	791,295	858,733	682,043
Contractual revenues				
Capacity charges	4,202,855	4,212,228	5,149,975	5,522,353
Water planning study	389,211	82,726	575,909	464,449
Total business-type activities revenues	20,237,477	19,693,886	27,799,666	31,262,244
Total primary government revenues	<u>\$ 20,237,477</u>	<u>\$ 19,693,886</u>	<u>\$ 27,799,666</u>	<u>\$ 31,262,244</u>
Net (Expenses) Revenue				
Business-type activities				
Interest income	\$ 1,666,911	\$ 1,874,487	\$ 1,549,570	\$ 482,664
Gain (Loss) on disposal of capital assets	10,826	7,716	11,706	22,746
Oil and gas royalty income	82,420	35,714	51,268	32,820
Other revenues	57,313	43,313	185,648	74,016
FEMA Grant	1,262,964	408,965		1,910,083
Other expenses			(17,800)	
Amortization of bond premium or discounts	(663,089)	(631,922)	(641,709)	(646,329)
Interest expense on bonds	(3,445,006)	(3,344,542)	(3,814,792)	(3,875,334)
Total business-type activities	(1,027,661)	(1,606,269)	(2,676,109)	(1,999,334)
Total primary government	<u>\$ (1,027,661)</u>	<u>\$ (1,606,269)</u>	<u>\$ (2,676,109)</u>	<u>\$ (1,999,334)</u>
General Revenues and Other Change in Net Position				
Business-type activities:				
Capital Contributions	\$ 1,824,713	\$ 486,779	\$ 16,176,421	\$ 2,088,886
Total business-type activities	1,824,713	486,779	16,176,421	2,088,886
Total primary government	<u>\$ 1,824,713</u>	<u>\$ 486,779</u>	<u>\$ 16,176,421</u>	<u>\$ 2,088,886</u>
Change in Net Position				
Business-type activities	3,068,327	(84,861)	18,056,685	6,070,056
Total primary government	<u>\$ 3,068,327</u>	<u>\$ (84,861)</u>	<u>\$ 18,056,685</u>	<u>\$ 6,070,056</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						
2010	2011	2012	2013	2014	2015	
\$ 4,610,165	\$ 6,702,971	\$ 7,958,296	\$ 8,392,601	\$ 8,872,719	\$ 10,720,810	
2,316,454	2,783,051	2,772,375	3,476,905	3,443,181	4,255,143	
2,718,636	5,053,638	3,908,048	4,072,695	4,943,193	3,759,083	
5,437,305	7,595,490	7,388,455	7,797,323	9,405,454	6,754,835	
147,150	124,643	352,479	234,674	118,467	69,320	
2,446,618	4,133,285	4,550,249	4,538,373	3,773,308	4,113,761	
1,026,692	157,071	197,815	257,465	520,071	802,042	
1,971,681						
5,823,940	6,330,205	6,898,534	7,404,035	7,783,943	8,753,185	
26,498,641	32,880,354	34,026,251	36,174,071	38,860,336	39,228,179	
<u>\$ 26,498,641</u>	<u>\$ 32,880,354</u>	<u>\$ 34,026,251</u>	<u>\$ 36,174,071</u>	<u>\$ 38,860,336</u>	<u>\$ 39,228,179</u>	
\$ 8,862,294	\$ 9,037,794	\$ 9,223,102	\$ 10,125,269	\$ 11,070,653	\$ 10,550,443	
76,369	134,341	108,342	109,004	129,878	141,375	
15,253,398	33,257,666	33,360,551	44,863,366	52,090,243	60,607,860	
578,560	763,503	1,007,532	1,002,670	1,070,828	1,131,372	
					1,716,011	
5,205,756	5,466,830	5,242,829	5,252,805	5,188,612	5,022,163	
1,088,622	141,878	210,072	249,233	492,810	759,984	
31,064,999	48,802,012	49,152,428	61,602,347	70,043,024	79,929,208	
<u>\$ 31,064,999</u>	<u>\$ 48,802,012</u>	<u>\$ 49,152,428</u>	<u>\$ 61,602,347</u>	<u>\$ 70,043,024</u>	<u>\$ 79,929,208</u>	
\$ 229,489	\$ 287,860	\$ 713,705	\$ 1,189,490	\$ 376,774	\$ 238,633	
161,336	47,542	167,866	(144,605)	959,459	(33,748)	
12,635	7,920	3,165				
1,932	6,305	220,754	117,973	87,035	40,825	
	(119,476)		(1,234,093)	(3,097,923)	(799,966)	
(683,725)	(728,548)	(454,979)	77,657	166,343	278,431	
(3,527,175)	(5,367,553)	(11,489,309)	(22,414,786)	(25,688,916)	(25,183,782)	
(3,805,508)	(5,865,950)	(10,838,798)	(22,408,364)	(27,197,228)	(25,459,607)	
<u>\$ (3,805,508)</u>	<u>\$ (5,865,950)</u>	<u>\$ (10,838,798)</u>	<u>\$ (22,408,364)</u>	<u>\$ (27,197,228)</u>	<u>\$ (25,459,607)</u>	
\$ 789,125	\$ 1,843,632	\$ 837,109	\$ 3,300,933	\$ 1,390,869	\$ 4,030,000	
789,125	1,843,632	837,109	3,300,933	1,390,869	4,030,000	
<u>\$ 789,125</u>	<u>\$ 1,843,632</u>	<u>\$ 837,109</u>	<u>\$ 3,300,933</u>	<u>\$ 1,390,869</u>	<u>\$ 4,030,000</u>	
1,549,975	11,899,340	5,124,488	6,320,845	5,376,329	19,271,422	
<u>\$ 1,549,975</u>	<u>\$ 11,899,340</u>	<u>\$ 5,124,488</u>	<u>\$ 6,320,845</u>	<u>\$ 5,376,329</u>	<u>\$ 19,271,422</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		
2006	\$ 4,746,910	\$ 6,741,468	\$ 11,488,378	\$ 0.76	\$ 1.25
2007	\$ 3,665,615	\$ 4,893,355	\$ 8,558,969	\$ 0.85	\$ 1.32
2008	\$ 5,945,121	\$ 7,569,217	\$ 13,514,338	\$ 1.01	\$ 1.50
2009	\$ 7,798,389	\$ 8,472,248	\$ 16,270,637	\$ 1.21	\$ 1.57
2010	\$ 7,068,137	\$ 7,497,114	\$ 14,565,251	\$ 1.26	\$ 1.63
2011	\$ 10,227,673	\$ 12,286,754	\$ 22,514,427	\$ 1.40	\$ 1.99
2012	\$ 8,767,267	\$ 9,604,911	\$ 18,372,178	\$ 1.40	\$ 3.31
2013	\$ 10,903,899	\$ 10,265,798	\$ 21,169,697	\$ 1.64	\$ 3.64
2014	\$ 11,268,542	\$ 9,580,621	\$ 20,849,163	\$ 1.74	\$ 3.74
2015	\$ 10,144,585	\$ 11,578,793	\$ 21,723,378	\$ 1.99	\$ 3.95

(1) Direct Rate based on per thousand gallons

SAN JACINTO RIVER AUTHORITY

PRINCIPAL WOODLANDS DIVISION WATER AND SEWER FEES PAYERS

August 31, 2015

Customer	2015			2006		
	Revenue Base Attributable	Rank	% Base of The total Revenue Base	Revenue Base Attributable	Rank	% Base of The total Revenue Base
MUD 6	\$ 1,316,964	8	6%	\$ 593,824	8	5%
MUD 7	\$ 1,629,307	6	8%	\$ 963,675	6	8%
MUD 36	\$ 904,649	9	4%	\$ 538,475	9	5%
MUD 39	\$ 858,647	10	4%	\$ 411,762	10	4%
MUD 40	\$ 1,359,385	7	6%	\$ 843,705	7	7%
MUD 46	\$ 4,707,375	1	22%	\$ 2,115,142	2	18%
MUD 47	\$ 3,671,296	2	17%	\$ 2,516,920	1	22%
MUD 60	\$ 2,289,838	4	11%	\$ 1,411,626	3	12%
MUD 67	\$ 1,707,494	5	8%	\$ 972,355	5	8%
Metro MUD	\$ 2,653,525	3	13%	\$ 1,116,662	4	10%

Note: The requirement for statistical data is ten years.

SAN JACINTO RIVER AUTHORITY

LIST OF PRINCIPAL CUSTOMERS

August 31, 2015

Raw Water Enterprise

ExxonMobil Corporation
Chevron Phillips Chemical Company
Entergy
Newport Municipal Utility District
LCY Elastomers, LP
ECO Services Operations, LLC
Crosby Municipal Utility District
SJRA - GRP Division
TransCanada Pipeline
Walden Country Club

Woodlands Division

Municipal Utility District 2
Municipal Utility District 6
Municipal Utility District 7
Municipal Utility District 36
Municipal Utility District 39
Municipal Utility District 40
Municipal Utility District 46
Municipal Utility District 47
Municipal Utility District 60
Municipal Utility District 67
Municipal Utility District 386 (Montgomery
County portion only)
Metro Municipal Utility District

Lake Conroe Division

Walden on Lake Conroe
Seven Coves Association
Bentwater Yacht & Country Club
The Palms Marina
Inland Discount Marina
Sports Harbour, LLC
Stow-A-Way Marina
Sunset Harbour Resort
Lake Conroe Fisherman's Cove
Point Aquarius
Waterpoint Marina, Inc.

Groundwater Reduction Plan Division

SJRA - Woodlands Division
City of Conroe
Aqua Texas, Inc.
Quadvest, LP
Rayford Road Municipal Utility District
Southern Mont. Co. Municipal Utility District
MSEC Enterprises
T&W Water Services
Montgomery Co. Municipal Utility District No. 89
Quadvest, LP 1
New Caney MUD

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				
2006	\$ 61,470,000	\$ 12,550,000	\$	\$ 74,020,000	423.53%	N/A	N/A
2007	\$ 60,110,000	\$ 11,350,000	\$	\$ 71,460,000	372.93%	N/A	N/A
2008	\$ 58,355,000	\$ 24,860,000	\$	\$ 83,215,000	364.38%	N/A	N/A
2009	\$ 56,540,000	\$ 23,550,000	\$	\$ 80,090,000	305.67%	N/A	N/A
2010 (3)	\$ 86,240,000	\$ 36,860,000	\$ 1,947,767	\$ 125,047,767	260.05%	N/A	N/A
2011 (3)	\$ 84,910,000	\$ 118,625,000	\$ 3,926,810	\$ 207,461,810	417.02%	N/A	N/A
2012 (3)	\$ 81,160,000	\$ 360,330,000	\$ 3,723,667	\$ 445,213,667	426.35%	N/A	N/A
2013 (3)	\$ 46,860,000	\$ 561,830,000	\$ 3,414,305	\$ 612,104,305	902.61%	N/A	N/A
2014 (3)	\$ 45,060,000	\$ 589,770,000	\$ 3,148,703	\$ 637,978,703	1035.64%	N/A	N/A
2015 (4)	\$ 77,385,000	\$ 573,355,000	\$ 2,870,882	\$ 653,610,882	1061.02%	N/A	N/A

(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.

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							
	Less		Net Available		Debt Service		Cover	
Fiscal Year	Revenue	Operating Expenses		for Debt Service	Principal	Interest	Ratio	
<u>All Divisions Except the GRP Division</u>								
2006	\$ 4,546,244	\$ 3,642,025	\$ 904,219	\$ 510,000	\$ 1,105,475	0.56		
2007	\$ 6,922,689	\$ 3,803,567	\$ 3,119,122	\$ 700,000	\$ 1,074,456	1.76		
2008	\$ 9,135,353	\$ 5,163,482	\$ 3,971,871	\$ 740,000	\$ 1,041,351	2.23		
2009	\$ 9,469,254	\$ 7,126,546	\$ 2,342,708	\$ 775,000	\$ 1,006,243	1.32		
2010	\$ 10,595,845	\$ 5,585,308	\$ 5,010,537	\$ 815,000	\$ 969,101	2.81		
2011	\$ 8,448,902	\$ 2,809,489	\$ 5,639,413	\$ 195,000	\$ 1,189,324	4.07		
2012	\$ 9,017,529	\$ 3,621,077	\$ 5,396,452	\$ 1,670,000	\$ 1,617,041	1.64		
2013	\$ 9,338,000	\$ 3,363,471	\$ 5,974,529	\$ 1,715,000	\$ 1,616,962	1.79		
2014	\$ 10,928,913	\$ 4,135,993	\$ 6,792,920	\$ 1,800,000	\$ 1,711,799	1.93		
2015	\$ 12,456,148	\$ 4,208,932	\$ 8,247,216	\$ 2,035,000	\$ 1,677,115	2.22		
<u>GRP Division</u>								
2010	\$	\$	\$	\$	\$			
2011	\$	\$	\$	\$	\$			
2012	\$	\$	\$	\$	\$			
2013	\$	\$	\$	\$	\$			
2014	\$	\$	\$	\$	\$			
2015	\$	\$	\$	\$	\$			

Special Project Revenue Bonds						
		Less	Net Available	Debt Service		Cover Ratio
Revenue	Operating Expenses		for Debt Service	Principal	Interest	
\$ 4,202,855	\$ 13,697	\$ 4,189,158	\$ 1,565,000	\$ 2,374,895	1.06	
\$ 4,212,228	\$ 5,738	\$ 4,206,490	\$ 1,860,000	\$ 2,307,542	1.01	
\$ 5,149,975	\$ 8,468	\$ 5,141,507	\$ 1,940,000	\$ 2,236,712	1.23	
\$ 5,522,353	\$ 3,725	\$ 5,518,628	\$ 2,350,000	\$ 3,171,379	1.00	
\$ 5,205,756	\$ 19,638	\$ 5,186,118	\$ 2,655,000	\$ 2,807,120	0.95	
\$ 5,466,830	\$ 8,150	\$ 5,458,680	\$ 2,525,000	\$ 2,578,229	1.07	
\$ 5,242,829	\$ 5,400	\$ 5,237,429	\$ 2,925,000	\$ 2,484,830	0.97	
\$ 5,252,805	\$ 5,350	\$ 5,247,455	\$ 2,815,000	\$ 2,326,974	1.02	
\$ 5,188,612	\$ 6,550	\$ 5,182,062	\$ 2,935,000	\$ 2,433,327	0.97	
\$ 5,022,163	\$ 13,450	\$ 5,008,713	\$ 3,525,000	\$ 1,450,666	1.01	
\$ 1,089,476	\$ 2,447,677	\$ (1,358,201)	\$	\$ 238,064	(5.71)	
\$ 10,826,665	\$ 5,450,870	\$ 5,375,795	\$	\$ 1,096,553	4.90	
\$ 14,814,666	\$ 4,132,542	\$ 10,682,124	\$	\$ 7,208,592	1.48	
\$ 23,955,203	\$ 6,139,654	\$ 17,815,549	\$	\$ 18,333,910	0.97	
\$ 31,293,612	\$ 7,041,051	\$ 24,252,561	\$ 7,820,000	\$ 21,350,629	0.83	
\$ 38,529,534	\$ 7,122,884	\$ 31,406,650	\$ 12,890,000	\$ 21,341,076	0.92	

SAN JACINTO RIVER AUTHORITY

DISTRICT DEMOGRAPHICS

The SJRA's boundaries include the entire watershed of the San Jacinto River and its tributaries excluding Harris County, Texas except east of the San Jacinto River. It stretches from Montgomery County through the eastern part of Harris County. The SJRA's service area includes 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	3,199
Baytown	76,127
Crosby	5,899
Grimes County	27,172
Highlands	7,522
Liberty County	78,117
Montgomery County	518,947
San Jacinto County	27,099
Waller County	46,820
Walker County	69,789

Source US Census Bureau, Census 2010 & 2013

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

Educational Attainment

<u>County/City</u>	<u>High School</u>	<u>College</u>
Barrett	82%	13%
Baytown	75%	14%
Crosby	70%	14%
Grimes County	78%	11%
Highlands	82%	10%
Liberty County	75%	9%
Montgomery County	86%	31%
San Jacinto County	79%	12%
Waller County	81%	19%
Walker County	82%	18%

Source US Census Bureau, Census 2013

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

<u>County/City</u>	<u>Median Age</u>	<u>Largest Employers</u>
Barrett	32	Texas Department of Criminal Justice
Baytown	32	Sam Houston State University
Crosby	37	Conroe Independent School District
Grimes County	39	Anadarko Petroleum
Highlands	31	Hewitt Associates
Liberty County	37	Memorial Hermann The Woodlands Hospital
Montgomery County	36	St. Luke's The Woodlands Hospital
San Jacinto County	43	Huntsville Independent School District
Waller County	31	Huntsman Company, LLC
Walker County	35	Woodforest National Bank

Source US Census Bureau, Census 2013

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

<u>County/City</u>	<u>Median Household Income</u>
Barrett	\$29,836
Baytown	\$46,939
Crosby	\$38,187
Grimes County	\$43,994
Highlands	\$56,673
Liberty County	\$47,228
Montgomery County	\$67,766
San Jacinto County	\$46,107
Waller County	\$50,097
Walker County	\$37,617

Source US Census Bureau, Census 2013

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

<u>County/City</u>	<u>Unemployment Rate</u>
Barrett	22.1%
Baytown	11.8%
Crosby	10.2%
Grimes County	9.0%
Highlands	7.6%
Liberty County	12.6%
Montgomery County	7.1%
San Jacinto County	13.4%
Waller County	9.4%
Walker County	5.3%

Source US Census Bureau, Census 2013

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

SAN JACINTO RIVER AUTHORITY

NUMBER OF EMPLOYEES BY DIVISION

Last Ten Fiscal Years

Division	Number of Full-Time				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Highlands	7	6	6	6	6
Lake Conroe	7	8	9	9	11
Woodlands	38	40	43	44	45
General & Administration	9	11	13	17	27
Groundwater Reduction Plan	-	-	-	-	1
Total	61	65	71	76	89

Note: This table reports the number of filled, full-time employees positions based on the division in which they are employed. Table does not included 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 2007 has been directly related to the planning and implementation of a countywide surface water program in response to regulations adopted by the Lone Star Groundwater Conservation District.

**Positions
Equivalent**

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
7	7	7	7	7
13	14	13	14	14
45	45	39	33	38
48	56	77	79	83
4	5	7	12	23
113	122	136	133	142

SAN JACINTO RIVER AUTHORITY

OPERATING STATISTICS

Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Raw Water Enterprise (Lake Conroe and Highlands Division)</u>				
Water Delivered (Thousand Gallons)	22,370,584	24,192,602	25,853,331	23,461,598
Water Rights (See detail below)	5	5	6	7

Woodlands Division

Water Average Pumpage (Thousand Gallons)	6,238,117	5,083,736	6,333,984	6,832,883
Wastewater Average Flow (Thousand Gallons per Day)	7,253	7,682	7,624	7,756
Water Permits	1	1	1	1
Wastewater Permits	3	3	3	3
Storm Water Permits	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
Trinity River - Devers	Permit 5271	56,000	1995
Trinity River - CLCND	COA 08-4279	30,000	2005

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
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22,956,203	26,548,710	22,813,154	22,634,039	23,192,114	23,611,611
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7	7	7	7	7	7
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5,789,840	7,674,492	7,036,323	6,628,769	6,115,812	5,529,976
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7,643	7,557	7,742	7,315	7,677	7,746
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1	1	1	1	1	1
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3	3	3	3	3	3
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2	2	2	2	2	2
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SAN JACINTO RIVER AUTHORITY

SCHEDULE OF CAPITAL ASSET ADDITIONS

Last Ten Fiscal Years

	2006	2007	2008	2009
Raw Water Enterprise, Highlands and General & Administration				
Land	\$	\$	\$	\$
Water permits and rights	85,669	35,235	50,330	42,536
Construction in progress	87,918	879,998	35,412	1,240,832
Furniture, fixtures and equipment	23,805			59,880
Other machinery and equipment	11,369	46,316	5,034	162,469
Automobiles and trucks	93,107	52,373	49,568	35,845
Buildings		22,535	11,971	
Water systems		913,252		395,987
Lake Conroe Division				
Land				
Construction in progress		11,966	15,397	69,895
Furniture, fixtures and equipment	2,785	4,470		3,851
Other machinery and equipment	2,388	11,133	17,447	18,446
Automobiles and trucks	6,457		8,741	
Buildings		2,320		23,933
Dams and appurtenances	2,199	2,613		17,676
Water systems				
Woodlands Division				
Land	5,000	29,840		42,394
Construction in progress	3,097,327	6,626,492	16,958,077	7,348,205
Furniture, fixtures and equipment	24,797		7,313	88,005
Other machinery and equipment	8,850	36,657	12,043	46,909
Automobiles and trucks	118,370	42,131	129,846	287,450
Buildings	5,000			
Dams and appurtenances	36,384			
Water systems	1,381,511	3,457,408	787,524	21,084,196
Wastewater utility systems	8,248,477	446,691	8,586,424	613,969
Capital Improvement Plans				
Groundwater Reduction Plan Division				
Land				
Construction in Progress				
Furniture, fixtures and equipment				
Other machinery and equipment				
Automobiles and trucks				
Buildings				
Water systems				
Total Capital Assets	<u>\$ 13,241,413</u>	<u>\$ 12,621,430</u>	<u>\$ 26,675,127</u>	<u>\$ 31,582,478</u>

2010	2011	2012	2013	2014	2015
\$	\$	\$	\$	\$	\$
	31,415			10,000	58,876
4,737	5,194	1,090			
5,303,395	7,743,714	5,804,413	13,887,890	9,772,503	7,427,025
3,761	888,915	130,150	18,540	160,680	134,167
128,081	102,666	223,889	300,528	361,139	70,271
55,566	102,171	369,830	131,621	100,878	65,171
3,025	5,215,813	41,360		1,484,025	774
716,658	3,308,871	2,173,361	17,875,400	2,802,551	8,574,076
	28,372				2,596
74,266	63,589	15,062	63,109	501,722	642,080
1,254	75,846	292	1,134	7,055	39,036
55,156	10,774	12,721	1,828	10,864	43,014
8,459	22,799	9,653	17,215	21,814	12,854
6,936	46,370	2,656			
7,528	5,711	40,289	6,908		1,132,947
	6,747				
25,364	31	14,236	6,568		23,194
5,670,466	6,398,484	7,841,826	7,662,672	6,548,527	5,020,431
81,356	77,986	42,559	196,702	71,413	386,203
20,822	91,258		9,849	372,450	49,496
313,628		56,106	58,209	46,058	7,410
13,293	79,829	82,024		6,720	
				256,356	
2,665,510	4,854,789	3,798,904	5,458,285	3,783,083	3,296,024
2,716,115	542,695	827,430	2,511,040	3,020,956	1,801,043
1,139,941		1,880,898	85,157		500,536
2,265,204	10,163,648	40,586,454	81,722,501	218,185,401	111,689,168
15,000	78,463	320,489	104,686	189,621	534,634
	189,557				
	26,575	58,551	19,529		206,776
		2,287,713	47,963		43,153
	7,678				
<u>\$ 21,295,521</u>	<u>\$ 40,169,960</u>	<u>\$ 66,621,956</u>	<u>\$ 130,187,334</u>	<u>\$ 247,713,816</u>	<u>\$ 141,760,955</u>