San Jacinto River Authority

Comprehensive Annual Financial Report

For the Fiscal Year Ended

August 31, 2017

Prepared by the Accounting Department
Montgomery County, Texas

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

TABLE OF CONTENTS

San Jacinto River Authority
Comprehensive Annual Financial Report for Fiscal Year Ended August 31, 2017

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

Statistical Section

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

INTRODUCTORY SECTION

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San Jacinto River Authority

ADMINISTRATIVE OFFICE
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(T) 936.588.3111 • (F) 936.588.3043

December 11, 2017

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, 2017. The purpose of the CAFR is to provide reliable financial information about the SJRA to the SJRA's Board of Directors, customers, general public, and other interested parties. The SJRA's Accounting Department has prepared the CAFR in accordance with generally accepted accounting principles (GAAP). Management assumes full responsibility for the completeness and reliability of the information contained in the CAFR, based upon a comprehensive framework of internal controls that are established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective of such internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

An independent auditor, Knox Cox & Co, L.L.P., Certified Public Accountants, has issued an unmodified ("clean") opinion on the SJRA's financial statements for the year ended August 31, 2017. The independent auditor's report is located at the front of the financial section of the CAFR.

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

Profiles of the Government

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

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 Division operates a pump station to transfer raw water from the Trinity River via the Coastal Water Authority to the Highland Division's East Canal. The Highlands System also includes a pump station to transfer raw water from the Trinity River via the Coastal Water Authority (CWA) to the Highlands Division's South Canal.

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

The **Woodlands Division** is located in southern Montgomery County and provides wholesale water supply and wastewater treatment services to the 114,600 person community of The Woodlands (The Woodlands Development Corporation data as of August 2017). To provide these services, the SJRA operates wastewater treatment plants, lift stations, water wells, water plants, water booster pump stations, elevated and ground storage tanks, and miles of wastewater conveyance and water transmission facilities. The Woodlands Division purchases surface water from the Groundwater Reduction Plan (GRP) Division to blend with groundwater provided by the water wells.

The **Groundwater Reduction Plan (GRP) Division**, with its office located at the Lake Conroe dam, is responsible for implementing an alternative water supply program

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

ECONOMIC CONDITION AND OUTLOOK

The Texas Economy. According to the Texas Comptroller of Public Accounts Key Economic Indicators as of August 2017: Unemployment Rate for Texas was 4.2% while the U.S. was 4.4%; Measures of Inflation CPI change from previous year for Texas was 2.8% while the U.S. was 2.2%; and Consumer Confidence Index for Texas was 9.1% while the U.S. was 24.9%. The Comptroller issued the "Regional Snapshot: Gulf Coast Region" showing population growth to be 26% in the Region vs. 20% for Texas and 9% for the U.S. for 2004-2014. Also in the Regional Snapshot was Per Capita Personal Income Growth to be 49% for the Region vs. 47% for Texas and 34% for the U.S. for 2004-2014.

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 greater 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. Continued population growth within SJRA's service area will necessitate the demand for water. With the SJRA's service area located between Houston and Dallas, two rapidly growing major metropolitan areas, the need for future water supplies and reliable planning is vital, and as a result, the SJRA's Board of Directors and staff are working diligently to plan for future water supplies in order to better assure the region's future economic vitality.

FINANCIAL INFORMATION

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

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

MAJOR INITIATIVES

For the Year. One of the SJRA's major initiatives for Fiscal Year 2017 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 watershed protections plans. A detailed feasibility study is underway for Raw Water Supply. Final results are expected in Fiscal Year 2018 to develop a Long Range Water Supply Master Plan.

A major initiative in Fiscal Year 2017 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 removal and replacement of numerous siphons, canal improvements, rehabilitation of the existing Lake Houston Pump Station and installation of additional flow measuring equipment. This program will increase the capabilities and reliability of the delivery system. The Highlands Division Initiatives will include continued rehabilitation of various siphons and canals, including raising the levees to increase canal capacity in certain areas, and the rehabilitation of the South Canal Pumping Station, as well as the addition of monitoring and SCADA equipment throughout the system. The Lake Conroe Division is conducting critical infrastructure rehabilitation and has received a Flood Protection Planning Grant from Texas Water Development Board to expand and improve the flood early warning system for Lake Conroe.

During Fiscal Year 2017, the Groundwater Reduction Plan (GRP) facilities continued delivery of surface water through over 50 miles of transmission lines, surface water receiving facilities, and a standpipe to GRP's selected customers.

For the Future. In November 2009, the LSGCD adopted final regulations that required certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how large volume groundwater users intended to meet a January 2016 deadline for the reduction of groundwater use and conversion to alternative water supplies. The SJRA met this regulatory requirement with the development of a long-term approach that will provide a compliance solution for participants within the county who choose to join. The SJRA plan was designed so that any large volume

groundwater user in the county could join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required GRP Pumpage Fee and GRP Surface Water Fees monthly. For fiscal year 2017, the GRP Pumpage Fee was set at $2.50 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. The GRP Surface Water Fee was set at $2.69 per thousand gallons of surface water received by the participating entity. In the future, these fees could increase if additional phases of planning and implementation are needed, costs for operation, maintenance, and repair of the necessary infrastructure increase, and for contributions to reserves. SJRA Board approved the Fiscal Year 2018 rates based on the most recent rate studies suggesting that the GRP Pumpage Fee would be $2.64 per thousand gallons for groundwater users and $2.83 per thousand gallons for surface water users. As of the end of the 2017 fiscal year, 150 participants have joined the SJRA GRP represent approximately 80 percent of the water use in Montgomery County. The GRP Division was responsible for implementing the surface water program, constructing, operating, and maintaining the necessary infrastructure that started delivering surface water in mid-September 2015, ahead of the January 1, 2016 deadline. The real key is the reduction of groundwater pumped in calendar year 2016, which the Authority has met.

The Woodlands aging Wastewater System is in need of rehabilitation. The MUD's agreed to an estimated $43 million bond sale to address major rehabilitation needs in addition to continued annual rehabilitation of the system.

The Highlands Division initiatives will include rehabilitation and raising of canal segments and will include rehabilitation of South Canal Pump Station along with the SCADA system.

Acknowledgements

Independent Audit. Section 49.191 of the Texas Water Code requires an annual audit of the SJRA's accounting records by a certified public accountant or public accountant holding a permit from the Texas State Board of Public Accountancy and selected by the Board of Directors. The firm Knox Cox & Co., LLP was selected to conduct the FY2017 financial audit. We appreciate their professionalism, timeliness, and assistance in completing this report. Copies of this report will be filed with the TCEQ, State Comptroller, State Auditor, and Texas Water Development Board.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the SJRA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2016. This was the eighth consecutive year that the SJRA has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate for Fiscal Year 2017.

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

Sincerely,

Jace A. Houston General Manager	Tom Michel Director of Financial and Administrative Services	Pam J. Steiger, CPA Controller

SAN JACINTO RIVER AUTHORITY

Certificate of Achievement for Excellence in Financial Reporting

Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

San Jacinto River Authority

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

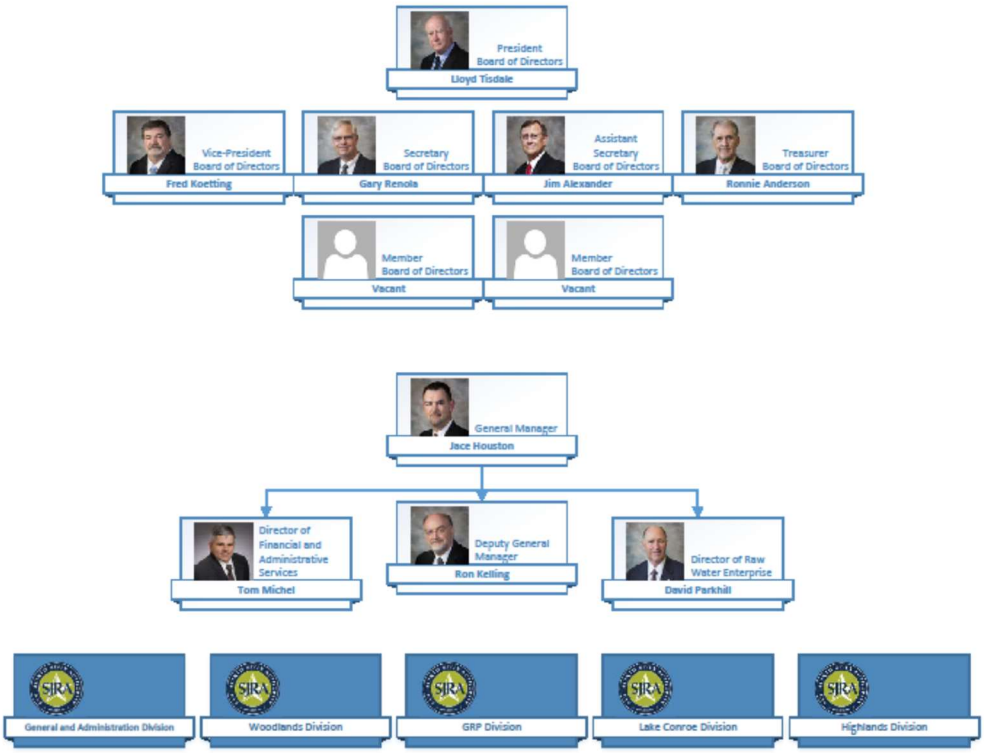
August 31, 2016

Christopher P. Morrill

Executive Director/CEO

SAN JACINTO RIVER AUTHORITY

Organizational Chart



SAN JACINTO RIVER AUTHORITY

Board of Directors

	Term Expires
Lloyd B. Tisdale, President	2019
Fredrick Koetting, Vice President	2021
Gary Renola, Secretary	2017
Ronnie Anderson, Treasurer	2021
Jim Alexander, Assistant Secretary	2019
Vacant, Member	2017
Vacant, 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

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KC Knox Cox & Company, L.L.P.

Certified Public Accountants

77 Sugar Creek Center Blvd., Suite 215 | Sugar Land, Texas 77478
main: 346-772-2860 | fax: 346-772-2853

Independent Auditors' Report

Board of Directors
San Jacinto River Authority
Montgomery County, Texas

We have audited the accompanying financial statements of the business-type activities and each major fund of the San Jacinto River Authority, as of and for the year ended August 31, 2017, 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. 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 and each major fund of the San Jacinto River Authority, as of August 31, 2017, and the respective changes in financial position and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 5-12 and 62-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other supplementary information is the responsibility of management and were 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, the 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.

Kemp Cox & Co. LLP

Sugar Land, Texas
December 11, 2017

SAN JACINTO RIVER AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

The management of the San Jacinto River Authority (the "Authority") offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended August 31, 2017. 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 $794.5 million; of this amount, approximately $647.4 million represents net capital assets and $149.0 million represents cash and cash equivalents under current, noncurrent and deferred assets.
- Liabilities for the Authority totaled $642.6 million of which $603.4 million accounts for obligations under long-term debt.
- The Authority's total assets exceeded liabilities by approximately $152.7 million. This amount represents net position; of this amount, $54.7 million is net investment in capital assets. An additional $56.1 million is restricted net position and the remaining $41.9 million represents unrestricted net position.
- Operating revenues, net of eliminations, for the Authority at year-end were $94.9 million. The major revenue sources, prior to eliminations, were wholesale water and wastewater treatment service fees to Woodlands' MUDs of $39.4 million; Groundwater Reduction Plan fees of $50.5 million; untreated water sales to industrial, municipal and agricultural customers of $13.6 million; and capacity charges of $3.9 million.
- Operating expenses totaled $65.7 million. Highlights within operating expenses were salaries, wages and employee benefits of $17.1 million, operating supplies of $11.7 million and depreciation of $24.4 million.
- Non-operating expenses exceeded non-operating revenues by approximately $23.6 million. This was primarily attributable to interest expense paid on bonds that totaled $25.6 million as of year-end.
- Capital distributions exceeded capital contributions by $22.0 million due to the net impact of contributions from a Highlands industrial customer, Woodlands MUDs, and a GRP customer and distributions of completed infrastructure projects to several GRP customers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

ENTERPRISE FUNDS

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

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

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

- Net Investment in Capital Assets
- Restricted
- Unrestricted

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

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a financial statement position. In the case of the Authority, assets exceeded liabilities by $152.5 million at the close of the most recent fiscal year.

As of August 31, 2017 and 2016

	2017	2016*
Assets		
Current assets	$ 146,068,679	$ 152,968,808
Noncurrent assets	945,887	1,418,831
Capital assets	647,440,968	678,545,748
Total Assets	794,455,534	832,933,387
Deferred Outflows of Resources	1,986,178	1,565,044
Liabilities		
Current liabilities	35,883,416	38,248,038
Noncurrent liabilities	606,695,952	626,027,227
Total Liabilities	642,579,368	664,275,265
Deferred Inflows of Resources	1,114,565	310,242
Net Position		
Net Investment in Capital Assets	54,705,951	76,461,833
Restricted:		
Debt service	54,078,797	52,840,875
Other	2,042,453	2,091,130
Unrestricted	46,705,030	38,519,086
Total Net Position	$ 152,747,779	$ 169,912,924

** The prior fiscal year has not been restated for the implementation of GASB statement No. 75*

- Current assets decreased by $6.9 million which represents a 5% decrease from the prior year primarily due to a decrease in cash and cash equivalents from spending related to capital assets for the Groundwater Reduction Plan Division's (GRP) and annual debt service payments. Within Current Assets, Accounts Receivable has two GRP customers that are not paying the full invoiced amount and are part of current lawsuits. The Authority has commenced litigation in an effort to collect the past due amounts as well as late fees and interest thereon.

Balance Status	City of Conroe	City of Magnolia
Current	$ 1,014,870	$ 48,263
Past Due	529,003	29,435
Late Fees & Interest	50,895	2,766
Total at August 31, 2017	$ 1,594,768	$ 80,464

- Capital assets decreased by $31.1 million, a 5% decrease primarily due to distribution of capital projects to GRP customers. During the construction of the transmission lines, some GRP customers received financing to enable their facilities to receive surface water delivery.

- Current liabilities decreased by $2.4 million, a 6% decrease primarily due to retainage payable with construction being completed in Woodlands and GRP.
- Noncurrent liabilities decreased by $19.3 million, a 3% increase primarily due to reducing debt service.
- Total liabilities decreased by $21.7 million, a 3% decrease from the prior year primarily due to paying down of bonds for the Groundwater Reduction Plan Division, Woodlands, Highlands Division, and Raw Water.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

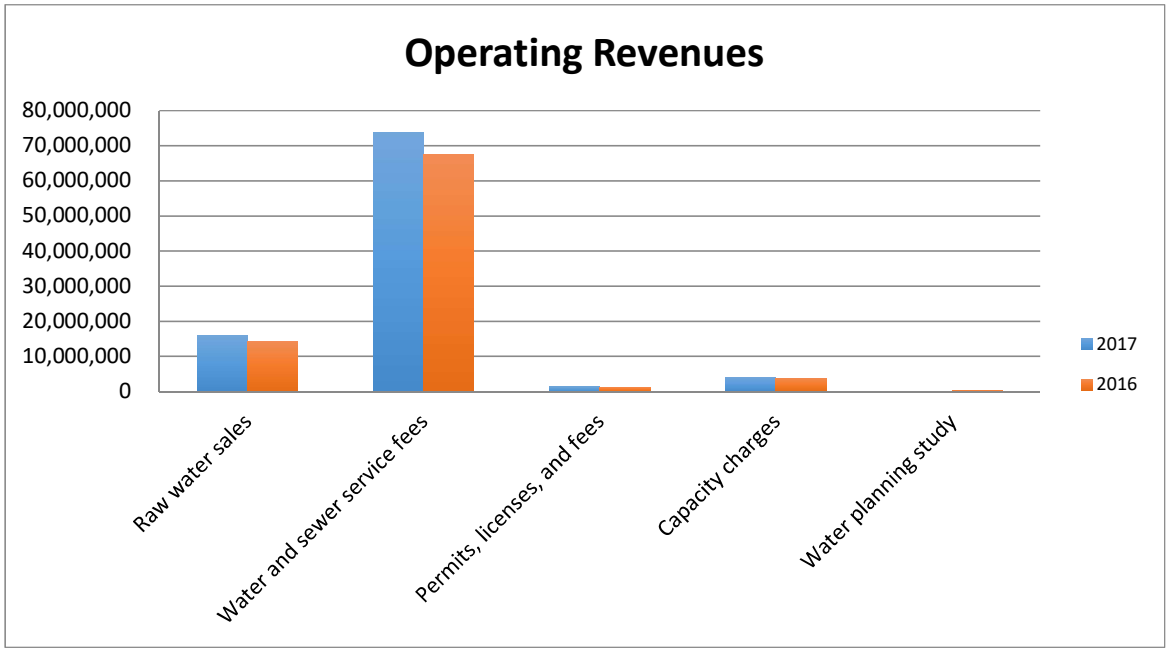
The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for all the Authority's Divisions. The Authority does not seek to earn a profit in the long term. However, the Authority must cover its operations, maintenance and other costs while providing sufficient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

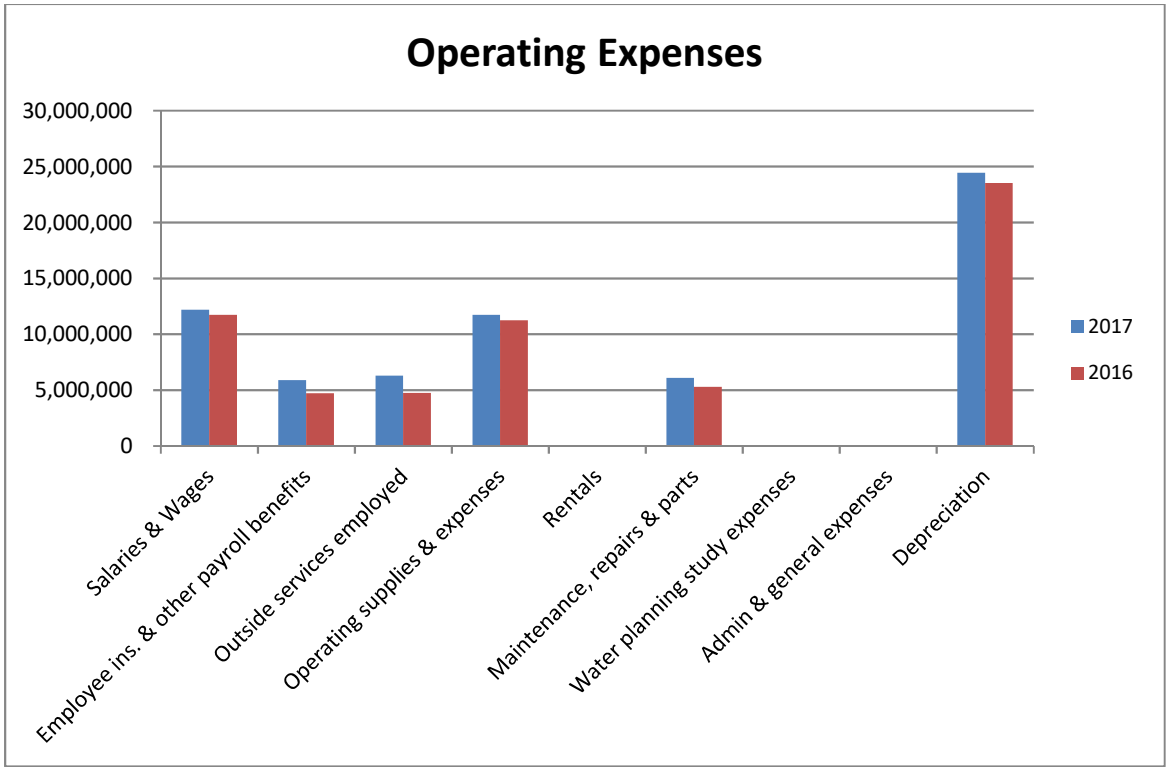
For the Years Ended August 31, 2017 and 2016

	2017	2016*
Operating Revenues:		
Raw water sales	$ 15,823,388	$ 14,248,674
Water and sewer service fees	73,727,688	67,391,878
Permits, licenses and fees	1,351,718	1,125,274
Capacity charges	3,856,538	3,834,462
Water planning study (Region H)	112,377	359,554
Total Operating Revenues	94,871,709	86,959,842
Operating Expenses:		
Salaries and wages	12,182,806	11,724,348
Employee insurance and other payroll benefits	4,924,773	4,715,723
Outside services employed	6,283,542	5,042,298
Operating supplies & expenses	11,732,077	11,252,100
Rentals	75,774	85,327
Maintenance, repairs and parts	6,080,155	5,279,400
Water planning study expenses (Region H)	1,943	17,877
Depreciation	24,446,476	23,527,194
Total Operating Expenses	65,727,546	61,644,267
Operating Income	29,144,163	25,315,575
Nonoperating Revenues (Expenses)	(23,579,686)	(23,894,425)
Contributed Capital/(Distribution)	(21,992,683)	1,408,219
Change in Net Position	(16,428,206)	2,829,369
Net position at beginning of year	169,175,985	167,083,555
Net Position at End of Year	$ 152,747,779	$ 169,912,924

** The prior fiscal year has not been restated for the implementation of GASB statement No. 75*

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





- Employee insurance and other payroll benefits increased by $0.2 million, a 4% increase from the prior year which was due primarily to increased health care costs.
- Outside services employed increased by $1.2 million, an increase of 25% due primarily to legal expenses related to on-going GRP litigation. See related Accounts Receivable comment on page 7.
- Maintenance, repairs and parts expenses increased by $0.8 million, an increase of 15% over the previous year. The increase was due to GRP's repair of broken line which is related to the before mentioned litigation.

CAPITAL ASSETS AND LONG-TERM DEBT

The Authority's net capital assets as of August 31, 2017 totaled $647.4 million. This investment in capital assets includes land; water permits and rights; office furniture, fixtures and equipment; other machinery and equipment; automobiles and trucks; buildings; dams and appurtenances; water systems; wastewater utility systems; capital improvement plans; and construction in progress. The total decrease in the Authority's investment in net capital assets for the current fiscal year was $31.1 million, a 5% decrease.

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

- The GRP had capital distributions totaling $16.5 million for improvements/modifications to customer's existing systems to receive surface water.
- The Authority added $9.8 million for the East Canal Transfer Pump Station, $4.6 million for Siphon 37, $2.8 million for North Main Siphon, and $2.5 million for Harris County Flood Control Siphon in the Highlands.
- The Authority added $3.0 million for Wastewater Treatment Plant No. 1 Filter Basin Rehab, $2.9 million for Ground Storage Tank #1 at Water Plant #1 demo and replacement, and $2.2 million for Wastewater Treatment Plant #1 Grit Removal in the Woodlands.

	2017	2016
Capital Assets - at cost		
Land	$ 25,973,800	$ 13,357,142
Water permits and rights	30,947,801	30,947,801
Office furniture, fixtures & equip	5,221,854	5,101,567
Other machinery and equipment	3,778,643	3,851,332
Automobiles and trucks	2,735,604	2,664,759
Buildings	26,326,020	26,278,711
Dams and appurtenances	9,647,026	9,648,763
Water systems	588,724,301	564,622,957
Wastewater utility systems	101,507,457	93,896,853
Capital improvement plans	376,882	376,882
Construction in progress	14,175,694	65,736,314
Less accumulated depreciation	(161,974,114)	(137,937,333)
Total Capital Assets	$ 647,440,968	$ 678,545,748

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 $603.4 million. The debt primarily represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

As of August 31, 2017 and 2016

	2017	2016
Long-Term Debt		
First Lien Bonds-		
less current maturities	$ 597,495,000	$ 616,340,000
Notes payable less current	2,011,671	2,308,433
Unamortized bond premium	3,878,355	4,151,535
Total Long-Term Debt	$ 603,385,026	$ 622,799,968

The Authority's total long-term first lien bonds decreased a net of $18.8 million from the previous year.

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, 2017

			Business Type Activities - Raw Water Enterprise		
	Total	Eliminations	Raw Water Supply	Highlands Division	Lake Conroe Division
Assets and Deferred Outflows					
Current Assets					
Cash and cash equivalents					
Unrestricted	$ 32,822,465	$	$	$ 17,291,968	$ 2,695,219
Restricted:					
Debt service	64,526,671			7,191,983	
Construction	30,003,264			13,638,159	390,954
Other	2,266,130				
Accounts receivable	14,235,510	(3,614,558)	1,701,712	313,879	1,867,959
Inventory	140,954			6,579	
Prepaid expenses	2,073,685			48,822	37,631
Total Current Assets	146,068,679	(3,614,558)	1,701,712	38,491,390	4,991,763
Noncurrent Assets					
Prepaid reservations fees	945,887				
Capital Assets - at cost					
Land	23,475,012			1,675,134	5,403,677
Land Improvements	2,498,788				
Water permits and rights	30,947,801		30,947,801		
Furniture, fixtures and equipment	5,221,854			275,638	192,680
Other machinery and equipment	3,778,643			1,848,150	218,033
Automobiles and trucks	2,735,604			261,624	140,878
Buildings	26,326,020			1,623,840	171,166
Dams and appurtenances	9,647,026				7,837,777
Water systems	588,724,301			64,370,036	6,747
Wastewater utility systems	101,507,457				
Capital improvement plans	376,882				
Construction in progress	14,175,694			6,789,263	610,406
Accumulated depreciation	(161,974,114)			(11,694,365)	(3,921,408)
Total Capital Assets	647,440,968		30,947,801	65,149,320	10,659,956
Deferred Outflows of Resources					
Deferred pension related items	1,986,178				
Total Assets and Deferred Outflows	$ 796,441,712	$ (3,614,558)	$ 32,649,513	$ 103,640,710	$ 15,651,719

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Bear Branch	Region H	General and Administration Division
$ 5,184,471	$ 3,470,851	$ 164,264	$	$ 4,015,692
3,271,807	54,062,881			
12,711,927	3,262,224			
2,024,406			241,724	
5,498,326	6,699,411			1,768,781
121,179	13,196			
306,617	932,817	1,823		745,975
29,118,733	68,441,380	166,087	241,724	6,530,448
	945,887			
1,829,065	13,719,804	847,332		
28,095	2,470,693			
1,079,780	2,334,541			1,339,215
1,187,846	518,485			6,129
1,139,293	448,730			745,079
2,814,140	15,599,818			6,117,056
		1,809,249		
105,444,264	418,724,580			178,674
101,507,457				
376,882				
1,491,444	5,149,783			134,798
(111,827,437)	(31,273,320)	(318,549)		(2,939,035)
105,070,829	427,693,114	2,338,032		5,581,916
				1,986,178
$ 134,189,562	$ 497,080,381	$ 2,504,119	$ 241,724	$ 14,098,542

SAN JACINTO RIVER AUTHORITY

STATEMENT OF NET POSITION

August 31, 2017

			Business - Type Activities - Raw Water Enterprise		
	Total	Eliminations	Raw Water Supply	Highlands Division	Lake Conroe Division
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities - unrestricted	$ 5,338,479	$ (3,614,558)	$ 71,090	$ 1,612,071	$ 488,716
Restricted for Debt service:					
Current portion of bonds	18,845,000		1,280,000	1,980,000	
Current portion of notes	299,224				
Accrued interest payable	10,625,218		177,344	953,226	
Restricted for Construction:					
Accounts payable					
Retainage payable	209,031			109,156	68,170
Unearned revenue	566,464		311,305		139,378
Total Current Liabilities	35,883,416	(3,614,558)	1,839,739	4,654,453	696,264
Noncurrent Liabilities					
Net Pension obligation	1,363,404				
Net OPEB obligation	1,947,522			371,738	696,854
Total Noncurrent Liabs	3,310,926			371,738	696,854
Long-Term Debt					
First lien water revenue bonds - less current maturities	601,373,355		10,329,215	59,119,555	
Notes payable less current	2,011,671				
Total Long-Term Debt	603,385,026		10,329,215	59,119,555	
Total Liabilities	642,579,368	(3,614,558)	12,168,954	64,145,746	1,393,118
Deferred Inflows of Resources					
Deferred inflows related to pension and OPEB	1,114,565				
Fund Equity					
Net Position					
Net investment in capital assets	54,705,951		19,338,586	17,578,768	10,982,740
Restricted:					
Debt service	54,078,797			6,238,757	
Other	2,042,453				
Unrestricted	41,920,578		1,141,973	15,677,439	3,275,861
Total Net Position	152,747,779		20,480,559	39,494,964	14,258,601
Total Liabilities, Deferred Inflows and Fund Equity	$ 796,441,712	$ (3,614,558)	$ 32,649,513	$ 103,640,710	$ 15,651,719

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Bear Branch	Region H	General and Administration Division
$ 3,840,586	$ 2,245,809	$ 30,687	$ 112,286	$ 551,792
2,270,000	13,315,000			
				299,224
661,057	8,833,591			
11,953	19,752			
	4,390		111,391	
6,783,596	24,418,542	30,687	223,677	851,016
				1,363,404
737,450				141,480
737,450				1,504,884
37,550,149	494,374,436			
				2,011,671
37,550,149	494,374,436			2,011,671
45,071,195	518,792,978	30,687	223,677	4,367,571
				1,114,565
77,950,654	(76,753,850)	2,338,032		3,271,021
2,610,750	45,229,290			
2,024,406			18,047	
6,532,557	9,811,963	135,400		5,345,385
89,118,367	(21,712,597)	2,473,432	18,047	8,616,406
$ 134,189,562	$ 497,080,381	$ 2,504,119	$ 241,724	$ 14,098,542

SAN JACINTO RIVER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended August 31, 2017

			Business - Type Activities - Raw Water Enterprise		
	Total	Eliminations	Raw Water Supply	Highlands Division	Lake Conroe Division
Operating Revenues:					
Water sales:					
Industrial and Municipal	$ 13,553,382	$ (2,760,565)	$ 16,313,947	$	$
Irrigation	204,387		204,387		
Water and sewer service fees	73,727,688	(16,314,738)	161,477		
Permits, licenses and fees	1,351,718				1,146,618
Contractual revenues	2,065,619				2,065,619
Capacity charges	3,856,538				
Water planning grant	112,377				
Total Operating Revenues	94,871,709	(19,075,303)	16,679,811		3,212,237
Operating Expenses:					
Salaries and wages	12,182,806		70,818	1,862,692	1,598,296
Employee insurance and other payroll benefits	4,924,773		27,663	753,011	651,215
Outside services employed	6,283,542	(16,190,064)	401,951	216,687	641,093
Operating supplies and expenses	11,732,077	(2,885,239)		290,192	219,716
Rentals	75,774	(36,923)		4,420	39,725
Maintenance, repairs & parts	6,080,155			396,649	867,792
Water planning grant expenses	1,943				
General and admin. expenses allocated			23,219	368,479	825,505
Depreciation	24,446,476			2,155,590	178,129
Total Operating Expenses	65,727,546	(19,112,226)	523,651	6,047,720	5,021,471
Operating Income (Loss)	29,144,163	36,923	16,156,160	(6,047,720)	(1,809,234)
Nonoperating Revenues (Expenses)					
Interest income	527,927			62,550	146
Gain (Loss) on disposal of assets	588,168			133,857	260,447
Other revenues	675,300	(36,923)		5,675	451,152
Amortization of bond premium or discounts	273,179		32,624	15,133	
Bond issuance costs	(823)				
Interest expense	(25,643,437)		(429,275)	(2,287,252)	
Total Nonoperating Revenues (Expenses)	(23,579,686)	(36,923)	(396,651)	(2,070,037)	711,745
Income (Loss) Before Contributions and Transfers	5,564,477		15,759,509	(8,117,757)	(1,097,489)
Transfers			(15,139,083)	9,556,322	3,437,373
Capital Contributions/(Distributions)	(21,992,683)			539,207	
Change in Net Position	(16,428,206)		620,426	1,977,772	2,339,884
Net Position at Beginning of Year	169,175,985		19,860,133	37,517,192	11,918,717
Net Position at End of Year	$ 152,747,779	$	$ 20,480,559	$ 39,494,964	$ 14,258,601

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Bear Branch	Region H	General and Administratio Division
$	$	$	$	$
39,411,248	50,469,701			
205,100				
3,856,538				
			112,377	
43,472,886	50,469,701		112,377	
4,539,376	3,558,884	24,549		528,191
1,868,908	1,440,503	10,341		173,132
17,831,942	2,911,646	1,895	179,505	288,887
3,618,447	9,771,980	4,045		712,936
22,886	891	1,603		43,172
3,145,412	1,479,342	112,781		78,179
			1,943	
773,195	464,403	15,521		(2,470,322)
6,910,848	14,924,306	21,705		255,898
38,711,014	34,551,955	192,440	181,448	(389,927)
4,761,872	15,917,746	(192,440)	(69,071)	389,927
103,675	260,913	584		100,059
23,187	158,412			12,265
200,486	20,534			34,376
218,410	7,012			
	(823)			
(1,593,448)	(21,226,070)			(107,392)
(1,047,690)	(20,780,022)	584		39,308
3,714,182	(4,862,276)	(191,856)	(69,071)	429,235
171,414	28,373	494	19	1,945,088
	(22,702,552)	170,662		
3,885,596	(27,536,455)	(20,700)	(69,052)	2,374,323
85,232,771	5,823,858	2,494,132	87,099	6,242,083
$ 89,118,367	$ (21,712,597)	$ 2,473,432	$ 18,047	$ 8,616,406

SAN JACINTO RIVER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended August 31, 2017

			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	$ 92,042,256	$ (19,075,303)	$ 17,292,031	$ (352,017)	$ 999,417
Cash payments to suppliers for goods and services	(24,108,319)	19,112,226	(371,942)	(573,067)	(1,471,751)
Cash paid for employee services	(17,377,661)		(98,481)	(2,654,637)	(2,322,497)
Other revenues	675,300	(36,923)		5,675	451,152
Net Cash Provided (Used) by Operating Activities	51,231,576		16,821,608	(3,574,046)	(2,343,679)
Cash Flows from Noncapital Financing Activities					
Transfers			(15,139,083)	9,556,322	3,437,373
Net Cash Provided (Used) by Noncapital Finance Activities			(15,139,083)	9,556,322	3,437,373
Cash Flows from Capital and Related Financing Activities					
Principal paid on bonds	(18,350,000)		(1,235,000)	(1,925,000)	
Principal paid on notes	(286,106)				
Interest paid	(25,829,962)		(447,525)	(2,309,908)	
Proceeds from bond sales					
Bond issue expenses	(823)				
Acquisition of facilities and equipment	7,067,992			(9,101,650)	(589,741)
Proceeds from the sale of assets	178,479			(140,751)	259,724
Capital contributions/(distributions)	(21,992,683)			539,207	
Net Cash Provided (Used) by Capital and Related Financing Activities	(59,213,103)		(1,682,525)	(12,938,102)	(330,017)

See Notes to Financial Statements.

Enterprise Funds

Woodlands Division	Groundwater Reduction Plan Division	Bear Branch	Region H	General and Administration Division
$ 42,392,946	$ 49,584,755	$ (15,521)	$ 192,472	$ 1,023,476
(25,460,967)	(13,891,469)	(95,679)	(82,534)	(1,273,136)
(6,485,521)	(4,999,387)	(34,890)		(782,248)
200,486	20,534			34,376
10,646,944	30,714,433	(146,090)	109,938	(997,532)
171,414	28,373	494	19	1,945,088
171,414	28,373	494	19	1,945,088
(2,165,000)	(13,025,000)			
				(286,106)
(1,628,000)	(21,337,137)			(107,392)
	(823)			
(2,399,327)	19,284,351			(125,641)
(72,116)	158,412			(26,790)
	(22,702,552)	170,662		
(6,264,443)	(37,622,749)	170,662		(545,929)

SAN JACINTO RIVER AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended August 31, 2017

			Business - Type Activities - Raw Water Enterprise		
	Total	Eliminations	Raw Water Supply	Highlands Division	Lake Conroe Division
Cash Flows from Investing Activities					
Interest earned	527,927			62,550	146
Net Cash Provided by Investing Activities	527,927			62,550	146
Net Increase (Decrease) in Cash and Cash Equivalents	(7,453,600)			(6,893,276)	763,823
Cash and equivalents at beginning of year	137,072,130			45,015,386	2,322,350
Cash and Equivalents at End of Year	$ 129,618,530	$	$	$ 38,122,110	$ 3,086,173
Reconcilation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	$ 29,144,163	$ 36,923	$ 16,156,160	$ (6,047,720)	$ (1,809,234)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Other revenues and expenses	675,300	(36,923)		5,675	451,152
Depreciation	24,446,476			2,155,590	178,129
(Increase) decrease in receivables	410,508	3,614,558	328,034	16,462	(1,370,023)
(increase) decrease in inventory	(22,969)			(683)	
(Increase) decrease in prepaid expenses and deposits	1,720,386			(4,995)	386
Increase (decrease) in net pension liability	(449,316)				
Increase (decrease) in accounts payable and accrued liabilities	(5,246,803)	(3,614,558)	30,009	340,559	296,189
Increase (decrease) in OPEB obligation	(203,956)			(38,934)	(72,986)
Increase (decrease) in deferred outflows	(421,134)				
Increase (decrease) in deferred inflows	804,323				
Increase (decrease) in unearned revenue	374,598		307,405		(17,292)
Total Adjustments	22,087,413	(36,923)	665,448	2,473,674	(534,445)
Net Cash Provided (Used) by Operating Activities	$ 51,231,576	$	$ 16,821,608	$ (3,574,046)	$ (2,343,679)

See Notes to Financial Statements.

Enterprise Funds				
Woodlands Division	**Groundwater Reduction Plan Division**	**Bear Branch**	**Region H**	**General and Administration Division**
103,675	260,913	584		100,059
103,675	260,913	584		100,059
4,657,590	(6,619,030)	25,650	109,957	501,686
18,535,021	67,414,986	138,614	131,767	3,514,006
$ 23,192,611	$ 60,795,956	$ 164,264	$ 241,724	$ 4,015,692
$ 4,761,872	$ 15,917,746	$ (192,440)	$ (69,071)	$ 389,927
200,486	20,534			34,376
6,910,848	14,924,306	21,705		255,898
(306,745)	(424,933)			(1,446,845)
(9,090)	(13,196)			
(68,041)	1,897,224	(49)		(104,139)
				(449,316)
(765,149)	(1,611,638)	24,694	98,914	(45,823)
(77,237)				(14,799)
				(421,134)
				804,323
	4,390		80,095	
5,885,072	14,796,687	46,350	179,009	(1,387,459)
$ 10,646,944	$ 30,714,433	$ (146,090)	$ 109,938	$ (997,532)

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SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Business-Type Activities

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

The Enterprise Funds maintained by the Authority are described below:

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

The General and Administration Division, located in the general business office at Lake Conroe, consists of professional, technical, accounting, administrative and support staff working under the direction of the General Manager. The General and Administration Division provides management and support services to the SJRA's four operating divisions, Region H and Bear Branch and their time and salary and benefit costs are allocated to each division based on time worked. The majority of the growth occurring during and after 2008 (see Number of Employees by Division, pages 92-93) was directly related to the planning and implementation of a groundwater reduction program in response to regulations adopted by the Lone Star Groundwater Conservation District. The Authority now performs in-house services that were not provided in 2008.

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

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

Lake Conroe Dam and Reservoir Fund ("Lake Conroe Division")
The Authority contracted with the City of Houston for the joint construction of Lake Conroe. Under the terms of the contract, the City of Houston advanced two-thirds of the financing of such construction and owns two-thirds of permitted water rights of Lake Conroe. The Authority, in whom the legal title to the physical properties is vested, owns the remaining one-third of the permitted water rights. The Authority operates Lake Conroe for the benefit of the customers it serves and for the benefit of the City of Houston and the customers they serve. The operating costs of Lake Conroe are generally borne one-third by the Authority and two-thirds by the City of Houston. The accompanying financial statements include only the costs of the Authority's ownership interest in Lake Conroe; therefore, the costs of the City of Houston's two-thirds interest of $24,744,938 in Lake Conroe are excluded from the capital asset totals presented.

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

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

All activities necessary to provide wholesale water and sewer services from such assets are accounted for in this fund, including operations, maintenance, financing and related debt service, and billings to and collections from the participating municipal utility districts. The basic agreement with the municipal utility districts provides for wholesale water and wastewater service billings based upon the recovery of the actual expenses incurred for the operations, maintenance and contingency reserves for the Central Facilities, exclusive of depreciation of such assets, as well as capacity charges for the purchase of reserved capacity rights. As of August 31, 2017, the following municipal utility districts have purchased reserve capacity in such Central Facilities: Montgomery County Municipal Utility District Nos. 6, 7, 36, 39, 46, 47, 60 and 67, The Woodlands Municipal Utility District No. 1, The Woodlands Metro Center Municipal Utility District and Harris- Montgomery Counties Municipal Utility District No. 386 (Montgomery County side only). Per the Sixth and Final Accounting, the municipal utility districts have until December 2018 to make their final payments.

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.

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

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

Bear Branch Fund ("Bear Branch")
The Authority owns and maintains the Bear Branch Reservoir System (Bear Branch) which provides elements of a storm water management system within a portion of The Woodlands, Texas service area. The Authority purchased the assets of Bear Branch from the Woodlands Land Development Company, LP in April 2000. All activities necessary to maintain and improve Bear Branch assets are accounted for in this fund. As of August 31, 2017, 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.

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, 2017, 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 five years or greater. The useful lives by the type of assets are as follows:

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

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

G. Unamortized Bond Premium or Discount

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

H. Date of Management's Review

Subsequent events have been evaluated through December 11, 2017, 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, 2017 follows:

	Capital Assets - Net of Depreciation	Grants	Notes and Bonds Payable	Total
General and Administration Division	$ 5,581,916	$	$ (2,310,895)	$ 3,271,021
Raw Water Supply	30,947,801		(11,609,215)	19,338,586
Highlands Division	65,149,320		(47,570,552)	17,578,768
Lake Conroe Division	10,659,956	322,784		10,982,740
Woodlands Division	105,070,829		(27,120,175)	77,950,654
Groundwater Reduction Plan Division	427,693,114		(504,446,964)	(76,753,850)
Bear Branch	2,338,032			2,338,032
Region H				
Total	$ 647,440,968	$ 322,784	$ (593,057,801)	$ 54,705,951

A summary of net position restricted for **debt service** as of August 31, 2017 follows:

	Restricted Cash for Debt Service	Liabilities Payable from Restricted Cash for Debt Service	Total
General and Administration Division	$	$	$
Raw Water Supply			
Highlands Division	7,191,983	(953,226)	6,238,757
Lake Conroe Division			
Woodlands Division	3,271,807	(661,057)	2,610,750
Groundwater Reduction Plan Division	54,062,881	(8,833,591)	45,229,290
Bear Branch			
Region H			
Total	$ 64,526,671	$ (10,447,874)	$ 54,078,797

A summary of net position restricted for **construction** as of August 31, 2017 follows:

	Restricted Cash for Construction	Bonds Payable	Liabilities Payable from Restricted Cash for Construction	Total
General and Administration Division	$	$	$	$
Raw Water Supply				
Highlands Division	13,638,159	(13,529,003)	(109,156)	-
Lake Conroe Division	390,954	(322,784)	(68,170)	-
Woodlands Division	12,711,927	(12,699,974)	(11,953)	-
Groundwater Reduction Plan Division	3,262,224	(3,242,472)	(19,752)	-
Bear Branch				
Region H				
Total	$ 30,003,264	$ (29,794,233)	$ (209,031)	$ -

A summary of net position restricted for **other** as of August 31, 2017 follows:

	Emergency Reserve	Grants	Total
General and Administration Division	$	$	$
Raw Water Supply			
Highlands Division			
Lake Conroe Division			
Woodlands Division	2,024,406		2,024,406
Groundwater Reduction Plan Division			
Bear Branch			
Region H		18,047	18,047
Total	$ 2,024,406	$ 18,047	$ 2,042,453

A summary of net position – **unrestricted** as of August 31, 2017 follows:

	Designated				
	Operating Reserve	Emergency	Capital Reserve and Replacement	Undesignated	Total
General & Administration Div.	$ 1,170,480	$ 1,560,644	$ 935,210	$ 1,679,051	$ 5,345,385
Raw Water Supply				1,141,973	1,141,973
Highlands Division	1,595,278	2,127,038	4,712,257	7,242,866	15,677,439
Lake Conroe Division	538,042	717,389	1,439,488	580,942	3,275,861
Woodlands Division	794,835			5,737,722	6,532,557
Groundwater Reduct. Plan Div.				9,811,963	9,811,963
Bear Branch				135,400	135,400
Region H					
Total	$ 4,098,635	$ 4,405,071	$ 7,086,955	$ 26,329,917	$ 41,920,578

J. New Accounting Pronouncements

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions.* This Statement is effective for periods beginning after June 15, 2017. The Objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Authority's early implementation of the GASB Statement No. 75 had an impact on the Authority's financial statement for the fiscal year ended August 31, 2017, see Note 9 – Other Post-Employment Benefits (OPEB) and Note 15 – Restatement of Net Position.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

	Book Balance	Bank Balance	Insurance & Market Value of Collateral
Collateral held by pledging banks in the Authority's name	$ 21,084,408	$ 22,357,707	$ 29,650,008
Cash equivalents, not requiring pledging by banks, money funds & Pools	108,534,122	108,534,122	N/A
Total Cash and Cash Equivalents	$ 129,618,530	$ 130,891,829	

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

Investment Policy

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

Investments

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

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

The Authority invested in obligations of the U.S. or its agencies as of August 31, 2017.

Public Funds Investment Pools

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

The Authority has been authorized by the Board of Directors to invest in the Pools. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 79, investment pools use amortized cost (which excludes unrealized gains and losses) to compute share price. An external investment pool qualifies for amortized cost reporting if it transacts with its participants at a stable net asset value per share and meets various portfolio maturity, quality, diversification liquidity and pricing requirements. Investments in pools are deemed to have a weighted average maturity of one day. At August 31, 2017, the Authority participated in TexPool ($48,226,565) and TexStar ($4,882,137).

Interest Rate Risk

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

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.

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The individual interfund receivables/payables as of August 31, 2017 follow:

	Receivables	Payables
Enterprise Funds:		
General and Administration Division	$ 1,744,418	$
Raw Water Supply	272,048	
Woodlands Division		2,615,867
Groundwater Reduction Plan Division	1,598,092	986,865
Bear Branch		11,826
	$ 3,614,558	$ 3,614,558

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CAPITAL ASSETS

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

	Balance at Sept. 1, 2016	Additions	Deletions	Balance at Aug. 31, 2017
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 10,860,839	$ 12,615,348	$ (1,175)	$ 23,475,012
Water permits and rights	30,947,801			30,947,801
Construction in progress	65,736,314	15,606,642	(67,167,262)	14,175,694
Total Capital Assets Not Being Depreciated	107,544,954	28,221,990	(67,168,437)	68,598,507
Capital Assets Being Depreciated:				
Land improvements	2,496,303	2,485		2,498,788
Furniture, fixtures and equipment	5,101,567	150,343	(30,056)	5,221,854
Other machinery and equipment	3,851,333	243,127	(315,817)	3,778,643
Automobiles and trucks	2,664,759	135,733	(64,888)	2,735,604
Buildings	26,278,710	47,310		26,326,020
Dams and appurtenances	9,648,763		(1,737)	9,647,026
Water systems	564,622,957	24,101,344		588,724,301
Wastewater utility systems	93,896,853	7,610,604		101,507,457
Capital improvement plans	376,882			376,882
Total Capital Assets Being Depreciated	708,938,127	32,290,946	(412,498)	740,816,575
Less Accumulated Depreciation for:				
Roads	536,122	124,892		661,014
Furniture, fixtures and equipment	2,882,297	548,423	(28,270)	3,402,450
Other machinery and equipment	2,127,524	351,567	(315,808)	2,163,283
Automobiles and trucks	2,034,010	237,776	(64,888)	2,206,898
Buildings	3,008,600	556,334		3,564,934
Dams and appurtenances	3,521,030	134,512	(723)	3,654,819
Water systems	69,293,066	19,265,238		88,558,304
Wastewater utility systems	54,297,115	3,227,728		57,524,843
Capital improvement plans	237,569			237,569
Total Accumulated Depreciation	137,937,333	24,446,470	(409,689)	161,974,114
Total Capital Assets Being Depreciated, Net	571,000,794	7,844,476	(2,809)	578,842,461
Business-Type Activities Capital Assets, Net	$ 678,545,748	$ 36,066,466	$ (67,171,246)	$ 647,440,968

Construction in progress for the current year exceeded additions to capital assets due to the distribution of completed infrastructure projects to GRP customers.

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, 2016	Current Year Amortization	Balance at Aug. 31, 2017
Raw Water Supply				
Water Revenue Refunding Bonds:				
Series 2010	$ 421,941	$ 244,282	$ 29,610	$ 214,672
Series 2012	70,827	57,557	3,014	54,543
Total Raw Water Supply	492,768	301,839	32,624	269,215
Highlands Division				
Water Revenue Bonds:				
Series 2010	130,316	99,339	5,161	94,178
Series 2013	265,830	231,594	10,031	221,563
Series 2014	(1,348)	(1,244)	(59)	(1,185)
Total Highlands Division	394,798	329,689	15,133	314,556
Total Raw Water Enterprise	887,566	631,528	47,757	583,771
Woodlands Division				
Special Project Revenue Refunding Bonds:				
Series 2010	103,982	3,653	3,653	
Series 2010	252,508	101,264	24,048	77,216
Series 2014	1,183,116	1,048,569	129,248	919,321
Series 2014	2,488,017	2,205,073	61,461	2,143,612
Total Woodlands Division	4,027,623	3,358,559	218,410	3,140,149
GRP Division				
Special Project Revenue Bonds:				
Series 2011	114,995	92,102	4,353	87,749
Series 2016	69,788	69,345	2,659	66,686
Total GRP Division	184,783	161,447	7,012	154,435
Totals	$ 5,099,972	$ 4,151,534	$ 273,179	$ 3,878,355

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, 2016	Additions	Deductions	Balance at Aug. 31, 2017	Due Within One Year
Raw Water Supply							
Water Revenue Refunding Bonds:							
Series 2010	3.00-4.25%	14,000,000	$ 9,650,000	$	$ 955,000	$ 8,695,000	$ 990,000
Series 2012	2.00-3.00%	3,710,000	2,925,000		280,000	2,645,000	290,000
Total Raw Water Supply			12,575,000		1,235,000	11,340,000	1,280,000
Highlands Division							
Water Revenue Bonds:							
Series 2010	3.00-4.38%	25,380,000	21,975,000		755,000	21,220,000	790,000
Series 2013	2.00-5.00%	6,730,000	6,375,000		180,000	6,195,000	185,000
Series 2014	2.00-3.50%	5,360,000	5,360,000		155,000	5,205,000	160,000
Series 2015	0.89-4.28%	29,000,000	29,000,000		835,000	28,165,000	845,000
Total Highlands Division			62,710,000		1,925,000	60,785,000	1,980,000
Total Raw Water Enterprise			75,285,000		3,160,000	72,125,000	3,260,000
Woodlands Division							
Special Project Revenue Bonds:							
Series 2007	5.25-5.50%	14,435,000	410,000		410,000		
Special Project Revenue Refunding Bonds:							
Series 2010	4.00-5.00%	4,440,000	2,430,000		445,000	1,985,000	465,000
Series 2010	4.00-4.00%	2,365,000	430,000		430,000		
Series 2014	2.00-5.00%	11,355,000	10,005,000		70,000	9,935,000	550,000
Series 2014	3.00-5.00%	26,700,000	25,570,000		810,000	24,760,000	1,255,000
Total Woodlands Division			38,845,000		2,165,000	36,680,000	2,270,000
Groundwater Reduction Plan Division							
Special Project Revenue Bonds:							
Series 2009	0.85-2.66%	21,500,000	21,500,000			21,500,000	1,635,000
Series 2011	3.00-5.25%	83,155,000	79,025,000		2,170,000	76,855,000	2,260,000
Series 2011A	1.47-4.97%	67,470,000	61,255,000		2,145,000	59,110,000	2,190,000
Series 2012	1.47-4.62%	175,000,000	160,455,000		5,005,000	155,450,000	5,105,000
Series 2012A	1.67-4.62%	165,000,000	158,045,000		2,680,000	155,365,000	1,095,000
Series 2013	0.53-4.76%	39,850,000	37,975,000		950,000	37,025,000	970,000
Series 2016	2.00-4.00%	2,305,000	2,305,000		75,000	2,230,000	60,000
Total Groundwater Reduction Plan Division			520,560,000		13,025,000	507,535,000	13,315,000
Total Bonds Payable			$ 634,690,000	$	$ 18,350,000	$ 616,340,000	$ 18,845,000

Of the $616,340,000 of bonds payable, $597,495,000 is considered long-term and $18,845,000 is considered current.

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

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

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

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

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

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			
2018	$ 3,260,000	$ 2,665,544	$ 5,925,544
2019	3,365,000	2,567,877	5,932,877
2020	3,470,000	2,465,528	5,935,528
2021	3,580,000	2,356,879	5,936,879
2022	3,700,000	2,238,116	5,938,116
2023-2027	16,555,000	9,290,541	25,845,541
2028-2032	14,705,000	6,504,518	21,209,518
2033-2037	16,460,000	3,142,573	19,602,573
2038-2042	7,030,000	435,133	7,465,133
	$ 72,125,000	$ 31,666,709	$ 103,791,709
Woodlands Division			
2018	$ 2,270,000	$ 1,549,000	$ 3,819,000
2019	2,335,000	1,476,450	3,811,450
2020	2,410,000	1,390,712	3,800,712
2021	2,490,000	1,299,394	3,789,394
2022	2,035,000	1,222,225	3,257,225
2023-2027	11,480,000	4,678,825	16,158,825
2028-2032	12,030,000	1,623,350	13,653,350
2033-2034	1,630,000	65,800	1,695,800
	$ 36,680,000	$ 13,305,756	$ 49,985,756
Groundwater Reduction Plan Division			
2018	$ 13,315,000	$ 21,044,819	$ 34,359,819
2019	13,650,000	20,713,575	34,363,575
2020	14,020,000	20,340,105	34,360,105
2021	14,430,000	19,930,199	34,360,199
2022	14,875,000	19,482,237	34,357,237
2023-2027	82,870,000	88,917,369	171,787,369
2028-2032	101,475,000	70,329,257	171,804,257
2033-2037	127,280,000	44,521,644	171,801,644
2038-2042	125,620,000	11,957,284	137,577,284
	$ 507,535,000	$ 317,236,489	$ 824,771,489

Notes Payable

The General and Administration Division entered into a loan commitment in 2010. The commitment from the bank was for $4,000,000 for a term of 120 months, interest only at 5.7% through April, 2011 and 104 principal and interest payments of $38,095 thereafter or until such time as all principal and interest on the unpaid balance has been repaid. On June 24, 2014, the Authority refinanced the loan commitment from the bank. The new loan commitment is for $3,191,758 for a term of 120 months at 4.25%, principal and interest payments of $32,792 until such time as all principal and interest on the unpaid balance has been repaid. The Authority's balance of the note at August 31, 2017 was $2,310,895.

Notes payable activity for the year ended August 31, 2017 follows:

Balance at beginning of year	$ 2,597,001
Additions	
Retirements	(286,106)
Balance at end of year	$ 2,310,895

Maturities of the loan commitments for the balances outstanding as of August 31, 2017 are as follows:

	Principal	Interest	Total
General and Administration Division			
2018	$ 299,224	$ 94,280	$ 393,504
2019	316,060	79,444	395,504
2020	327,776	65,728	393,504
2021	341,981	51,523	393,504
2022	356,802	36,702	393,504
2023-2024	669,052	26,643	695,695
	$ 2,310,895	$ 354,320	$ 2,665,215

NOTE 7 – GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses represent the direct and related expenses incurred by and paid for the services of the administrative personnel and the expenses of the usage of the administrative plant and equipment of the Authority. Since the Authority is involved in different types of activities, and some of such activities are governed by contractual agreements, these types of expenses are accounted for separately from the different types of activities accounted for in the funds maintained by the Authority so that the Authority may comply with the contractual allocation of such expenses to the different activities of the funds maintained by the Authority for the year ended August 31, 2017.

NOTE 8 – PENSION PLAN

Defined Contribution Pension Plan

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

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

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

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

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

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

SAN JACINTO RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Defined Benefit Pension Plan

Statement of Net Position

	October 31, 2015	October 31, 2016
Assets		
Cash and cash equivalents	$ 1,598,191	$ 1,764,156
Investments:		
Fixed income	7,210,421	8,144,283
Stocks	3,033,176	3,285,771
Real estate	643,162	638,470
Total Investments	10,886,759	12,068,524
Total Assets	$ 12,484,950	$ 13,832,680
Net Position Restricted for Pensions	$ 12,484,950	$ 13,832,680

Statement of Changes in Fiduciary Net Position

Additions	
Employer contributions	$ 1,225,120
Total Contributions	1,225,120
Investment income (loss):	
Net increase in fair value of investments	488,949
Net Investment Income	488,949
Total Additions	1,714,069
Deductions	
Service benefits	359,464
Administrative expenses	6,875
Total Deductions	366,339
Net Increase (Decrease)	1,347,730
Net Position Restricted for Pensions	
Beginning of year (October 31, 2015)	12,484,950
End of Year (October 31, 2016)	$ 13,832,680

Summary of Significant Accounting Policies
Method used to value investments. Investments are reported at fair value.

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

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

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

Significant Changes. The Plan was amended effective August 1, 2016 to 1) freeze participation (i.e. employees hired on or after August 1, 2016 are not eligible for the Plan), 2) modify the definition of Actuarial Equivalence to 6.5% and applicable mortality, and 3) offer a lump sum option form of payment up to $50,000.

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

Plan Membership. At November 1, 2015, there were 179 plan members including 130 active members, 27 terminated vested members, and 22 retirees and beneficiaries.

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

Investments

Investment policy. It is the policy of the Authority's Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of August 31, 2016.

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

Rate of return. For the plan year ended October 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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.

Interest	Net External Cash Flows	Periods Invested	Period Weight	Net External Cash Flows With
Beginning Value - November 1, 2015	$ 12,484,950	12.00	1.00	$ 12,950,820
Monthly Net External Cash Flows:				
November	(30,528)	12.00	1.00	(31,667)
December	(30,528)	11.00	0.92	(31,575)
January	(30,528)	10.00	0.83	(31,471)
February	(30,528)	9.00	0.75	(31,379)
March	1,194,592	8.00	0.67	1,224,277
April	(30,528)	7.00	0.58	(31,184)
May	(30,528)	6.00	0.50	(31,093)
June	(30,528)	5.00	0.42	(31,002)
July	(30,528)	4.00	0.33	(30,900)
August	(30,528)	3.00	0.25	(30,809)
September	(30,528)	2.00	0.17	(30,719)
October	(30,528)	1.00	0.08	(30,618)
Ending Value - October 31, 2016	$ 13,832,680			$ 13,832,680
Money-Weighted Rate of Return	3.73%			

Return on assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2016.

Asset Class	Index	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
US Core Fixed Income	Barclays Aggregate	15.00%	1.76%
US Interm Bonds	Barclays IT Gvt/Credit	10.00%	1.65%
US Inflation-Indexed Bonds	Barclays US TIPs	5.00%	1.17%
US High Yield Bonds	BAML High Yield	5.00%	4.96%
US Large Caps	S&P 500	12.00%	4.65%
US Small & Mid Caps	Russell 2500	4.00%	5.55%
US Large Growth	Russell 1000 Growth	8.00%	5.18%
US Large Value	Russell 1000 Value	8.00%	4.38%
US Small Growth	Russell 2000 Growth	4.00%	6.59%
US Small Value	Russell 2000 Value	4.00%	5.13%
US MidCap Growth	Russell MidCap Growth	5.00%	5.84%
US MidCap Value	Russell MidCap Value	5.00%	4.69%
Foreign Developed Equity	MSCI EAFE NR	10.00%	5.48%
US REITs	FTSE NAREIT Equity REIT	5.00%	4.56%
Assumed Inflation - Mean			2.32%
Assumed Inflation - Standard Deviation			1.85%
Portfolio Real Mean Return			4.05%
Portfolio Nominal Mean Deviation			6.37%
Portfolio Standard Deviation			11.38%
Long-Term Expected Rate of Return			**6.50%**

Net Pension Liability

	October 31, 2015	October 31, 2016
Total pension liability	$ 14,297,670	$ 15,196,084
Fiduciary net position	12,484,950	13,832,680
Net Pension Liability	$ 1,812,720	$ 1,363,404
Fiduciary net position as a % of total pension liability	87.32%	91.03%
Covered payroll	$ 9,452,146	$ 10,585,540
Net pension liability as a % of covered payroll	19.18%	12.88%

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

Discount Rate

	October 31, 2015	October 31, 2016
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

	October 31, 2015	October 31, 2016
Valuation date	November 1, 2014	November 1, 2015
Measurement date	October 31, 2015	October 31, 2016
Inflation	2.50%	2.30%
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	Entry Age Normal	Entry Age Normal

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Total pension liability	$ 17,527,500	$ 15,196,084	$ 13,268,108
Fiduciary net position	13,832,680	13,832,680	13,832,680
Net Pension Liability	$ 3,694,820	$ 1,363,404	$ (564,572)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a)-(b)
Balances as of August 31, 2015	$ 14,297,670	$ 12,484,950	$ 1,812,720
Changes for the year:			
Service cost	1,045,193		1,045,193
Interest on total pension liability	938,603		938,603
Effect of economic/demographic gains or losses	(467,654)		(467,654)
Effect of assumptions changes or inputs	(258,264)		0 (258,264)
Benefit payments	(359,464)	(359,464)	0
Administrative expenses		(6,875)	6,875
Net investment income		488,949	(488,949)
Employer contributions		1,225,120	(1,225,120)
Balances as of August 31, 2016	$ 15,196,084	$ 13,832,680	$ 1,363,404

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

Pension Expense

	September 01, 2016 to August 31, 2017
Pension Expense	
Service cost	$ 1,045,193
Interest on total pension liability	938,603
Administrative expenses	6,875
Expected investment return net of investment expenses	(838,993)
Recognition of economic/demographic gains and lossses	(74,007)
Recognition of assumption changes or inputs	(26,212)
Recognition of investment gains and losses	150,524
	$ 1,201,983

As of August 31, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions made subsequent to measurement date	$	$ 1,446,275
Difference between expected and actual experience	703,889	
Changes in assumptions	232,052	
Net difference between projected and actual earnings		539,903
Total	$ 935,941	$ 1,986,178

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

Year Ended August 31:	
2018	$ 49,846
2019	49,845
2020	69,547
2021	(30,211)
2022	(100,219)
Thereafter*	(434,846)

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

Depletion Date Projection

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

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

- The Authority has a least a 5-year history of paying at least 199% of the Actuarially Determined Contribution (previously termed the Annual Required Contribution).
- The Actuarially Determined Contribution is based on a closed amortization period, which means that payment of the Actuarially Determined Contribution each year will bring the plan to a 100% funded position by the end of the amortization period.
- GASB 67 and 68 specify that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

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

Funding Policy

The contribution required from OPEB plan members may be amended by the Authority's Board of Directors. As of the date of this report, The OPEB healthcare plan is 100% funded by the Authority on a pay-as-you-go-basis.

Benefits Provided

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

Employees Covered by Benefit Terms

As of August 31, 2017, 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.

Total OPEB Liability

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

	September 1, 2016	August 31, 2017
Total OPEB liability	$ 2,151,478	$ 1,947,522
Covered payroll	$ 393,447	$ 393,447
Total OPEB liability as a % of covered payroll	546.83%	494.99%

Discount Rate

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

Discount Rate

	October 31, 2015	October 31, 2016
Discount rate	2.84%	3.51%
20 Year Tax-Exempt Municpal Bond Yield	2.84%	3.51%

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of August 31, 2017 were based on the results of an actuarial experience study for the period November 1, 2011- November 1, 2015

Other Key Actuarial Assumptions

	September 1, 2016	August 31, 2017
Valuation date	September 1, 2016	September 1, 2016
Measurement date	September 1, 2016	August 31, 2017
Inflation	2.30%	2.30%
Salary increases including inflation	5.00%	5.00%
Mortality	RP-2000 Mortality For Employees, Healthy Annuitants,and Dissabled Annuitants with generational projection per Scale BB	RP-2000 Mortality For Employees, Healthy Annuitants,and Dissabled Annuitants with generational projection per Scale BB
Actuarial cost method	Entry Age Normal	Entry Age Normal

Changes in OPEB Liability

	Increase (Decrease) Total OPEB Liability
OPEB obligation on August 31 2016	$ 1,414,539
Prior period Adjustment - GASB 75	736,939
Balances as of September 1, 2016	$ 2,151,478
Changes for the year:	
Service cost	28,903
Interest on total pension liability	61,195
Effect of assumptions changes or inputs	(242,418)
Benefit payments	(51,636)
Balances as of August 31, 2017	$ 1,947,522

Sensitivity Analysis.
The following presents the total OPEB liability of the Authority, calculated using the discount rate of 3.51 percent, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51 percent) or 1-percentage-point higher (4.51 percent) than the current rate:

	1% Decrease 2.10%	Discount Rate 3.51%	1% Increase 4.51%
Total OPEB Liability	$ 2,323,891	$ 1,947,522	$ 1,647,939

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	$ 1,612,498	$ 1,947,522	$ 2,381,184

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

For the year ended August 31, 2017, the Authority recognized OPEB expense of $26,304.

OPEB Expense

	September 01, 2015 to August 31, 2016
OPEB Expense	
Service cost	$ 28,903
Interest on total OPEB liability	61,195
Effect of plan changes	0
Recognition of economic/demographic gains and lossses	0
Recognition of assumption changes or inputs	(63,794)
	$ 26,304

At August 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	$ 0	$ 0
Changes in assumptions	178,624	
Total	$ 178,624	$ 0

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

Year Ended August 31:	
2018	$ (63,794)
2019	(63,794)
2020	(51,036)
2021	0
2022	0
Thereafter*	0

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

NOTE 10 – MAJOR CUSTOMERS

Industrial and municipal water sales totaling $14,978,075 were invoiced to the Authority's three largest customers of the Raw Water Supply Division. This accounts for 92% of the Raw Water Supply Division water sales revenues for the year ended August 31, 2017.

Revenues totaling $2,065,619 accrued from the Authority's primary contractual partner (City of Houston) in the Lake Conroe reservoir project. This accounts for 64% of the Lake Conroe Division's operating revenues for the year ended August 31, 2017.

Water pumpage and surface water fees totaling $25,941,844 were invoiced to the Authority's two largest customers of the Groundwater Reduction Plan Division. This accounts for 51% of Groundwater Reduction Plan Division's operating revenues for the year ended August 31, 2017.

Water and sewer service fees and capacity charges totaling $27,989,052 were invoiced to the Authority's five largest customers of the Woodlands Division. This accounts for 71% of The Woodlands Division's operating revenues for the year ended August 31, 2017.

NOTE 11 – CONTINGENCIES

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

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

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

The suit is currently stayed pending a ruling by Third Court of Appeals, Austin, on an interlocutory appeal filed by the Cities of Conroe, Magnolia, and Splendora, Texas. The

Authority cannot predict the outcome of the suit at this time. As such, the Authority cannot make a statement regarding the impact the resolution of the suit may have upon the Authority's financial condition. The Authority has expended approximately $903,500 in legal fees and costs related to the suit and additional expenditures are anticipated to be incurred by the Authority in the future.

The City of Conroe and City of Magnolia are paying the fiscal year 2016 rates (not fiscal year 2017 rates) and are incurring late fees and finance fees on the unpaid balances. As of August 31, 2017, past due balances (including late fees and interest) for City of Conroe was $579,898 and for City of Magnolia was $32,201. All other participants are paying the fiscal year 2017 rates.

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.

Approximately twelve lawsuits have been filed against the Authority on behalf of individuals that claim to have experienced flooding in the days following the landfall of Hurricane Harvey. Similar claims have been submitted to the Authority but are not the subject of a filed lawsuit. The Authority intends to contest these claims vigorously. The Authority cannot express a judgement as to the potential outcome of the claims, estimate the amount or range of potential losses related to the claims, or estimate legal expenses that may be incurred in contesting the claims. No inference should be drawn from the foregoing.

NOTE 13 – FUNDING FOR REGION H WATER PLANNING GRANT

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

NOTE 14 – COMPENSATED ABSENCES

Vacation

As of August 31, 2017, employees of the Authority accrue vacation quarterly based on their hire date. Vacation is accrued as follows:

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

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

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

Sick Leave

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

Accrual: Sick leave will accrue at the rate of eight hours per month. No more than 36 eight-hour days (288 hours) of accrued sick leave may be carried forward from one fiscal year to the next. Balances in excess of 36 days (288 hours) will be canceled on August 31 of each year.

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

Compensatory Time

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

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

Maximum Accruals:
General and Administration Employees – 20 actual hours = 30 compensatory time hours
Woodlands Employees – 20 actual hours = 30 compensatory time hours
Lake Conroe Employees – 40 actual hours = 60 compensatory time hours
Highlands Employees – 80 actual hours = 120 compensatory time hours
GRP Employees – 20 actual hours = 30 compensatory time hours

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

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

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

	Sept. 1, 2016	Additions	Reductions	Aug. 31, 2017
Lake Conroe Vacation	$ 25,720	$ 3,402	$	$ 29,122
Highlands Vacation	10,840	4,675		15,515
General & Admin Vacation	199,826		12,978	186,848
Woodlands Vacation	89,068	5,142		94,210
GRP Vacation	41,351	6,890		48,241
Vacation Total	366,805	20,109	12,978	373,936
Lake Conroe Sick Leave				
Highlands Sick Leave				
General & Admin Sick Leave	49,260		23,330	25,930
Woodlands Sick Leave	3,144		1,690	1,454
GRP Sick Leave		19,008		19,008
Sick Leave Total	52,404	19,008	25,020	46,392
Lake Conroe Comp Time	1,317	102		1,419
Highlands Comp Time	5,236	464		5,700
General & Admin Comp Time	7,093	238		7,331
Woodlands Comp Time	506		324	182
GRP Comp Time	1,060		488	572
Compensatory Time Total	15,212	804	812	15,204
Total	$ 434,421	$ 39,921	$ 38,810	$ 435,532

The current year expense and ending fiscal year 2017 liability for compensatory time is calculated based on the total employee hours accrued times the end of fiscal year 2017 pay rate.

NOTE 15 – RESTATEMENT OF NET POSITION

Beginning net position was restated from $169,912,924 to $169,175,985 to reflect a $736,939 change in the beginning OPEB obligation as a result of the implementation of GASB 75.

NOTE 16 – SUBSEQUENT EVENT

Subsequent to year end, the Authority issued $42,895,000 Special Project Revenue Bonds, Series 2017 Bonds to finance Woodlands water supply and waste disposal system repair and rehabilitation projects. The Bonds mature in 2042 and bear interest between .11 and 1.71%. Payments are due semi-annually on October 1 and April 1 of each year.

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, 2017

Fiscal Year Ending August 31	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 1,045,193	$ 1,000,263	$ 904,125	$
Interest on total pension liability	938,603	882,137	805,717	
Effect of plan changes				
Effect of assumption changes or inputs	(258,264)			
Effect of economic/demographic gains or (losses	(467,654)	(336,786)		
Benefit payments	(359,464)	(306,775)	(280,659)	
Net change in total pension liability	898,414	1,238,839	1,429,183	
Total pension liability, beginning	14,297,670	13,058,831	11,629,648	
Total Pension Liability, Ending (a)	$ 15,196,084	$ 14,297,670	$ 13,058,831	$
Fiduciary Net Position				
Employer contributions	$ 1,225,120	$ 1,222,436	$ 1,200,435	$
Member contributions				
Investment income net of investment expenses	488,949	265,496	754,693	
Benefit payments	(359,464)	(306,775)	(280,659)	
Administrative expenses	(6,875)	(7,379)	(11,471)	
Net Change in Plan Fiduciary Net Position	1,347,730	1,173,778	1,662,998	
Fiduciary net position, beginning	12,484,950	11,311,172	9,648,174	
Fiduciary Net Position, Ending (b)	$ 13,832,680	$ 12,484,950	$ 11,311,172	$
Net Pension Liability, Ending (a)-(b)	$ 1,363,404	$ 1,812,720	$ 1,747,659	$
Fiduciary Net Position as a % of total pension liability	91.03%	87.32%	86.62%	
Covered Payroll	$ 10,585,540	$ 9,452,146	$ 8,773,266	$ 7,693,148
Net Pension Liability as a % of Covered Payroll	12.88%	19.18%	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.

2013	2012	2011	2010	2009	2008
$	$	$	$	$	$
$	$	$	$	$	$
$	$	$	$	$	$
$	$	$	$	$	$
$	$	$	$	$	$
$ 6,776,385	$ 5,939,787	$ 4,728,214	$ 4,129,705	$ 4,013,370	$ 3,254,963

SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2017

Fiscal Year Ended August 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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%
2016	1,091,804	1,222,436	(130,632)	9,452,146	12.93%
2017	1,172,614	1,225,120	(52,506)	10,585,540	11.57%

Actuarial Methods and Assumptions Used for Funding Policy

The following actuarial methods and assumptions were used in the November 1, 2015 funding valuation. Each assumption is individually reasonable and, in combination, offer our best estimate of anticipated experience under the plan at the time.

Valuation Timing	The valuation is performed as of November 1 and the actuarially determined contribution is determined as of midyear (i.e. April 1).
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Level percent or level dollar	Level dollar
Closed, open, or layered periods	Layered
Amortization Period at 11/1/2015	25 years for IUAAL, 5 years for subsequent gains/losses, expected future service for plan amendments and assumption changes
Amortization Growth Rate	N/A
Asset Valuation Method	
Smoothing period	N/A
Recognition method	Market Value
Corridor	None
Inflation	2.30%
Salary Increases	5.00%
Investment Rate of Return	6.50%, based on the Plan's investment policy, including target asset allocation, and Milliman's capital market expectations.
Cost of Living Adjustment	None
Retirement Age	Annual rates of retitemen are shown below Age 55-64-Rate 5% Age 65- Rate 100%
Turnover	Crocker-Sarason T-3 Table
Mortality	RP-2000 Mortality with generational projection per Scale BB

SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2017

Fiscal Year Ended August 31	Net Money-Weighted Rate of Return
2008	4.01%
2009	3.99%
2010	3.93%
2011	3.55%
2012	3.09%
2013	2.89%
2014	3.73%
2015	7.42%
2016	2.20%
2017	3.73%

SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2017

Fiscal Year Ending August 31	2017	2016	2015	2014
Total OPEB Liability				
Service cost	$ 28,903	$	$	$
Interest on total OPEB liability	61,195			
Changes of benefit terms				
Effect of economic/demographic gains or (losses)				
Effect of assumption changes or inputs	(242,418)			
Benefit payments	(51,636)			
Change in totalOPEB liability	(203,956)			
Total OPEB liability, beginning	2,151,478			
Total OPEB Liability, Ending	$ 1,947,522	$	$	$
Covered Payroll	$ 393,447	$ 352,848	$ 347,971	$ 336,482
Net Pension Liability as a % of Covered Payroll	494.99%			

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

2013	2012	2011	2010	2009	2008
$	$	$	$	$	$
$	$	$	$	$	$
$ 413,753	$ 474,846	$ 463,099	$ 469,053	$ 455,791	$ N/A

SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2017

Fiscal Year Ended August 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2008	$ N/A	$ N/A	$ N/A	$ N/A	N/A
2009	44,444	44,444		455,791	9.75%
2010	46,113	46,113		469,053	9.83%
2011	41,303	41,303		463,099	8.92%
2012	43,828	43,828		474,846	9.23%
2013	49,250	49,250		413,753	11.90%
2014	49,446	49,446		336,482	14.69%
2015	51,223	51,223		347,971	14.72%
2016	52,301	52,301		352,848	14.82%
2017	51,636	51,636		393,447	13.12%

Actuarial Methods and Assumptions Used for Funding Policy

The Authority does not pre-fund benefits. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis and there is not a trust for accumulating plan assets. The following actuarial methods and assumptions were used in the September 1, 2016 accounting valuation.

Valuation Timing	Actuarial valuations are performed biennially as of September 1 for accounting purposes only. The most recent valuation was performed as of September 1, 2016.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Level percent or level dollar	N/A
Closed, open, or layered periods	N/A
Amortization Period at September 1, 2016	N/A
Amortization Growth Rate	N/A
Inflation	2.30%
Salary Increases	5.00%
Discount Rate	September 1, 2016: 2.84% August 31, 2017: 3.51%
Healthcare Cost Trend Rates	6.3% for 2016, gradually decreasing to an ultimate rate of 4.1% fir 2096 and beyond
Retirement	100% at age 65
Mortality	RP-2000 Mortality for Employees, Healthy Annuitants and Disabled Annuitants with generational projection per Scale BB

OTHER SUPPLEMENTARY INFORMATION

SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2017

	Budgeted Amounts			Variance Over
	Original	Final	Actual	(Under)
Operating Revenues				
Water revenues	$ 18,803,371	$ 18,803,371	$ 18,583,953	$ (219,418)
Permits, licenses and fees	1,279,277	1,279,277	1,308,095	28,818
Total Revenues	20,082,648	20,082,648	19,892,048	(190,600)
Operating Expenses				
Current:				
Salaries and wages	3,905,602	3,905,602	3,531,806	(373,796)
Employee insurance and other payroll benefits	1,622,278	1,622,278	1,431,889	(190,389)
Outside services employed	1,628,383	1,628,383	1,259,731	(368,652)
Operating supplies and expenses	740,803	740,803	509,908	(230,895)
Rentals	59,735	59,735	44,145	(15,590)
Maintenance, repairs and parts	1,330,621	1,330,621	1,264,441	(66,180)
General and administrative	1,628,874	1,628,874	1,217,203	(411,671)
Depreciation			2,333,719	2,333,719
Total Expenditures	10,916,296	10,916,296	11,592,842	676,546
Operating Net Income	9,166,352	9,166,352	8,299,206	(867,146)
Nonoperating Revenues (Expenses)				
Interest income	11,500	11,500	62,696	51,196
Interest expense on bonds	(2,722,132)	(2,722,132)	(2,716,527)	5,605
Other	8,023	8,023	522,091	514,068
Total Nonoperating Revenues (Expenses)	(2,702,609)	(2,702,609)	(2,131,740)	570,869
Income (Loss) Before Contributions and Transfers	$ 6,463,743	$ 6,463,743	$ 6,167,466	$ (296,277)

SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance Over (Under)
	Original	Final		
Operating Revenues				
Water and sewer service fees	$ 39,473,721	$ 39,473,721	$ 39,411,248	$ (62,473)
Total Revenues	39,473,721	39,473,721	39,411,248	(62,473)
Operating Expenses				
Current:				
Salaries and wages	4,655,928	4,655,928	4,539,376	(116,552)
Employee insurance and other payroll benefits	1,874,271	1,874,271	1,868,908	(5,363)
Outside services employed	17,748,319	17,748,319	17,831,942	83,623
Operating supplies and expenses	4,581,067	4,581,067	3,618,447	(962,620)
Rentals	26,200	26,200	22,886	(3,314)
Maintenance, repairs and parts	4,625,503	4,625,503	3,145,412	(1,480,091)
General and administrative	771,684	771,684	773,195	1,511
Asset Purchases				
Total Expenditures	34,282,972	34,282,972	31,800,166	(2,482,806)
Operating Net Income (Loss)	5,190,749	5,190,749	7,611,082	2,420,333
Nonoperating Revenues				
Interest income	6,350	6,350	103,675	97,325
Other			223,673	223,673
Total Nonoperating Revenues	6,350	6,350	327,348	320,998
Income (Loss) Before Contributions and Transfers	$ 5,197,099	$ 5,197,099	$ 7,938,430	$ 2,741,331

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 a record year of excess rainfall; therefore, less water usage and less expenditures were incurred than budgeted.

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL GROUNDWATER REDUCTION PLAN DIVISION

Year Ended August 31, 2017

	Budgeted Amounts			Variance Over
	Original	Final	Actual	(Under)
Operating Revenues				
Water revenues (GRP Pumpage Fees)	$ 56,254,385	$ 56,254,385	$ 50,469,701	$ (5,784,684)
Total Revenues	56,254,385	56,254,385	50,469,701	(5,784,684)
Operating Expenses				
Current:				
Salaries and wages	3,586,620	3,586,620	3,558,884	(27,736)
Employee insurance and other payroll benefits	1,393,727	1,393,727	1,440,503	46,776
Outside services employed	2,533,838	4,308,838	2,911,646	(1,397,192)
Operating supplies and expenses	12,205,468	12,205,468	9,771,980	(2,433,488)
Rentals	6,000	6,000	891	(5,109)
Maintenance, repairs and parts	563,400	2,063,400	1,479,342	(584,058)
General and administrative	711,855	711,855	464,403	(247,452)
Depreciation			14,924,306	14,924,306
Total Expenditures	21,000,908	24,275,908	34,551,955	10,276,047
Operating Net Income	35,253,477	31,978,477	15,917,746	(16,060,731)
Nonoperating Revenues (Expenses)				
Interest income	18,000	18,000	260,913	242,913
Interest expense	(21,230,476)	(21,230,476)	(21,226,070)	4,406
Other	17,688	17,688	185,135	167,447
Total Nonoperating Revenues (Expenses)	(21,194,788)	(21,194,788)	(20,780,022)	414,766
Income (Loss) Before Contributions and Transfers	$ 14,058,689	$ 10,783,689	$ (4,862,276)	$ (15,645,965)

Revenues are below budget due to a record year of excess rainfall; therefore, less water was used than budgeted.

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF NET POSITION
GROUNDWATER REDUCTION PLAN DIVISION

August 31, 2017

Assets	
Current Assets	
Cash and cash equivalents	
Unrestricted	$ 3,470,851
Restricted for debt service	54,062,881
Restricted for construction	3,262,224
Accounts receivable and prepaids	7,645,424
Total Current Assets	68,441,380
Noncurrent Asset - Prepaid reservation fees	945,887
Capital Assets - at cost	
Land	13,719,804
Land improvements	2,470,693
Furniture and fixtures	2,334,541
Other machinery and equipment	518,485
Automobiles and trucks	448,730
Buildings	15,599,818
Water systems	418,724,580
Construction in progress	5,149,783
Accumulated Depreciation	(31,273,320)
Total Capital Assets	427,693,114
Total Noncurrent and Capital Assets	428,639,001
Total Assets	$ 497,080,381
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities - unrestricted	$ 2,245,809
Restricted for debt services - current portion of bonds	13,315,000
Restricted for debt services - accrued interest payable	8,833,591
Restricted for construction - retainage payable	19,752
Unearned Revenue	4,390
Total Current Liabilities	24,418,542
Noncurrent Liabilities	
First lien water revenue bonds - less current maturities	494,220,000
Unamortized bond premium or discount	154,436
Total Noncurrent Liabilities	494,374,436
Total Liabilities	518,792,978
Net Position	
Net Position	
Invested in capital assets - net of related debt	(76,753,850)
Restricted for debt service	45,229,290
Unrestricted	9,811,963
Total Net Position	$ (21,712,597)

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF REVENUES AND EXPENSES
GROUNDWATER REDUCTION PLAN DIVISION

Year Ended August 31, 2017

Operating Revenues	
Water revenues (GRP Pumpage and Surface Water Fees)	$ 50,469,701
Total Revenues	50,469,701
Operating Expenses	
Current:	
Salaries and wages	3,558,884
Employee insurance and other payroll benefits	1,440,503
Outside services employed	2,911,646
Operating supplies and expenses	9,771,980
Rentals	891
Maintenance, repairs and parts	1,479,342
General and administrative expenses	464,403
Depreciation	14,924,306
Total Expenditures	34,551,955
Operating Net Income (Loss)	15,917,746
Nonoperating Revenues (Expenses)	
Interest income	260,913
Gain (Loss) on disposal of assets	158,412
Amortization of debt issuance costs	7,012
Interest expense on bonds	(21,226,070)
Other	19,711
Total Nonoperating Revenues (Expenses)	(20,780,022)
Income (Loss) Before Transfers and Contributions	(4,862,276)
Transfers	28,373
Contributions	(22,702,552)
Change in Net Position	(27,536,455)
Net Position at Beginning of Year	5,823,858
Net Position at End of Year	$ (21,712,597)

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF CASH FLOWS
GROUNDWATER REDUCTION PLAN DIVISION

Year Ended August 31, 2017

Cash Flows from Operating Activities	
Cash received from customers	$ 49,584,755
Cash payments to suppliers for goods and services	(13,891,469)
Cash paid for employee services	(4,999,387)
Other revenues and expenses	20,534
Net Cash Provided by Operating Activities	30,714,433
Cash Flows from Noncapital Financing Activities	
Transfers	28,373
Net Cash Provided by Noncapital Financing Activities	28,373
Cash Flows from Capital and Related Financing Activities	
Principal paid on bonds	(13,025,000)
Interest paid on bonds	(21,337,137)
Bond issue expenses	(823)
Acquisition of capital assets	19,284,351
Proceeds from the sale of assets	158,412
Capital contributions	(22,702,552)
Net Cash (Used) by Capital and Related Financing Activities	(37,622,749)
Cash Flows from Investing Activities	
Interest earned	260,913
Net Cash Flows Provided by Investing Activities	260,913
Net (Decrease) in Cash and Cash Equivalents	(6,619,030)
Cash and equivalents at beginning of year	67,414,986
Cash and Equivalents at End of Year	$ 60,795,956
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	$ 15,917,746
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Other revenues and expenses	20,534
Depreciation	14,924,306
(Increase) in receivables	(424,933)
(Increase) in inventory	(13,196)
Decrease in prepaids	1,897,224
(Decrease) in accounts payable and accrued liabilities	(1,611,638)
Increase in unearned revenue	4,390
Total Adjustments	14,796,687
Net Cash Provided by Operating Activities	$ 30,714,433

SAN JACINTO RIVER AUTHORITY

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

August 31, 2017

Dam and Appurtenances:	
Dam and appurtenances - joint	$ 21,704,120
Dam and appurtenances - San Jacinto River Authority	1,169,194
Total Dam and Appurtenances	22,873,314
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	466,691
Equipment:	
Construction and maintenance equipment - joint	210,790
Transportation equipment - joint	400,525
Transportation equipment - San Jacinto River Authority	7,371
Office furniture and fixtures - joint	14,547
Computer software - joint	442,536
Computer hardware - joint	97,810
Telephone system - joint	23,148
Laboratory equipment - joint	98,673
Miscellaneous equipment - joint	206,876
Construction and maintenance equipment - San Jacinto River Authority	45,919
Total Equipment	1,548,195
Land:	
Land easements and improvements - joint	7,575,624
Land acquisition and administration - joint	5,871,391
Ayer Island improvements - joint	49,508
Land easements - Newton Park	312,928
Water supply well rehabilitation - joint	20,241
Lake Conroe land - site prep - SJRA	28,379
Land acquisition and administration - San Jacinto River Authority	580,032
Total Land	14,438,103
Total Lake Conroe Dam, Reservoir and Related Equipment	39,326,303
Less City of Houston Contribution	(24,744,938)
San Jacinto River Authority's Interest in Lake Conroe Dam, Reservoir and Related Equipment	14,581,365
Less Accumulated Depreciation on San Jacinto River Authority's Interest in Assets	(3,921,407)
Net Interest in Lake Conroe Dam, Reservoir and Related Equipment	$ 10,659,958

SAN JACINTO RIVER AUTHORITY

INSURANCE COVERAGES

August 31, 2017

Types of Coverages	Amount of Coverage	Insurer	Coverage to
Property Coverages			
Buildings	$213,127,200	TWCA Risk Management Fund	7/1/2018
Contents	6,162,192	TWCA Risk Management Fund	7/1/2018
EDP Equipment	1,074,735	TWCA Risk Management Fund	7/1/2018
Equipment/Contractors Equip	2,431,281	TWCA Risk Management Fund	7/1/2018
Miscellaneous Property & Equipment	5,213,893	TWCA Risk Management Fund	7/1/2018
Rented Equipment	200,000	TWCA Risk Management Fund	7/1/2018
Boiler and Machinery	151,340,251	TWCA Risk Management Fund	7/1/2018
Total Property Coverages	$379,549,552		
Automobile:			
Bodily injury and property damage	Combined limit $1,000,000	TWCA Risk Management Fund	7/1/2018
Excess auto liability	$9,000,000	TWCA Risk Management Fund	7/1/2018
Physical damage	Actual cash value	TWCA Risk Management Fund	7/1/2018
General Liability	$1,000,000 per occurrence	TWCA Risk Management Fund	7/1/2018
Excess General Liability	$9,000,000	TWCA Risk Management Fund	7/1/2018
Public Officials:			
Errors and omissions	$1,000,000	TWCA Risk Management Fund	7/1/2018
Excess errors and omissions	$9,000,000	TWCA Risk Management Fund	7/1/2018
GRP Review Committee	$70,000	JI Special Risk Insurance Agency	10/16/2018
Workers' Compensation	Statutory	TWCA Risk Management Fund	7/1/2018

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, 2017

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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.

Contents **Page**

Financial Trends 80-83

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity 84-86

These schedules contain information to help the reader assess the Authority's most significant local revenue source, the water and sewer service.

Debt Capacity 87-89

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information 90-93

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information 94-97

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

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

SAN JACINTO RIVER AUTHORITY

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2008	2009	2010	2011
Business-type activities				
Net Investment in capital assets	$ 65,030,432	$ 71,921,272	$ 39,210,018	$ 93,493,165
Restricted	34,936,170	28,654,942	65,464,657	7,778,815
Unrestricted	18,156,477	23,616,921	21,068,435	36,370,470
Total business-type activities net position	$ 118,123,079	$ 124,193,135	$ 125,743,110	$ 137,642,450
Primary government				
Net Investment in capital assets	$ 65,030,432	$ 71,921,272	$ 39,210,018	$ 93,493,165
Restricted	34,936,170	28,654,942	65,464,657	7,778,815
Unrestricted	18,156,477	23,616,921	21,068,435	36,370,470
Total primary government net position	$ 118,123,079	$ 124,193,135	$ 125,743,110	$ 137,642,450

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					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
$ 81,039,024	$ 34,279,471	$ 52,304,682	$ 81,417,800	$ 76,461,833	$ 54,705,951
27,079,260	68,491,559	59,550,621	52,279,716	54,932,005	56,121,250
34,648,654	38,155,393	34,447,449	33,386,039	38,519,086	41,920,578
$ 142,766,938	$ 140,926,423	$ 146,302,752	$ 167,083,555	$ 169,912,924	$ 152,747,779

$ 81,039,024	$ 34,279,471	$ 52,304,682	$ 81,417,800	$ 76,461,833	$ 54,705,951
27,079,260	68,491,559	59,550,621	52,279,716	54,932,005	56,121,250
34,648,654	38,155,393	34,447,449	33,386,039	38,519,086	41,920,578
$ 142,766,938	$ 140,926,423	$ 146,302,752	$ 167,083,555	$ 169,912,924	$ 152,747,779

SAN JACINTO RIVER AUTHORITY

CHANGES IN NET POSITION

Last Ten Fiscal Years

	2008	2009	2010	2011
Expenses				
Business-type activities:				
Salaries and wages	$ 3,609,239	$ 4,213,962	$ 4,610,165	$ 6,702,971
Employee insurance and other payroll benefits	1,802,280	2,057,484	2,316,454	2,783,051
Outside services employed	2,785,842	3,279,261	2,718,636	5,053,638
Operating supplies and expenses	4,717,992	4,499,020	5,437,305	7,595,490
Rentals	48,714	111,362	147,150	124,643
Maintenance, repairs and parts	3,456,995	4,174,346	2,446,618	4,133,285
Water planning study expenses	125,700	356,123	1,026,692	157,071
General and administrative expenses	949,078	1,370,683	1,971,681	
Depreciation	5,747,453	5,219,499	5,823,940	6,330,205
Total business-type activities expenses	23,243,293	25,281,740	26,498,641	32,880,354
Total primary government expenses	$ 23,243,293	$ 25,281,740	$ 26,498,641	$ 32,880,354
Program Revenues:				
Business-type activities				
Water sales:				
Industrial	$ 7,660,698	$ 8,264,471	$ 8,862,294	$ 9,037,794
Irrigation	40,013	58,291	76,369	134,341
Water and sewer service fees	13,514,338	16,270,637	15,253,398	33,257,666
Permits, licenses, and fees	858,733	682,043	578,560	763,503
Contractual revenues				
Capacity charges	5,149,975	5,522,353	5,205,756	5,466,830
Water planning study	575,909	464,449	1,088,622	141,878
Total business-type activities revenues	27,799,666	31,262,244	31,064,999	48,802,012
Total primary government revenues	$ 27,799,666	$ 31,262,244	$ 31,064,999	$ 48,802,012
Net (Expenses) Revenue				
Business-type activities				
Interest income	$ 1,549,570	$ 482,664	$ 229,489	$ 287,860
Gain (Loss) on disposal of capital assets	11,706	22,746	161,336	47,542
Oil and gas royalty income	51,268	32,820	12,635	7,920
Other revenues	185,648	74,016	1,932	6,305
FEMA Grant		1,910,083		
Other expenses	(17,800)			(119,476)
Amortization of bond premium or discounts	(641,709)	(646,329)	(683,725)	(728,548)
Interest expense on bonds	(3,814,792)	(3,875,334)	(3,527,175)	(5,367,553)
Total business-type activities	(2,676,109)	(1,999,334)	(3,805,508)	(5,865,950)
Total primary government	$ (2,676,109)	$ (1,999,334)	$ (3,805,508)	$ (5,865,950)
General Revenues and Other Change in Net Position				
Business-type activities:				
Capital Contributions/(Distributions)	$ 16,176,421	$ 2,088,886	$ 789,125	$ 1,843,632
Total business-type activities	16,176,421	2,088,886	789,125	1,843,632
Total primary government	$ 16,176,421	$ 2,088,886	$ 789,125	$ 1,843,632
Change in Net Position				
Business-type activities	18,056,685	6,070,056	1,549,975	11,899,340
Total primary government	$ 18,056,685	$ 6,070,056	$ 1,549,975	$ 11,899,340

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					
2012	2013	2014	2015	2016	2017
$ 7,958,296	$ 8,392,601	$ 8,872,719	$ 10,720,810	$ 11,724,348	$ 12,182,806
2,772,375	3,476,905	3,443,181	4,255,143	4,715,723	4,924,773
3,908,048	4,072,695	4,943,193	3,759,083	5,042,298	6,283,542
7,388,455	7,797,323	9,405,454	6,754,835	11,252,100	11,732,077
352,479	234,674	118,467	69,320	85,327	75,774
4,550,249	4,538,373	3,773,308	4,113,761	5,279,400	6,080,155
197,815	257,465	520,071	802,042	17,877	1,943
6,898,534	7,404,035	7,783,943	8,753,185	23,527,194	24,446,476
34,026,251	36,174,071	38,860,336	39,228,179	61,644,267	65,727,546
$ 34,026,251	$ 36,174,071	$ 38,860,336	$ 39,228,179	$ 61,644,267	$ 65,727,546
$ 9,223,102	$ 10,125,269	$ 11,070,653	$ 10,550,443	$ 12,622,941	$ 13,553,382
108,342	109,004	129,878	141,375	139,677	204,387
33,360,551	44,863,366	52,090,243	60,607,860	67,391,878	73,727,688
1,007,532	1,002,670	1,070,828	1,131,372	1,125,274	1,351,718
			1,716,011	1,486,056	2,065,619
5,242,829	5,252,805	5,188,612	5,022,163	3,834,462	3,856,538
210,072	249,233	492,810	759,984	359,554	112,377
49,152,428	61,602,347	70,043,024	79,929,208	86,959,842	94,871,709
$ 49,152,428	$ 61,602,347	$ 70,043,024	$ 79,929,208	$ 86,959,842	$ 94,871,709
$ 713,705	$ 1,189,490	$ 376,774	$ 238,633	$ 396,775	$ 527,927
167,866	(144,605)	959,459	(33,748)	452,827	588,168
3,165					
220,754	117,973	87,035	40,825	39,697	675,300
	(1,234,093)	(3,097,923)	(799,966)	(108,133)	
(454,979)	77,657	166,343	278,431	278,666	273,179
(11,489,309)	(22,414,786)	(25,688,916)	(25,183,782)	(24,954,257)	(25,644,260)
(10,838,798)	(22,408,364)	(27,197,228)	(25,459,607)	(23,894,425)	(23,579,686)
$ (10,838,798)	$ (22,408,364)	$ (27,197,228)	$ (25,459,607)	$ (23,894,425)	$ (23,579,686)
$ 837,109	$ 3,300,933	$ 1,390,869	$ 4,030,000	$ 1,408,219	$ (21,992,683)
837,109	3,300,933	1,390,869	4,030,000	1,408,219	(21,992,683)
$ 837,109	$ 3,300,933	$ 1,390,869	$ 4,030,000	$ 1,408,219	$ (21,992,683)
5,124,488	6,320,845	5,376,329	19,271,422	2,829,369	(16,428,206)
$ 5,124,488	$ 6,320,845	$ 5,376,329	$ 19,271,422	$ 2,829,369	$ (16,428,206)

SAN JACINTO RIVER AUTHORITY

WOODLANDS DIVISION WATER AND SEWER SERVICE FEES BY SOURCE

Last Ten Fiscal Years

	Water and Sewer Fees				
Fiscal Year	**Water**	**Sewer**	**Total**	**Total Water Direct Rate**	**Total WasteWater Direct Rate (1)**
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
2016	$ 10,863,349	$ 12,105,737	$ 22,969,086	$ 2.10	$ 4.30
2017	$ 11,604,919	$ 13,289,956	$ 24,894,875	$ 2.10	$ 4.30

(1) Direct Rate based on per thousand gallons

SAN JACINTO RIVER AUTHORITY

PRINCIPAL WOODLANDS DIVISION WATER AND SEWER FEES PAYERS

August 31, 2017

	2017			2008		
Customer	Revenue Base Attributable	Rank	% Base of The total Revenue Base	Revenue Base Attributable	Rank	% Base of The total Revenue Base
MUD 6	$ 1,410,437	8	6%	$ 638,796	8	5%
MUD 7	$ 1,800,153	6	7%	$ 1,086,470	4	9%
MUD 36	$ 968,500	9	4%	$ 386,071	10	3%
MUD 39	$ 890,225	10	4%	$ 509,663	9	4%
MUD 1*	$ 1,734,495	7	7%	$ 1,010,826	7	8%
MUD 46	$ 5,488,010	1	23%	$ 2,663,411	1	21%
MUD 47	$ 4,220,387	2	17%	$ 2,535,676	2	20%
MUD 60	$ 2,670,046	4	11%	$ 1,681,542	3	13%
MUD 67	$ 2,122,933	5	9%	$ 1,070,492	6	8%
Metro MUD	$ 2,955,137	3	12%	$ 1,083,882	5	9%

Note: The requirement for statistical data is ten years.

*Previously reported as MUD 2 & MUD 40

SAN JACINTO RIVER AUTHORITY

LIST OF PRINCIPAL CUSTOMERS

August 31, 2017

Raw Water Enterprise

Chevron Phillips Chemical Company
Crosby Municipal Utility District
ECO Services Operations, LLC
Entergy
ExxonMobil
Harris County Municipal Utility District 50
Lake Windcrest Property Owners Association
LCY Elastomers, LP
Newport Municipal Utility District
SJRA - GRP Division

Woodlands Division

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

Lake Conroe Division

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

Groundwater Reduction Plan Division

City of Conroe
Montgomery Co. MUD 99, MUD 115 & MUD 127
Montgomery Co. MUD 89 & MUD 88
MSEC Enterprises Montgomery Trace/
Crown Oaks/Highland Ranch
New Caney MUD
Quadvest, LP Benders Landing
Rayford Road Municipal Utility District
SJRA - Woodlands Division
Southern Montgomery Co. MUD
Spring Creek Utility District

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

SAN JACINTO RIVER AUTHORITY

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

	Business-Type Activities						
Fiscal Year	Water Revenue Bonds	Special Project Revenue Bond	Loans	Total Primary Government	Percentage of Revenue (1)	Percentage of Personal Income (2)	Debt per Population (2)
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
2016	$ 75,285,000	$ 559,405,000	$ 2,597,001	$ 637,287,001	732.85%	N/A	N/A
2017	$ 72,708,771	$ 547,509,584	$ 2,310,895	$ 622,529,250	652.09%	N/A	N/A

(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 Operating	Net Available for Debt	Debt Service		Cover
Fiscal Year	Revenue	Expenses	Service	Principal	Interest	Ratio
All Divisions Except the GRP Division						
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
2016	$ 15,253,673	$ 5,122,763	$ 10,130,910	$ 2,100,000	$ 2,796,584	2.07
2017	$ 16,679,811	$ 4,600,229	$ 12,079,582	$ 3,160,000	$ 2,757,433	2.04
GRP Division						
2010	$	$	$	$	$	
2011	$	$	$	$	$	
2012	$	$	$	$	$	
2013	$	$	$	$	$	
2014	$	$	$	$	$	
2015	$	$	$	$	$	
2016	$	$	$	$	$	
2017	$	$	$	$	$	

Special Project Revenue Bonds

Revenue	Less Operating Expenses	Net Available for Debt Service	Debt Service		Cover Ratio
			Principal	Interest	
$ 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
$ 3,834,462	$ 3,750	$ 3,830,712	$ 3,245,000	$ 725,139	0.96
$ 3,856,538	$ 7,776	$ 3,848,762	$ 2,095,000	$ 1,628,000	1.03
$ 1,089,476	$ 2,447,677	$ (1,358,201)	$	$ 238,064	(5.71)
$ 10,826,665	$ 5,450,870	$ 5,375,795	$	$ 1,096,553	4.90
$ 14,814,666	$ 4,132,542	$ 10,682,124	$	$ 7,208,592	1.48
$ 23,955,203	$ 6,139,654	$ 17,815,549	$	$ 18,333,910	0.97
$ 31,293,612	$ 7,041,051	$ 24,252,561	$ 7,820,000	$ 21,350,629	0.83
$ 38,529,534	$ 7,122,884	$ 31,406,650	$ 12,890,000	$ 21,341,076	0.92
$ 45,655,158	$ 15,577,960	$ 30,077,198	$ 13,010,000	$ 21,316,968	0.88
$ 50,469,701	$ 19,627,649	$ 30,842,052	$ 13,025,000	$ 21,337,138	0.90

SAN JACINTO RIVER AUTHORITY

AUTHORITY DEMOGRAPHICS

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

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

County/City	Population
Barrett	4,720
Baytown	75,992
Crosby	5,977
Grimes County	27,671
Highlands	7,515
Liberty County	81,704
Montgomery County	556,203
San Jacinto County	27,707
Waller County	50,115
Walker County	71,484

Source US Census Bureau, Census 2010 & 2016 and CensusReporter.org

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

	Educational Attainment	
County/City	High School	College
Barrett	82%	16%
Baytown	76%	15%
Crosby	78%	9%
Grimes County	79%	11%
Highlands	84%	7%
Liberty County	75%	9%
Montgomery County	86%	31%
San Jacinto County	79%	12%
Waller County	81%	19%
Walker County	82%	18%

Source Index Mundi & CensusReporter.org

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

County/City	Median Age	Largest Employers
Barrett	36	Texas Department of Criminal Justice
Baytown	32	Sam Houston State University
Crosby	31	Conroe Independent School District
Grimes County	41	Anadarko Petroleum
Highlands	34	Hewitt Associates
Liberty County	37	Memorial Hermann Woodlands Hospital
Montgomery County	37	St. Luke's The Woodlands Hospital
San Jacinto County	44	Huntsville Independent School District
Waller County	29	Huntsman Company, LLC
Walker County	34	Woodforest National Bank

Source US Census Bureau, Census 2015 & CensusReporter.org

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

County/City	Median Household Income ($)
Barrett	31,442
Baytown	48,103
Crosby	46,413
Grimes County	46,195
Highlands	54,219
Liberty County	42,877
Montgomery County	71,123
San Jacinto County	43,029
Waller County	51,348
Walker County	42,662

Source US Census Bureau, Census 2015 & CensusReporter.org

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

County/City	Unemployment Rate
Barrett	10.0%
Baytown	7.0%
Crosby	4.0%
Grimes County	6.7%
Highlands	10.0%
Liberty County	7.6%
Montgomery County	4.9%
San Jacinto County	6.3%
Waller County	5.7%
Walker County	5.3%

Source Txcip.org & towncharts.com

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

SAN JACINTO RIVER AUTHORITY

NUMBER OF EMPLOYEES BY DIVISION

Last Ten Fiscal Years

Division	2008	2009	2010	2011	2012
Highlands	6	6	6	7	7
Lake Conroe	9	9	11	13	14
Woodlands	43	44	45	45	45
General & Administration	13	17	27	48	56
Groundwater Reduction Plan	-	-	1	4	5
Total	71	76	90	117	127

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 2008 has been directly related to the planning and implementation of a surface water program in response to regulations adopted by the Lone Star Groundwater Conservation District. The Authority now perfoms in-house services that were not provided in 2008.

2013	2014	2015	2016	2017
7	7	7	6	10
13	14	14	14	13
39	33	38	42	39
77	79	83	86	80
7	12	23	29	27
143	145	165	177	169

SAN JACINTO RIVER AUTHORITY

OPERATING STATISTICS

Last Ten Fiscal Years

	2008	2009	2010	2011	2012
Raw Water Enterprise (Lake Conroe and Highlands Division)					
Water Delivered (Thousand Gallons)	25,853,331	23,461,598	22,956,203	26,548,710	22,813,154
Water Rights (See detail below)	6	7	7	7	7
Woodlands Division					
Water Average Pumpage (Thousand Gallons)	6,333,984	6,832,883	5,789,840	7,674,492	7,036,323
Wastewater Average Flow (Thousand Gallons per Day)	7,624	7,756	7,643	7,557	7,742
Water Permits	1	1	1	1	1
Wastewater Permits	3	3	3	3	3
Storm Water Permits	2	2	2	2	2

Water Rights Permitted at End of Year

Source	Water Right Permit Number	Permitted Amount (afpy)	Date Granted
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

2013	2014	2015	2016	2017
22,634,039	23,192,114	23,611,611	24,583,145	32,205,585
7	7	7	7	7
6,628,769	6,115,812	5,529,976	6,015,090	6,132,615
7,315	7,677	7,746	7,960	7,864
1	1	1	1	1
3	3	3	3	3
2	2	2	2	2

SAN JACINTO RIVER AUTHORITY

SCHEDULE OF CAPITAL ASSET ADDITIONS

Last Ten Fiscal Years

	2008	2009	2010	2011
Raw Water Enterprise, Highlands and General & Administration				
Land	$	$	$	$ 31,415
Water permits and rights	50,330	42,536	4,737	5,194
Construction in progress	35,412	1,240,832	5,303,395	7,743,714
Furniture, fixtures and equipment		59,880	3,761	888,915
Other machinery and equipment	5,034	162,469	128,081	102,666
Automobiles and trucks	49,568	35,845	55,566	102,171
Buildings	11,971		3,025	5,215,813
Water systems		395,987	716,658	3,308,871
Lake Conroe Division				
Land				28,372
Construction in progress	15,397	69,895	74,266	63,589
Furniture, fixtures and equipment		3,851	1,254	75,846
Other machinery and equipment	17,447	18,446	55,156	10,774
Automobiles and trucks	8,741		8,459	22,799
Buildings		23,933	6,936	46,370
Dams and appurtenances		17,676	7,528	5,711
Water systems				6,747
Woodlands Division				
Land		42,394	25,364	31
Construction in progress	16,958,077	7,348,205	5,670,466	6,398,484
Furniture, fixtures and equipment	7,313	88,005	81,356	77,986
Other machinery and equipment	12,043	46,909	20,822	91,258
Automobiles and trucks	129,846	287,450	313,628	
Buildings			13,293	79,829
Dams and appurtenances				
Water systems	787,524	21,084,196	2,665,510	4,854,789
Wastewater utility systems	8,586,424	613,969	2,716,115	542,695
Capital Improvement Plans				
Groundwater Reduction Plan Division				
Land			1,139,941	
Construction in Progress			2,265,204	10,163,648
Furniture, fixtures and equipment			15,000	78,463
Other machinery and equipment				189,557
Automobiles and trucks				26,575
Buildings				
Water systems				7,678
Total Capital Asset Additions	$ 26,675,127	$ 31,582,478	$ 21,295,521	$ 40,169,960

2012	2013	2014	2015	2016	2017
$	$	$ 10,000	$ 58,876	$ 462,528	$ 31,328
1,090					
5,804,413	13,887,890	9,772,503	7,427,025	12,317,956	9,439,000
130,150	18,540	160,680	134,167	52,201	70,175
223,889	300,528	361,139	70,271	178,617	11,732
369,830	131,621	100,878	65,171	86,271	66,379
41,360		1,484,025	774	147,491	12,628
2,173,361	17,875,400	2,802,551	8,574,076	1,378,675	19,779,516
			2,596	1,833	2,541
15,062	63,109	501,722	642,080	64,925	609,074
292	1,134	7,055	39,036	56,850	2,912
12,721	1,828	10,864	43,014		16,624
9,653	17,215	21,814	12,854	10,400	11,373
2,656				87	
40,289	6,908		1,132,947		
14,236	6,568		23,194		
7,841,826	7,662,672	6,548,527	5,020,431	7,941,930	2,318,762
42,559	196,702	71,413	386,203	14,261	66,713
	9,849	372,450	49,496	337,314	46,714
56,106	58,209	46,058	7,410	129,939	57,982
82,024		6,720			
		256,356			
3,798,904	5,458,285	3,783,083	3,296,024	1,758,450	3,297,838
827,430	2,511,040	3,020,956	1,801,043	1,660,236	7,610,604
1,880,898	85,157		500,536		
40,586,454	81,722,501	218,185,401	111,689,168	25,045,377	12,583,964
320,489	104,686	189,621	534,634	1,088,875	3,239,805
				342,658	10,543
58,551	19,529		206,776	113,450	168,058
2,287,713	47,963		43,153	13,186,309	34,680
				417,692,912	1,023,991
$ 66,621,956	$ 130,187,334	$ 247,713,816	$ 141,760,955	$ 484,069,545	$ 60,512,936