



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

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**For the Fiscal Year Ended  
August 31, 2022**

Prepared by the Accounting Department

Montgomery County, Texas



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

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# **INTRODUCTORY SECTION**



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January 26, 2023

Board of Directors  
 San Jacinto River Authority  
 Montgomery County, Texas

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the San Jacinto River Authority (SJRA or Authority) for the fiscal year ended August 31, 2022. The purpose of the ACFR is to provide reliable financial information about the SJRA to the SJRA’s Board of Directors, customers, general public, and other interested parties. The SJRA’s Accounting Department has prepared the ACFR in accordance with generally accepted accounting principles (GAAP). Management assumes full responsibility for the completeness and reliability of the information contained in the ACFR, based upon a comprehensive framework of internal controls that are established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective of such internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

An independent auditor, Knox Cox & Co., LLP, Certified Public Accountants, has issued an unmodified (“clean”) opinion on the SJRA’s financial statements for the year ended August 31, 2022. The independent auditor’s report is located at the front of the financial section of the ACFR.

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

***Profiles of the Government***

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

ADMINISTRATIVE OFFICES	LAKE CONROE DIVISION	GRP DIVISION	WOODLANDS DIVISION	HIGHLANDS DIVISION	FLOOD MANAGEMENT DIVISION
P.O. Box 329 Conroe, Texas 77305 (T) 936.588.3111 (F) 936.588.3043	P.O. Box 329 Conroe, Texas 77305 (T) 936.588.1111 (F) 936.588.1114	P.O. Box 329 Conroe, Texas 77305 (T) 936.588.1662 (F) 936.588.7182	2436 Sawdust Road The Woodlands, Texas 77380 (T) 281.367.9511 (F) 281.362.4385	P.O. Box 861 Highlands, Texas 77562 (T) 281.843.3300 (F) 281.426.2877	P.O. Box 329 Conroe, Texas 77305 (T) 936.588.3111 (F) 936.588.3043

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

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

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

The **Lake Conroe Division** is situated seven miles west of Interstate 45 at the Lake Conroe Dam. The SJRA supplies raw water from Lake Conroe to various customers, including a major industrial customer. Built as a water supply reservoir and completed in 1973, Lake Conroe is operated and maintained by the SJRA; however, the City of Houston owns two-thirds of the permitted water rights in the reservoir and participates in two-thirds of the Lake Conroe costs. In addition to operating and maintaining the dam, this Division handles the licensing, regulation, and enforcement functions related to onsite sewage facilities immediately around Lake Conroe, boat sanitation, piers, boat slips, boathouses, marinas, and other facilities operated or constructed around or on Lake Conroe. The Lake Conroe Division collects fees associated with these permits and licenses. In addition, the Lake Conroe Division has contracted with five Woodlands MUDs to maintain the Bear Branch Reservoir and drainage system. The participating MUDs makes annual contributions to cover the budgeted expenses and any capital improvements based on a prorate share.

The **Woodlands Division** is located in southern Montgomery County and provides wholesale water supply and wastewater treatment services to the 119,000-person community of The Woodlands (The Howard Hughes Corporation data as of January 2021). To provide these services, SJRA operates wastewater treatment plants, lift stations, water wells, water plants, water booster pump stations, elevated and ground storage tanks, and miles of wastewater collection systems and water transmission facilities. The Woodlands Division purchases surface water from the Groundwater Reduction Plan (GRP) Division to blend with groundwater provided by the water wells.



**The Groundwater Reduction Plan (GRP) Division**, with its office located at the Lake Conroe Dam, is responsible for implementing an alternative water supply program for its participants that ensures reliable, long-term water supplies for its participants in Montgomery County. Originally constructed to meet the groundwater reduction requirements of the Lone Star Groundwater Conservation District (LSGCD), the GRP Division designed, constructed, operates, maintains, and administers a surface water treatment plant and transmission lines. The GRP Division withdraws raw surface water from Lake Conroe, treats it to meet or exceed federally mandated drinking water standards, and then transmits it to selected customer cities and water utilities within Montgomery County to reduce the area's reliance on groundwater (aquifer) sources.

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

### ***ECONOMIC CONDITION AND OUTLOOK***

*The Texas Economy.* According to the Texas Comptroller of Public Accounts Key Economic Indicators as of August 2022: the unemployment rate change from previous year for Texas decreased by 1.3% while the U.S. rate decreased by 1.5%; the change in CPI from previous year for Texas increased 9.3% and the U.S. increased 8.3%; and the change in Consumer Confidence Index from previous year for Texas decreased by 13.4% while the U.S. decreased by 10.1%. The Comptroller issued the "The Gulf Coast Region: 2022 Regional Snapshot Report" showing population growth to be 19.9% in the Region vs. 15.9% for Texas and 7.4% for the U.S. for 2010-2020. Montgomery County population growth during this time was 36.1%. In addition, the Bureau of Economic Analysis data, showed the Per Capita Personal Income Growth to be 7.3% for Houston-The Woodlands-Sugar Land Metropolitan Statistical Area, 7.7% for Texas, and 7.3% for the U.S. for 2020-2021.

*The Local Economy.* The SJRA's boundaries include the entire watershed of the San Jacinto River and its tributaries excluding Harris County. The SJRA serves many customers in the greater Houston area and is authorized to operate in Harris County east of the San Jacinto River. The SJRA does not collect any type of taxes, so other than revenue received from customers, the SJRA's only other source of funds are from grants or bonds. Continued population growth within SJRA's service area will lead to an increasing demand for water. With SJRA's service area located between Houston and Dallas, two rapidly growing major metropolitan areas, the need for future water supplies and reliable planning is vital, and as a result, SJRA's Board of Directors and staff are working diligently to assess the need for future water supplies and plan accordingly.

## ***FINANCIAL INFORMATION***

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

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

## ***MAJOR INITIATIVES***

*For the Year.* During Fiscal Year 2022, SJRA underwent the second evaluation by the Sunset Advisory Commission with recommendations to be provided to SJRA. The Texas Legislature approved Senate Bill 713 in June 2021, which states that SJRA must go through Sunset review again during 2022. Sunset Advisory Commission evaluations are a powerful legislative oversight tool and result in recommendations provided to the Texas Legislature to implement improvements that increase SJRA's effectiveness and efficiency. Key recommendations from the Sunset Advisory Commissions 2020-2021 report related to improvements in public engagement and communications, improvements to procurement policies/practices, and recommendations to update SJRA's governing law to meet standard provisions. SJRA has already taken substantial measures to address the recommendations provided in the 2021 Sunset report. SJRA is awaiting the 2022 report from the Sunset Advisory Commission and any legislative action.

The GRP Division's Surface Water Treatment Plan includes two process water recovery basins that were originally constructed in 2013 and included a soil cement liner. The SJRA has experienced degradation of the soil cement liner resulting in maintenance and treatment process issues. The GRP Division has engaged a consultant to design improvements to the backwash pond foundation to address this degradation as well as addressing a lack of grading within the basins to promote positive drainage when the basins are dewatered for maintenance. This project is being funded by remaining bond proceeds and will continue into Fiscal Year 2023.

The Highlands Division began construction to replace Siphons 25 and 26 with rehabilitation of the levees between Siphons 24 and 27 and the addition of two access

culverts. Construction of ventilation improvements at the Lake Houston Pump Station began during Fiscal Year 2022 with anticipated completion in Fiscal Year 2023. Additionally, during Fiscal Year 2022, the Highlands Division completed installation of a fiber optic line, camera system, and perimeter security fencing with gates to provide additional security while implementing improvements to the Lake Houston Pump Station facilities for remote operations and completed master planning for improvements to the Highlands Emergency Operations Center.

During Fiscal Year 2022, SJRA continued planning for adequate, long-term water resources for the San Jacinto River Basin, including Montgomery County, along with the planning necessary for the development of additional future supplies of water. This initiative was evident in the work of SJRA staff with committees related to instream surface water flows, freshwater inflows for bays and estuaries, review of water quality standards, regional water planning, and watershed protections plans. During Fiscal Year 2022, the Authority began an update to the Raw Water Supply Master plan as well as evaluating and pursuing additional water supplies.

The Flood Management Division was successfully awarded TWDB Flood Infrastructure Fund (FIF) Grants at the end of Fiscal Year 2021 for four projects: Spring Creek Watershed Flood Control Dams Conceptual Engineering Feasibility, Lake Conroe - Lake Houston Joint Operations Study, Upper San Jacinto River Basin Regional Sedimentation Study, and the San Jacinto County Flood Early Warning System. Three of the four projects are in partnership with other entities and stakeholders in the basin to meet the local match for the grants. SJRA's portion of the local match for the projects are primarily being provided as in-kind services. Three of the four projects began during Fiscal Year 2022. The fourth project, the Lake Conroe – Lake Houston Joint Operations Study, is currently on hold and pending completion of the City of Houston's improvement project to add new tainter gates at the Lake Houston dam.

The Woodlands aging wastewater system is in need of renewal. The Woodlands issued \$42.9 million in bonds on November 7, 2017, to address major renewal needs. This is in addition to the continued annual renewal of the system that is paid for by the Woodlands Repair and Replacement Fund. During Fiscal Year 2022, the Woodlands Division began a Wastewater Strategic Plan to evaluate the Wastewater system needs as a whole and analyze alternatives to address the renewal of the wastewater treatment plants and conveyance in The Woodlands. Alternatives being evaluated include rehabilitation of the current wastewater treatment plants, replacement of the current wastewater treatment plants, and consolidation Wastewater Treatment Plants Nos. 1 and 2. Wastewater Treatment Plant No. 3 is not being considered in this study as it is the newest in age and has a significant amount of useful life remaining. This strategic plan includes significant engagement of project stakeholders including representatives from the Municipal Utility District's served by the Woodlands Division, the Woodlands Water Agency, the Howard Hughes Corporation, the Woodlands Chamber of Commerce, and the Woodlands Township. Construction for replacement of Aeration Basins 1 and 2 at Wastewater Treatment Plant No. 1 and rehabilitation of the

Southshore Gravity Main along with Lift Station No. 5 Force Main have been placed on hold until the results of this study have been evaluated. In addition to the aging infrastructure in the wastewater system, the Woodlands Division is anticipating several large projects over the next ten years to address replacement of asbestos concrete (AC) water lines in the water systems to maintain a high-level of service to customers.

The Lake Conroe Division completed repairs to the dam spillway's electrical system to address degradation identified in late Fiscal Year 2021 by SJRA personnel while servicing components of the dam's primary spillway. During Fiscal Year 2022, the Lake Conroe Division began rehabilitation of electrical components at the West End Facility for the existing boat dock and fuel dispensing station with completion anticipated in Fiscal Year 2023. A second portion of this project is anticipated to lengthen and improve the existing boat ramp at the West End Facility. During Fiscal Year 2022, the Lake Conroe Division completed master planning efforts and began final design of improvements to the Lake Conroe maintenance facilities. A significant portion of the construction for improvements to the westside diversion channel was performed during Fiscal Year 2022 and the project was completed in early Fiscal Year 2023.

*For the Future.* In November 2009, the LSGCD adopted final regulations that required certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how large volume groundwater users intended to meet a January 2016 deadline for the reduction of groundwater use and conversion to alternative water supplies. The SJRA met this regulatory requirement with the development of a long-term approach that provided a compliance solution for participants within the county who choose to join. The SJRA plan was designed so that any large volume groundwater user in the county could join the SJRA's Joint GRP by executing a GRP Contract and paying the required GRP Pumpage Fee and/or GRP Surface Water Fees monthly. For Fiscal Year 2022, the GRP Pumpage Fee was set at \$2.88 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. The GRP Surface Water Fee was set at \$3.30 per thousand gallons of surface water received by the participating entity. These fees may increase in the future as necessary to cover costs. SJRA's Board approved increasing the Fiscal Year 2023 rates for the GRP Pumpage Fee to \$2.99 per thousand gallons and the GRP Surface Water Fee to \$3.41 per thousand gallons. The total cost of the entire surface water system that was constructed to meet the 2016 deadline was \$490 million. As of the end of the Fiscal Year 2022, 149 participants have joined the SJRA GRP. The GRP Division was responsible for implementing the surface water program and constructing, operating, and maintaining the necessary infrastructure that started delivering surface water in mid-September 2015, ahead of the January 1, 2016, deadline. On September 8, 2020, the LSGCD adopted new regulations which, in pertinent part, repealed its regulations requiring certain water users to implement a GRP in order to reduce groundwater use and convert to alternative water supplies. Notwithstanding LSGCD's actions, the GRP Contracts remain in force and effect in accordance with their terms. Refer to MD&A and Note 12 in the Notes to Financial Statements for a discussion of the status of ongoing litigation related to the GRP, including the status of collection of amounts due and owing SJRA by certain GRP participants.

The Highlands Division's upcoming initiatives will include completion of the replacement of Siphons 25 and 26, which have been identified as needing replacement due to age, structural condition, and potential for failure. Replacement of these siphons will result in additional hydraulic capacity and reduce head loss across the siphon structure. The Highlands Division also anticipates completion of the levee improvements to the Main Canal between Siphon 24 and 27. The Division will continue improvements at the Lake Houston Pump Station to allow for remote operations. Additionally, during Fiscal Year 2022, the East Canal culvert structure crossing under Spring Meadow Drive developed a leak and emergency action was taken to implement a temporary repair to stabilize the site while replacing the structure. The replacement of the structure at Spring Meadow is anticipated to be completed by middle of Fiscal Year 2023.

During early Fiscal Year 2023, the Lake Conroe Division plans to rehabilitate sluice gates, including the hydraulic power unit, gate actuators, and associated equipment for the Lake Conroe Dam service outlet. Projects to update the Lake Conroe Dam Emergency Action Plan, improve the West End Facilities, and begin construction of the improvements to Lake Conroe's maintenance facilities, are also planned for Fiscal Year 2023. These projects will address the existing failing maintenance building and will increase efficiency, safety, and maintenance capabilities of the Lake Conroe Division maintenance staff. In addition, Lake Conroe anticipates renewal of the operating contract with the City of Houston in Fiscal Year 2023.

During late Fiscal Year 2021, the Authority began a project to replace the current Enterprise Resource Planning (ERP) software by engaging an experienced ERP software selection consultant to provide guidance and aid in determining system requirements, developing a Request for Proposal (RFP), evaluating the RFP responses, developing software demonstration scripts, conducting software demonstrations, and aiding in contract negotiations with the selected vendor. At the end of Fiscal Year 2022, the ERP selection committee had shortlisted the responses down and seen demonstrations from all three vendors. SJRA anticipates that implementation of a selected software will begin during Fiscal Year 2023 with estimated completion in late Fiscal Year 2024.

### *Acknowledgements*

*Independent Audit.* Section 49.191 of the Texas Water Code requires an annual audit of the SJRA's accounting records by a certified public accountant or public accountant holding a permit from the Texas State Board of Public Accountancy and selected by the Board of Directors. The firm Knox Cox & Co., LLP was selected following SJRA's protocol for selection of professional services to conduct the Fiscal Year 2022 financial audit. We appreciate their professionalism, timeliness, and assistance in completing this report. Copies of this report will be filed with the Texas Commission on Environmental Quality (TCEQ), State Comptroller, State Auditor, and Texas Water Development Board.

*Awards.* The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended August 31, 2021. This was the 13th consecutive year that SJRA has achieved this prestigious award. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. Such an ACFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate for Fiscal Year 2022.

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

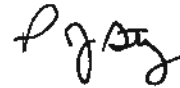
Sincerely,



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 Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

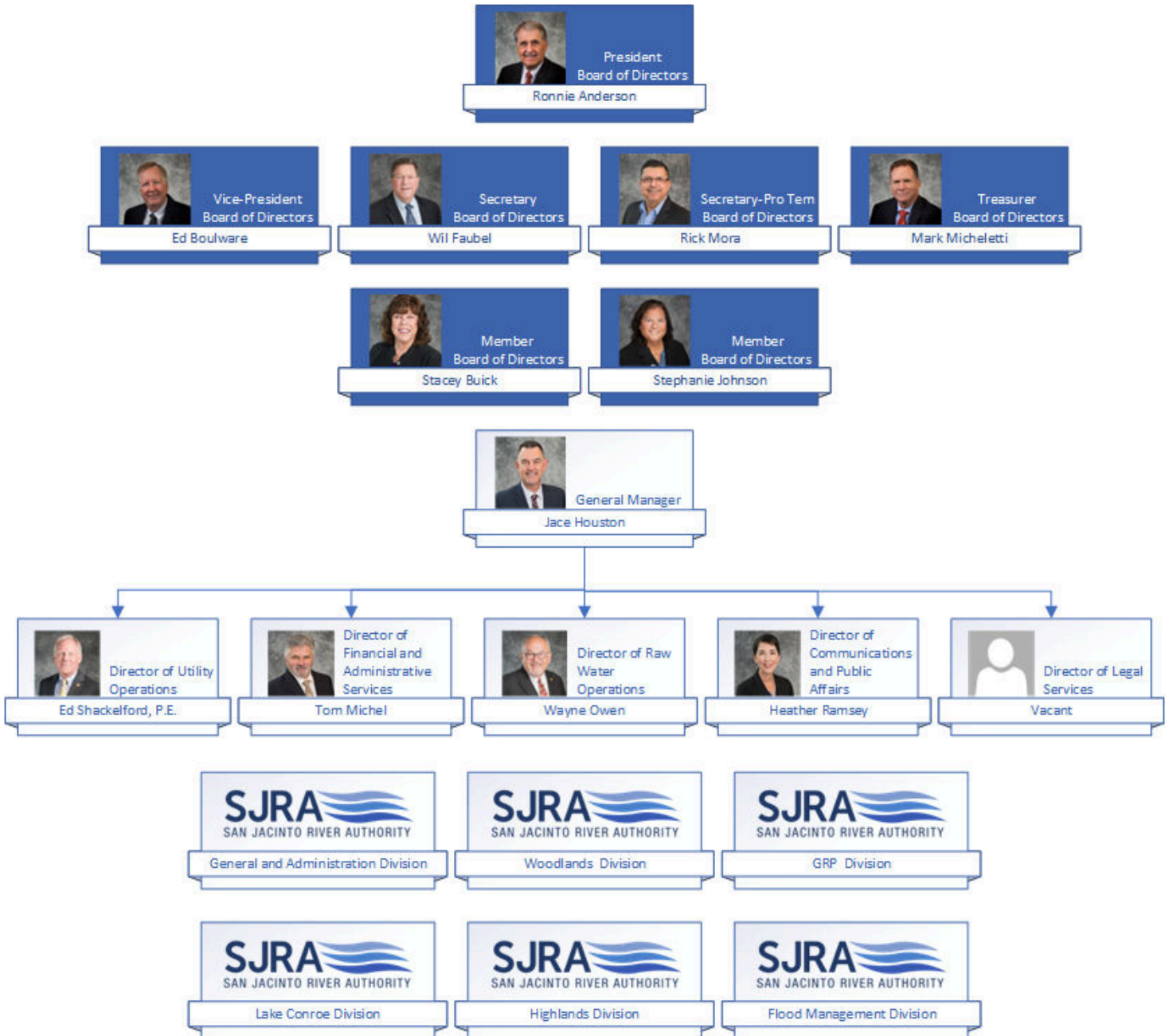
August 31, 2021

*Christopher P. Morrill*

Executive Director/CEO

# SAN JACINTO RIVER AUTHORITY

## Organizational Chart





# ***SAN JACINTO RIVER AUTHORITY***

## **Board of Directors**

	<b><u>Term Expires</u></b>
Ronnie Anderson, President	2027
Charles "Ed" Boulware, Vice-President	2023
William "Wil" Faubel, Secretary	2025
Ricardo "Rick" Mora, Secretary-Pro Tem	2025
Mark Micheletti, Treasurer	2023
Stacey Buick, Member	2027
Stephanie Johnson, Member	2025

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

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# **FINANCIAL SECTION**







*Certified Public Accountants*

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

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

## **Independent Auditors' Report**

Board of Directors  
San Jacinto River Authority  
Montgomery County, Texas

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of the San Jacinto River Authority (the "Authority"), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Authority, as of August 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matters**

As discussed in Note 16, the Authority adopted the provision of GASB Statement No. 87, Leases, effective September 1, 2021. Accordingly, the accounting change has been retrospectively applied to the prior periods presented. Our opinions are not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 7-14 and 69-76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 or to 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.

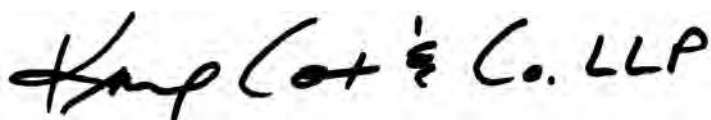
**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Sugar Land, Texas  
January 26, 2023

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# **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, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Authority's total assets and deferred outflows were \$817.4 million; of this amount, approximately \$582.3 million represents net capital assets and \$235.1 million represents cash and cash equivalents and other current, noncurrent and deferred outflow of resources.
- Liabilities for the Authority totaled \$574.1 million of which \$529.9 million accounts for obligations under long-term debt.
- The Authority's total assets and deferred outflows exceeded liabilities and deferred inflows by approximately \$236.0 million. This amount represents net position; of this amount, \$73.9 million is net investment in capital assets. An additional \$87.2 million is restricted net position and the remaining \$74.9 million represents unrestricted net position.
- Operating revenues, net of eliminations, for the Authority at year-end were \$124.3 million. The major revenue sources, net of eliminations, were wholesale water and wastewater treatment service fees to Woodlands' MUDs of \$44.4 million; Groundwater Reduction Plan fees of \$51.9 million; untreated water sales to industrial, municipal and agricultural customers of \$19.1 million; contractual revenues of \$3.9 million for City of Houston's cost sharing commitment of Lake Conroe; and capacity charges of \$3.3 million.
- Operating expenses totaled \$72.8 million. Highlights within operating expenses were salaries, wages and employee benefits of \$17.2 million, operating supplies of \$14.9 million and depreciation and amortization of \$25.3 million.
- Non-operating expenses exceeded non-operating revenues by approximately \$19.3 million. This was primarily attributable to interest expense paid on bonds that totaled \$22.9 million as of year-end.
- Capital contributions totaled \$0.65 million, of which \$0.48 million was due to contributions from the five Woodlands MUDs surrounding Bear Branch flowage easement and \$0.17 million due to contributions from local partners to Flood Management for the local funding match requirements related to the Flood Infrastructure Fund (FIF) Grant Projects.
- In 2021, the Board authorized the early defeasement of the Water Revenue Bonds Series 2013. The final payment of \$5.4 million occurred in FY2022.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **ENTERPRISE FUNDS**

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

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

### **FIDUCIARY FUND**

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

### **NOTES TO THE FINANCIAL STATEMENTS**

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

### **STATEMENT OF NET POSITION**

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

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

- Net Investment in Capital Assets
- Restricted
- Unrestricted

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

## FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a financial statement position. In the case of the Authority, assets exceeded liabilities by \$236.0 million at the close of the most recent fiscal year.

### As of August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets	\$ 204,619,638	\$ 185,452,406
Noncurrent assets	28,167,214	13,504,966
Capital assets*	<u>582,269,367</u>	<u>603,356,036</u>
<b>Total Assets</b>	<b>815,056,219</b>	<b>802,313,408</b>
Deferred Outflows of Resources	2,335,748	2,707,873
<b>Liabilities</b>		
Current liabilities*	43,114,125	44,321,778
Noncurrent liabilities	<u>530,969,125</u>	<u>554,935,570</u>
<b>Total Liabilities</b>	<b>574,083,250</b>	<b>599,257,348</b>
Deferred Inflows of Resources	7,282,793	2,604,706
<b>Net Position</b>		
Net Investment in		
Capital Assets*	73,940,671	65,826,715
Restricted:		
Debt service	62,716,606	67,358,537
Construction	20,126,954	16,639,356
Other	4,349,718	2,583,909
Unrestricted	<u>74,891,975</u>	<u>50,750,710</u>
<b>Total Net Position</b>	<b><u>\$ 236,025,924</u></b>	<b><u>\$ 203,159,227</u></b>

\*Prior year restatement due to GASB 87

- Noncurrent assets increased by \$14.7 million which represents a 109% increase from the prior year. Net Pension Asset increased \$6.1 million and Long-Term Accounts Receivable increased \$8.6 million. Within Current and Noncurrent Assets, Accounts Receivable has two GRP customers that are not paying the full invoiced amount and are part of current lawsuits. Specific to fiscal year 2022, the short pay of fees, interest, and penalties totaled \$4,600,565 for the City of Conroe and \$238,162 for the City of Magnolia. The total balances for all fiscal years for the City of Conroe and City of Magnolia are listed below:

<b>Balance Status</b>	<b>City of Conroe</b>	<b>City of Magnolia</b>
Current	\$ 2,363,427	\$ 266,632
Past Due	9,180,525	464,734
Late Fees & Interest	3,116,392	163,363
<b>Total at August 31, 2022</b>	<b>\$ 14,660,344</b>	<b>\$ 894,729</b>

The Authority has commenced litigation against the City of Conroe, the City of Magnolia, Quadvest, LP, and Woodland Oaks Utility Co. in an effort to collect the past due amounts as well as late fees and interest thereon. In addition, the Authority has two GRP customers that ceased payments during fiscal year 2020. Specific to fiscal year 2022, the unpaid fees, interest, and penalties (not including invoices with a balance status of current) totaled \$4,214,058 for Quadvest, LP and \$568,712 for Woodlands Oaks Utility Co. The total balances for all fiscal years for Quadvest, LP and Woodlands Oaks Utility Co. are listed below:

<b>Balance Status</b>	<b>Quadvest, LP</b>	<b>Woodlands Oaks Utility Co.</b>
Current	\$ 1,685,123	\$ 132,621
Past Due	7,011,961	658,189
Late Fees & Interest	1,399,998	124,904
<b>Total at August 31, 2022</b>	<b>\$ 10,097,082</b>	<b>\$ 915,714</b>

- The previously reported allowance for doubtful accounts for the City of Patton Village of \$230,599 was written off due to payment agreement negotiations. Total amount of GRP pumpage, penalties, and interest past due at August 31, 2022 was \$21,541,541.
- Capital assets decreased by \$21.1 million, primarily due to the net effect of increase in Wastewater Utility Systems primarily for improvements to The Woodlands Treatment Plant No. 2 Digesters, an increase in Construction in Progress from ongoing capital improvements projects, and an increase in accumulated depreciation.
- Current liabilities decreased by \$1.2 million, a 3% decrease primarily due to the net impact of an increase in accounts payable, related to amounts owed by the City of Houston, and a decrease in the current portion of bonds, related to the early defeasement of the Water Revenue Bonds Series 2013.
- Noncurrent liabilities and Long-Term Debt decreased by \$24. million, a 4% decrease primarily due to making the scheduled payments on existing bonds.
- Total liabilities decreased by \$25.2 million, a 4% decrease from the prior year primarily due to an increase in accounts payable and accrued liabilities-unrestricted, a decrease in current portion of bonds, and a decrease in long-term debt.

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

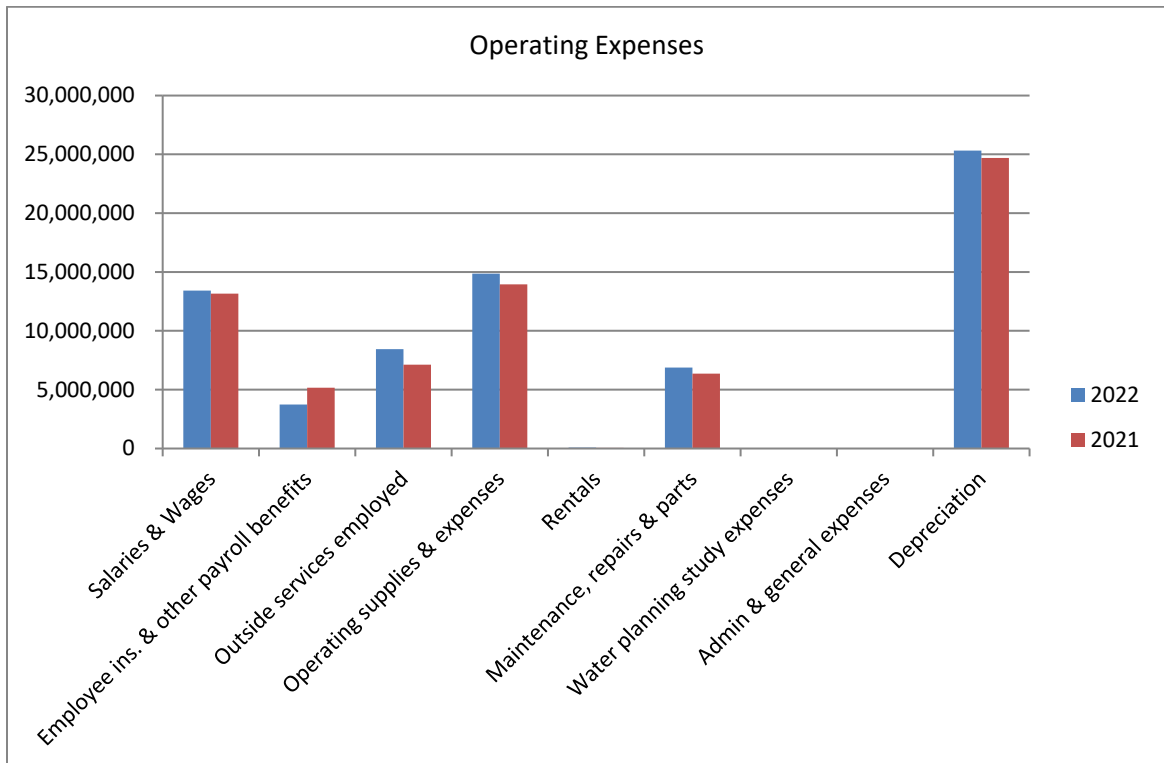
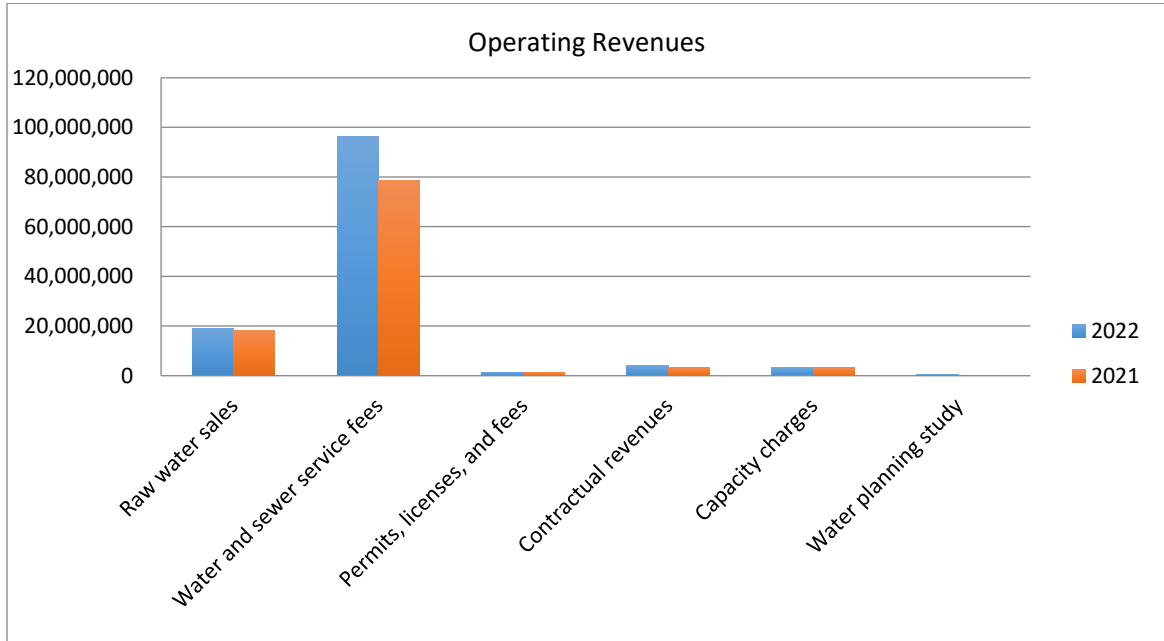
The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for all the Authority's Divisions. The Authority does not seek to earn a profit in the long term. However, the Authority must cover its operations, maintenance and other costs while providing sufficient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

### For the Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Operating Revenues:</b>		
Raw water sales	\$ 19,099,227	\$ 18,319,519
Water and sewer service fees	96,231,415	78,733,012
Permits, licenses and fees	1,418,004	1,450,549
Contractual revenues	3,911,945	3,398,148
Capacity charges	3,300,650	3,293,800
Water planning study (Region H)	320,023	198,998
<b>Total Operating Revenues</b>	<u>124,281,264</u>	<u>105,394,026</u>
<b>Operating Expenses:</b>		
Salaries and wages	13,418,772	13,157,947
Employee insurance and other payroll benefits	3,743,106	5,165,348
Outside services employed	8,440,887	7,120,511
Operating supplies & expenses	14,859,879	13,955,163
Rentals*	84,370	59,705
Maintenance, repairs and parts*	6,885,976	6,357,839
Water planning study expenses (Region H)	6,847	1,446
Depreciation*	25,316,731	24,687,758
<b>Total Operating Expenses</b>	<u>72,756,568</u>	<u>70,505,717</u>
<b>Operating Income</b>	51,524,696	34,888,309
<b>Nonoperating Revenues (Expenses)</b>		
Investment earnings (loss)	80,292	86,504
Gain (Loss) on disposal of assets	179,206	128,101
Other revenues	2,658,030	1,623,571
Amortization of bond premium/discounts	625,190	458,854
Interest expense and bond issuance costs	<u>(22,853,363)</u>	<u>(23,756,409)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(19,310,645)</u>	<u>(21,459,379)</u>
<b>Contributed Capital</b>	<u>652,646</u>	<u>176,927</u>
<b>Net Income</b>	32,866,697	13,605,857
Net position at beginning of year (as restated)	<u>203,159,227</u>	<u>189,553,370</u>
<b>Net Position at End of Year</b>	<u>\$ 236,025,924</u>	<u>\$ 203,159,227</u>

\*Prior year restatement due to GASB 87

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



- Total Operating Revenue increase \$18.9 million primarily due to an increase in water and sewer fees of \$17.5 million. The increase is attributed to an increase in water demand.

- Employee Insurance & Other payroll benefits decreased 28% primarily related to the annual pension adjustment due to a change in market valuation effective November 1, 2021.
- Outside services employed increased by \$1.3 million, an increase decrease of 19% over the previous year. The increase is primarily due to an increase in engineering, consultants, and survey expenses.

## **CAPITAL ASSETS AND LONG-TERM DEBT**

### **CAPITAL ASSETS**

The Authority's net capital assets as of August 31, 2022 totaled \$582.3 million. This investment in capital assets includes land; water permits and rights; office furniture, fixtures and equipment; Intangible right-to- use assets, 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 capital assets, net for the current fiscal year was \$21.1 million, a 3% decrease.

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

- The Authority added \$2.3 million for Wastewater Utility Systems primarily related to the improvements of WWTF No. 2 Digesters and added \$0.4 Million for Furniture & Equipment primarily related to technology improvements.
- The Authority increased \$0.9 Million for Construction in Progress for capital projects primarily related to the net effect of placing into service the WWTF No. 2 Digesters, and the addition of in progress projects primarily related to the implementation of Enterprise Resource Planning software, Water Well No. 23, development of Digital Water System, improvements to the Westside Diversion Channel at Lake Conroe, improvements to Lake Conroe's maintenance facility, improvements at Siphon Nos. 25 and 26, the addition of Highlands Reservoir Dam Access Road, an access culvert at the South Canal, and improvements at the Lake Houston Pump Station campus.

	<u>2022</u>	<u>2021</u>
<b>Capital Assets - at cost</b>		
Land	\$ 33,618,117	\$ 33,529,391
Water permits and rights	30,947,801	30,947,801
Office furniture, fixtures & equip	6,176,980	5,825,762
Other machinery and equipment	14,523,603	14,341,097
Intangible right-to-use assets*	365,907	365,907
Automobiles and trucks	3,241,652	3,193,105
Buildings	27,147,823	27,115,615
Dams and appurtenances	9,434,710	9,434,710
Water systems	604,122,226	604,045,531
Wastewater utility systems	122,713,547	120,413,382
Capital improvement plans	3,611,320	3,611,319
Construction in progress	9,518,906	8,656,863
Less accumulated depreciation*	<u>(283,153,226)</u>	<u>(258,124,447)</u>
<b>Total Capital Assets</b>	<u>\$ 582,269,367</u>	<u>\$ 603,356,036</u>

\*Prior year restatement due to GASB 87

Additional information on the Authority's capital assets is presented in Note 4 of the notes to the financial statements.

**LONG-TERM DEBT**

At the end of the current fiscal year, the Authority had long-term debt of \$529.9 million. The debt primarily represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**As of August 31, 2022 and 2021**

<b>Long-Term Debt</b>	<b>2022</b>	<b>2021</b>
First Lien Bonds -		
less current maturities	\$ 525,295,000	\$ 547,865,000
Lease liabilities - less current*	138,143	174,716
Unamortized bond premium	4,430,016	5,055,206
<b>Total Long-Term Debt</b>	<b>\$ 529,863,159</b>	<b>\$ 553,094,922</b>

\* Prior year restatement due to GASB 87

Additional information on the Authority's long-term debt is presented in Notes 5, 6 and 7 of the notes to the financial statements.

**RESTATEMENT**

Prior period financials have been restated due to the implementation of GASB Statement No. 87, *Leases*. See Note 16 of the notes to the financial statements for additional information.

**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, 2022

	<u>Total</u>	<u>Eliminations</u>	<u>Business Type Activities -</u>		
			<u>Raw Water Enterprise</u>		
			<u>Raw Water Supply</u>	<u>Highlands Division</u>	<u>Lake Conroe Division</u>
<b><u>Assets and Deferred Outflows</u></b>					
<b>Current Assets</b>					
Cash and cash equivalents					
Unrestricted	\$ 34,378,962	\$	\$	8,015,384	\$ 3,528,326
Restricted:					
Debt service	65,498,488			3,952,733	
Construction	39,574,291			15,054,720	2,883,345
Other	2,405,240				
Investments - restricted	33,682,711			4,568,962	
Accounts receivable, net	26,819,333	(2,499,053)	1,772,423	443,500	9,613,714
Other receivables	189,996				
Inventory	406,015				
Prepaid expenses	1,664,602		951	87,348	77,471
<b>Total Current Assets</b>	<u>204,619,638</u>	<u>(2,499,053)</u>	<u>1,773,374</u>	<u>32,122,647</u>	<u>16,102,856</u>
<b>Noncurrent Assets</b>					
Net pension asset	6,107,440				
Accounts receivable - long-term	22,059,774				
<b>Total Noncurrent Assets</b>	<u>28,167,214</u>				
<b>Capital Assets- at cost</b>					
Land	29,196,595			6,770,499	5,403,094
Land Improvements	4,421,524			237,233	579,635
Intangible right-to-use assets	365,907			296,302	
Water permits and rights	30,947,801		30,947,801		
Furniture, fixtures and equipment	6,176,980			337,996	331,108
Other machinery and equipment	14,496,377			3,031,504	350,586
Automobiles and trucks	3,241,653			340,503	125,775
Buildings	27,147,822			1,608,098	161,422
Dams and appurtenances	9,434,710				7,715,775
Water systems	604,122,227			76,206,441	6,747
Wastewater utility systems	122,740,770				
Capital improvement plans	3,611,319			3,076,459	
Construction in progress	9,518,908		101,375	5,285,484	817,064
Accumulated depreciation and amortization	(283,153,226)			(23,437,091)	(4,500,010)
<b>Total Capital Assets</b>	<u>582,269,367</u>		<u>31,049,176</u>	<u>73,753,428</u>	<u>10,991,196</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pension and OPEB	2,335,748				
<b>Total Deferred Outflows of Resources</b>	<u>2,335,748</u>				
<b>Total Assets and Deferred Outflows</b>					
	<u>\$ 817,391,967</u>	<u>\$ (2,499,053)</u>	<u>\$ 32,822,550</u>	<u>\$ 105,876,075</u>	<u>\$ 27,094,052</u>

See Notes to Financial Statements.

Enterprise Funds

<u>Woodlands Division</u>	<u>Groundwater Reduction Plan Division</u>	<u>Flood Management Division</u>	<u>Bear Branch</u>	<u>Region H</u>	<u>General and Administration Division</u>
\$ 4,028,904	\$ 16,186,231	\$	\$	\$	\$ 2,620,117
4,668,555	56,877,200				
18,092,114	1,178,718				2,365,394
11,256		1,858,650	337,983	153,961	43,390
29,113,749					
5,833,579	11,487,624				167,546
		189,996			
342,415	63,600				
491,304	353,481	4,728	1,870		647,449
<u>62,581,876</u>	<u>86,146,854</u>	<u>2,053,374</u>	<u>339,853</u>	<u>153,961</u>	<u>5,843,896</u>
					6,107,440
	<u>22,059,774</u>				<u>6,107,440</u>
	22,059,774				
1,832,159	14,306,156		884,687		
986,167	2,470,693		90,314		57,482
69,605					
1,290,306	2,453,189	2,381			1,762,000
10,210,986	813,664				89,637
1,255,342	515,024				1,005,009
2,888,484	15,616,136				6,873,682
			1,718,935		
106,424,153	421,306,212				178,674
122,740,770					
534,860					
2,881,534	52,346	265,313			115,792
<u>(145,392,582)</u>	<u>(105,318,908)</u>	<u>(905)</u>	<u>(423,904)</u>		<u>(4,079,826)</u>
<u>105,721,784</u>	<u>352,214,512</u>	<u>266,789</u>	<u>2,270,032</u>		<u>6,002,450</u>
					2,335,748
					2,335,748
<u>\$ 168,303,660</u>	<u>\$ 460,421,140</u>	<u>\$ 2,320,163</u>	<u>\$ 2,609,885</u>	<u>\$ 153,961</u>	<u>\$ 20,289,534</u>

# SAN JACINTO RIVER AUTHORITY

## STATEMENT OF NET POSITION

**August 31, 2022**

<b>Liabilities</b>	<b>Business - Type Activities -</b>				
	<b>Total</b>	<b>Eliminations</b>	<b>Raw Water Enterprise</b>		
			<b>Raw Water Supply</b>	<b>Highlands Division</b>	<b>Lake Conroe Division</b>
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities - unrestricted	\$ 8,783,190	\$ (2,499,053)	\$ 145,341	\$ 760,807	\$ 728,536
Restricted for Debt service:					
Current portion of bonds	22,570,000		1,500,000	1,940,000	
Current portion of lease liabilities	36,573			28,734	
Accrued interest payable	9,488,280		69,833	714,660	
Restricted for Construction:					
Retainage payable	241,248			89,101	87,404
Unearned revenue	1,994,834		2,200		95,878
<b>Total Current Liabilities</b>	<b>43,114,125</b>	<b>(2,499,053)</b>	<b>1,717,374</b>	<b>3,533,302</b>	<b>911,818</b>
<b>Noncurrent Liabilities</b>					
Net Pension liability					
OPEB liability	1,105,966			211,089	395,704
<b>Total Noncurrent Liabilities</b>	<b>1,105,966</b>			<b>211,089</b>	<b>395,704</b>
<b>Long-Term Debt</b>					
First lien water revenue bonds - less current maturities	529,725,016		2,962,478	43,388,982	
Lease liabilities - less current	138,143			90,577	
<b>Total Long-Term Debt</b>	<b>529,863,159</b>		<b>2,962,478</b>	<b>43,479,559</b>	
<b>Total Liabilities</b>	<b>574,083,250</b>	<b>(2,499,053)</b>	<b>4,679,852</b>	<b>47,223,950</b>	<b>1,307,522</b>
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to pension and OPEB	7,282,793				
<b>Total Deferred Inflows of Resources</b>	<b>7,282,793</b>				
<b>Fund Equity</b>					
<b>Net Position</b>					
Net investment in capital assets	73,940,671		26,586,698	28,305,135	10,991,196
Restricted:					
Debt service	62,716,606			7,807,035	
Construction	20,126,954			14,965,619	2,795,941
Other	4,349,718				
Unrestricted	74,891,975		1,556,000	7,574,336	11,999,393
<b>Total Net Position</b>	<b>236,025,924</b>		<b>28,142,698</b>	<b>58,652,125</b>	<b>25,786,530</b>
<b>Total Liabilities, Deferred Inflows and Fund Equity</b>	<b>\$ 817,391,967</b>	<b>\$ (2,499,053)</b>	<b>\$ 32,822,550</b>	<b>\$ 105,876,075</b>	<b>\$ 27,094,052</b>

**Enterprise Funds**

<b>Woodlands Division</b>	<b>Groundwater Reduction Plan Division</b>	<b>Flood Management Division</b>	<b>Bear Branch</b>	<b>Region H</b>	<b>General and Administration Division</b>
\$ 4,010,032	\$ 5,297,719	\$ 138,542	\$ 144,223	\$ 24,368	\$ 32,675
3,755,000	15,375,000				
7,839					
684,555	8,019,232				
64,743					
		1,896,756			
<u>8,522,169</u>	<u>28,691,951</u>	<u>2,035,298</u>	<u>144,223</u>	<u>24,368</u>	<u>32,675</u>
418,756					80,417
<u>418,756</u>					<u>80,417</u>
61,384,179	421,989,377				
47,566					
<u>61,431,745</u>	<u>421,989,377</u>				
<u>70,372,670</u>	<u>450,681,328</u>	<u>2,035,298</u>	<u>144,223</u>	<u>24,368</u>	<u>113,092</u>
					7,282,793
					<u>7,282,793</u>
83,489,518	(83,971,147)	266,789	2,270,032		6,002,450
6,051,603	48,857,968				
					2,365,394
2,122,455.00		1,858,650	195,630	129,593	43,390
6,267,414	44,852,991	(1,840,574)			4,482,415
<u>97,930,990</u>	<u>9,739,812</u>	<u>284,865</u>	<u>2,465,662</u>	<u>129,593</u>	<u>12,893,649</u>
<u>\$ 168,303,660</u>	<u>\$ 460,421,140</u>	<u>\$ 2,320,163</u>	<u>\$ 2,609,885</u>	<u>\$ 153,961</u>	<u>\$ 20,289,534</u>

# SAN JACINTO RIVER AUTHORITY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

### Year Ended August 31, 2022

	Business - Type Activities -				
	Total	Eliminations	Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
<b>Operating Revenues:</b>					
Water sales:					
Industrial and Municipal	\$ 18,979,086	\$ (2,717,607)	\$ 21,116,051	\$	\$
Irrigation	120,141		120,141		
Water and sewer service fees	96,231,415	(18,018,079)			
Permits, licenses and fees	1,418,004				1,210,904
Contractual revenues	3,911,945				3,911,945
Capacity charges	3,300,650				
Water planning grants	320,023				
<b>Total Operating Revenues</b>	<u>124,281,264</u>	<u>(20,735,686)</u>	<u>21,236,192</u>		<u>5,122,849</u>
<b>Operating Expenses:</b>					
Salaries and wages	13,418,772		170,017	1,824,370	2,106,025
Employee insurance and other payroll benefits	3,743,106		61,655	617,855	799,083
Outside services employed	8,440,887	(18,018,079)	152,401	377,205	1,891,238
Operating supplies and expenses	14,859,879	(2,717,607)	238,363	529,295	379,537
Rentals	84,370	(29,705)		51,785	45,047
Maintenance, repairs & parts	6,885,976			631,042	676,337
Water planning grant expenses	6,847				
General and admin. expenses allocated			18,308	124,392	1,167,185
Depreciation and amortization	25,316,731			2,769,080	192,524
<b>Total Operating Expenses</b>	<u>72,756,568</u>	<u>(20,765,391)</u>	<u>640,744</u>	<u>6,925,024</u>	<u>7,256,976</u>
<b>Operating Income (Loss)</b>	<u>51,524,696</u>	<u>29,705</u>	<u>20,595,448</u>	<u>(6,925,024)</u>	<u>(2,134,127)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment earnings (loss)	80,292		(361)	69,113	25,329
Gain (Loss) on disposal of assets	179,206			18,500	69,846
Other revenues	2,658,030	(29,705)	551	3,219	30,595
Amortization of bond premium/discounts	625,190		90,826	325,297	
Interest expense and bond issuance costs	(22,853,363)		(172,367)	(1,742,476)	
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(19,310,645)</u>	<u>(29,705)</u>	<u>(81,351)</u>	<u>(1,326,347)</u>	<u>125,770</u>
<b>Income (Loss) Before Contributions and Transfers</b>	32,214,051		20,514,097	(8,251,371)	(2,008,357)
<b>Transfers</b>			(18,861,709)	10,965,200	6,868,406
<b>Capital Contributions</b>	652,646				
<b>Change in Net Position</b>	<u>32,866,697</u>		<u>1,652,388</u>	<u>2,713,829</u>	<u>4,860,049</u>
Net Position at Beginning of Year (as restated)	203,159,227		26,490,310	55,938,296	20,926,481
<b>Net Position at End of Year</b>	<u>\$ 236,025,924</u>	<u>\$</u>	<u>\$ 28,142,698</u>	<u>\$ 58,652,125</u>	<u>\$ 25,786,530</u>

**Enterprise Funds**

<b>Woodlands Division</b>	<b>Groundwater Reduction Plan Division</b>	<b>Flood Management Division</b>	<b>Bear Branch</b>	<b>Region H</b>	<b>General and Administration Division</b>
\$	\$ 580,642	\$	\$	\$	\$
44,371,519	69,877,975				
207,100					
3,300,650					
		204,118		115,905	
<u>47,879,269</u>	<u>70,458,617</u>	<u>204,118</u>		<u>115,905</u>	
4,815,067	3,230,029	396,952	66,920		809,392
1,893,427	1,334,534	154,231	26,862		(1,144,541)
21,028,876	1,840,754	373,076	59,187	118,869	617,360
5,169,992	10,378,536	25,147	3,971		852,645
8,712	86				8,445
3,890,947	1,310,086		232,653		144,911
				6,847	
764,069	144,275	29,334	40,466		(2,288,029)
6,963,678	14,951,420	466	20,184		419,379
<u>44,534,768</u>	<u>33,189,720</u>	<u>979,206</u>	<u>450,243</u>	<u>125,716</u>	<u>(580,438)</u>
3,344,501	37,268,897	(775,088)	(450,243)	(9,811)	580,438
(336,599)	287,225	(182)	1,616		34,151
51,860	9,000				30,000
63,162	2,559,675	69	16		30,448
202,055	7,012				
<u>(1,653,018)</u>	<u>(19,285,502)</u>				
<u>(1,672,540)</u>	<u>(16,422,590)</u>	<u>(113)</u>	<u>1,632</u>		<u>94,599</u>
1,671,961	20,846,307	(775,201)	(448,611)	(9,811)	675,037
	(375,000)	698,845			704,258
		168,877	483,769		
<u>1,671,961</u>	<u>20,471,307</u>	<u>92,521</u>	<u>35,158</u>	<u>(9,811)</u>	<u>1,379,295</u>
96,259,029	(10,731,495)	192,344	2,430,504	139,404	11,514,354
<u>\$ 97,930,990</u>	<u>\$ 9,739,812</u>	<u>\$ 284,865</u>	<u>\$ 2,465,662</u>	<u>\$ 129,593</u>	<u>\$ 12,893,649</u>

# SAN JACINTO RIVER AUTHORITY

## STATEMENT OF CASH FLOWS

Year Ended August 31, 2022

	Business - Type Activities -				
	Total	Eliminations	Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$ 109,053,609	\$ (20,735,686)	\$ 21,091,742	\$ 597,713	\$ (1,281,710)
Cash payments to suppliers for goods and services	(27,007,853)	20,765,391	(270,975)	(1,307,541)	(3,053,405)
Cash paid for employee services	(18,953,788)		(231,672)	(2,552,541)	(3,111,905)
Other revenues	2,658,030	(29,705)	551	3,219	30,595
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>65,749,998</u>		<u>20,589,646</u>	<u>(3,259,150)</u>	<u>(7,416,425)</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers			(18,861,709)	10,965,200	6,868,406
<b>Net Cash Provided (Used) by Noncapital Finance Activities</b>			<u>(18,861,709)</u>	<u>10,965,200</u>	<u>6,868,406</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Principal paid on bonds	(27,280,000)		(1,430,000)	(7,300,000)	
Principal paid on notes					
Interest paid	(23,218,491)		(196,201)	(1,858,765)	
Proceeds from bond sales					
Bond issue expense					
Acquisition of facilities and equipment	(4,230,062)		(101,375)	(2,157,169)	(662,573)
Lease payments	(35,224)			(27,885)	
Proceeds from the sale of assets	179,206			18,500	69,846
Capital contributions/ (distributions)	652,646				
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(53,931,925)</u>		<u>(1,727,576)</u>	<u>(11,325,319)</u>	<u>(592,727)</u>

See Notes to Financial Statements.



**Enterprise Funds**

<b>Woodlands Division</b>	<b>Groundwater Reduction Plan Division</b>	<b>Flood Management Division</b>	<b>Bear Branch</b>	<b>Region H</b>	<b>General and Administration Division</b>
\$ 46,288,351	\$ 58,689,944	\$ 1,831,544	\$ (40,466)	\$ 115,905	\$ 2,496,272
(30,586,622)	(10,355,299)	(314,860)	(181,376)	(101,348)	(1,601,818)
(6,927,338)	(4,564,563)	(551,183)	(93,782)		(920,804)
63,162	2,559,675	69	16		30,448
<u>8,837,553</u>	<u>46,329,757</u>	<u>965,570</u>	<u>(315,608)</u>	<u>14,557</u>	<u>4,098</u>
	(375,000)	698,845			704,258
	(375,000)	698,845			704,258
(3,675,000)	(14,875,000)				
(1,681,289)	(19,482,236)				
(638,142)	(184,454)	(24,460)			(461,889)
(7,339)					
51,860	9,000				30,000
		168,877	483,769		
<u>(5,949,910)</u>	<u>(34,532,690)</u>	<u>144,417</u>	<u>483,769</u>		<u>(431,889)</u>

# SAN JACINTO RIVER AUTHORITY

## STATEMENT OF CASH FLOWS

Year Ended August 31, 2022

	Business - Type Activities -				
	Total	Eliminations	Raw Water Enterprise		
			Raw Water Supply	Highlands Division	Lake Conroe Division
<b>Cash Flows from Investing Activities</b>					
Sale and maturity of investments	39,346,311			4,568,962	
Purchase of investments	(73,029,022)			(9,137,924)	
Interest earned	80,292		(361)	69,113	25,329
<b>Net Cash Provided by Investing Activities</b>	<u>(33,602,419)</u>		<u>(361)</u>	<u>(4,499,849)</u>	<u>25,329</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(21,784,346)			(8,119,118)	(1,115,417)
Cash and equivalents at beginning of year	<u>163,641,327</u>			<u>35,141,955</u>	<u>7,527,088</u>
<b>Cash and Equivalents at End of Year</b>	<u>\$ 141,856,981</u>	<u>\$</u>	<u>\$</u>	<u>\$ 27,022,837</u>	<u>\$ 6,411,671</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income (Loss)	\$ 51,524,696	\$ 29,705	\$ 20,595,448	\$ (6,925,024)	\$ (2,134,127)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Other revenues and expenses	2,658,030	(29,705)	551	3,219	30,595
Depreciation and amortization	25,316,731			2,769,080	192,524
(Increase) decrease in receivables	(12,730,695)	2,499,053	(126,152)	722,105	(5,217,701)
(increase) decrease in inventory	(104,801)			7,289	
(Increase) decrease in prepaid expenses and deposits	180,705		(951)	(6,066)	(3,711)
(Increase) decrease in net pension asset	(6,107,440)				
Increase (decrease) in net pension liability	(156,794)				
Increase (decrease) in accounts payable and accrued liabilities	695,149	(2,499,053)	120,740	280,563	(57,535)
Increase (decrease) in OPEB liability	(577,888)			(110,316)	(206,797)
Increase (decrease) in deferred outflows	372,125				
Increase (decrease) in deferred inflows	4,678,087				
Increase (decrease) in unearned revenue	2,093		10		(19,673)
<b>Total Adjustments</b>	<u>14,225,302</u>	<u>(29,705)</u>	<u>(5,802)</u>	<u>3,665,874</u>	<u>(5,282,298)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 65,749,998</u>	<u>\$</u>	<u>\$ 20,589,646</u>	<u>\$ (3,259,150)</u>	<u>\$ (7,416,425)</u>

See Notes to Financial Statements.

**Enterprise Funds**

<b>Woodlands Division</b>	<b>Groundwater Reduction Plan Division</b>	<b>Flood Management Division</b>	<b>Bear Branch</b>	<b>Region H</b>	<b>General and Administration Division</b>
34,777,349					
(63,891,098)					
(336,599)	287,225	(182)	1,616		34,151
(29,450,348)	287,225	(182)	1,616		34,151
(26,562,705)	11,709,292	1,808,650	169,777	14,557	310,618
53,363,534	62,532,857	50,000	168,206	139,404	4,718,283
<u>\$ 26,800,829</u>	<u>\$ 74,242,149</u>	<u>\$ 1,858,650</u>	<u>\$ 337,983</u>	<u>\$ 153,961</u>	<u>\$ 5,028,901</u>
\$ 3,344,501	\$ 37,268,897	\$ (775,088)	\$ (450,243)	\$ (9,811)	\$ 580,438
63,162	2,559,675	69	16		30,448
6,963,678	14,951,420	466	20,184		419,379
(826,849)	(11,624,398)	1,635,004			208,243
(94,134)	(17,956)				
(36,760)	197,892	(1,314)	48		31,567
					(6,107,440)
					(156,794)
(357,201)	2,994,227	84,677	114,387	24,368	(10,024)
(218,844)					(41,931)
					372,125
					4,678,087
		21,756			
<u>5,493,052</u>	<u>9,060,860</u>	<u>1,740,658</u>	<u>134,635</u>	<u>24,368</u>	<u>(576,340)</u>
<u>\$ 8,837,553</u>	<u>\$ 46,329,757</u>	<u>\$ 965,570</u>	<u>\$ (315,608)</u>	<u>\$ 14,557</u>	<u>\$ 4,098</u>

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

**August 31, 2022**

**Assets**

**Current Assets**

Investments	
Fixed Income Securities	\$ 10,146,013
Equity Securities	16,158,763
Real Estate Investments	<u>1,657,670</u>
<b>Total Assets</b>	<u><u>27,962,446</u></u>

**Liabilities and Net Position**

**Liabilities**

Accrued expenses and benefit payable	<u>                    </u>
<b>Total Net Position Restricted for Pension</b>	<u><u>\$ 27,962,446</u></u>

See Notes to Financial Statements.

# **San Jacinto River Authority**

## **STATEMENT OF CHANGES IN FIDUCIARY NET POSITION** **PENSION TRUST FIDUCIARY FUND**

**August 31, 2022**

### **Additions**

Employer contributions	\$ 988,629
Investment Income	6,093,927
<b>Total Additions</b>	<b><u>7,082,556</u></b>

### **Deductions**

Service Benefits	1,278,434
Administrative expenses	5,573
<b>Total Deductions</b>	<b><u>1,284,007</u></b>

**Change in Net Position Restricted for Pension** 5,798,549

Net Position at Beginning of Year 22,163,897

**Net Position at End of Year** **\$ 27,962,446**

See Notes to Financial Statements.

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# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. Reporting Entity**

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

#### **B. Business-Type Activities**

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

The Enterprise Funds maintained by the Authority are described below:

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

The General and Administration Division, located in the general business office at Lake Conroe, consists of professional, technical, accounting, administrative and support staff working under the direction of the General Manager. The General and Administration Division provides management and support services to the SJRA's five operating divisions, time, salary, and benefit costs are allocated to each division based on time worked and full-time equivalents (FTEs). The majority of the growth occurring during and after 2010 (see Number of Employees by Division, pages 100-101) was directly related to the planning and implementation of a groundwater reduction program in response to regulations adopted by the Lone Star Groundwater Conservation District. The Authority now performs in-house services that were not provided in 2011.

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **Raw Water Fund ("Raw Water Enterprise")**

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

### **Highlands Fund ("Highlands Division")**

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

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

The Authority contracted with the City of Houston for the joint construction of Lake Conroe. Under the terms of the contract, the City of Houston advanced two-thirds of the financing of such construction and owns two-thirds of permitted water rights of Lake Conroe. The Authority, in whom the legal title to the physical properties is vested, owns the remaining one-third of the permitted water rights. The Authority operates Lake Conroe for the benefit of itself and the City of Houston pursuant to the terms and conditions of a 1968 contract between the Authority and the City of Houston. An amended and restated contract between the parties, which extends the general terms and conditions of the 1968 contract for the useful life of the Lake Conroe Dam and reservoir, has been approved and executed by the Authority and is in the process of review and approval by the City of Houston. The operating costs of Lake Conroe are generally borne one-third by the Authority and two-thirds by the City of Houston. The accompanying financial statements include only the costs of the Authority's ownership interest in Lake Conroe; therefore, the costs of the City of Houston's two-thirds interest of \$26,739,803 in Lake Conroe are excluded from the capital asset totals presented.

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



# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **Woodlands Division Fund (“Woodlands Division”)**

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

All activities necessary to provide wholesale water and sewer services from such assets are accounted for in this fund, including operations, maintenance, financing and related debt service, and billings to and collections from the participating municipal utility districts. The basic agreement with the municipal utility districts provides for wholesale water and wastewater service billings based upon the recovery of the actual expenses incurred for the operations, maintenance and contingency reserves for the Central Facilities, exclusive of depreciation of such assets, as well as capacity charges for the purchase of reserved capacity rights. As of August 31, 2022, the following municipal utility districts have purchased reserve capacity in such Central Facilities: Montgomery County Municipal Utility District Nos. 6, 7, 36, 39, 46, 47, 60 and 67, The Woodlands Municipal Utility District No. 1, The Woodlands Metro Center Municipal Utility District, and Harris-Montgomery Counties Municipal Utility District No. 386 (Montgomery County side only).

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

### **Flood Management Fund (“Flood Management Division”)**

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

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

identify funding options and/or revenue sources; and coordinate, and partner with other flood management entities within the San Jacinto River Basin.

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

As authorized by the Board of Directors, the Authority developed a Groundwater Reduction Plan (GRP) on behalf of all large volume groundwater users (LVGU's) within Montgomery County who choose to join. Individual LVGU's in Montgomery County will be able to comply with the Lone Star Groundwater Conservation District (LSGCD) regulatory requirements adopted by LSGCD in 2009. The projected water demand of all participating LVGUs is included in the planning for the Authority's regionalized surface water treatment and transmission system. The specific requirements for this planning are set forth in the LSGCD's District Regulatory Plan. In order to join the Authority's GRP, individual LVGUs had to execute a GRP contract with the Authority obligating them to pay groundwater pumpage fees and/or surface water fees. The revenues from participant fees cover all costs associated with implementing the GRP program. On September 8, 2020, the LSGCD adopted new regulations which, in pertinent part, repealed its 2009 regulations. Notwithstanding the foregoing, the GRP Contracts remain in force and effect in accordance with their terms. See Note 12 for discussion of the status of ongoing litigation related to the GRP, including collection of amounts due and owing from certain GRP participants.

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

### **Bear Branch Fund (“Bear Branch”)**

The Authority owns and maintains the Bear Branch Reservoir System (Bear Branch) which provides elements of a storm water management system within a portion of The Woodlands, Texas service area. The Authority purchased the assets of Bear Branch from the Woodlands Land Development Company, LP in April 2000. All activities necessary to maintain and improve Bear Branch assets are accounted for in this fund. As of August 31, 2022, contracts have been signed with Montgomery County Municipal Utility Districts Nos. 7, 46, 47, 60 and 67 to purchase their agreed to proportionate share of reserve capacity rights for storm water detention resulting from the construction and maintenance of Bear Branch System.

### **Region H Fund (“Region H”)**

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

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **C. Fiduciary Activity**

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

### **D. Measurement Focus and Basis of Accounting**

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

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

### **E. Cash and Cash Equivalents, and Investments**

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

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

Investments are reported at fair value. Any changes in the fair value of financial investments are records as income.

### **F. Accounts Receivable**

The allowance for doubtful accounts is established to provide an estimate of bad debts charged to revenues. Losses are charged against the allowance when Management believes the collectability of a receivable is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by Management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. As of August 31, 2022, the Authority has record \$205,486 in bad debts.

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **G. Depreciation**

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

<b><u>Asset Class</u></b>	<b><u>Useful Life</u></b>
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. Leases**

The Authority is a lessee because it leases capital assets from other entities. As a lessee, the Authority reports lease liabilities and intangible right-to-use capital assets (also referred to as lease assets). The Authority recognizes lease proceeds and capital outlay at initiation of the lease, and the outflow of resources for the lease liability. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. For additional information on intangible right-to-use assets and lease liabilities, see Note 5.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Authority uses the interest rate charged by the lessor as the discount rate when explicit. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease and any options to renew that the Authority is reasonably certain to exercise. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

price that the Authority is reasonably certain to exercise. The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported as intangible right-to-use asset along with other capital assets and lease liabilities are reported with current liabilities and long-term debt on the statement of net position.

### **H. 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.

### **I. Date of Management's Review**

Subsequent events have been evaluated through January 26, 2023, which is the date the financial statements were available to be issued.

### **J. Net Position**

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

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

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

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

A summary of **net investment in capital assets** as of August 31, 2022 follows:

	<b>Capital Assets - Net of Depreciation</b>	<b>Bonds Payable and Other</b>	<b>Total</b>
General and Administration Division	\$ 6,002,450	\$	\$ 6,002,450
Raw Water Supply	31,049,176	(4,462,478)	26,586,698
Highlands Division	73,753,428	(45,448,293)	28,305,135
Lake Conroe Division	10,991,196		10,991,196
Woodlands Division	105,721,784	(22,232,266)	83,489,518
Groundwater Reduction Plan Division	352,214,512	(436,185,659)	(83,971,147)
Flood Management	266,789		266,789
Bear Branch	2,270,032		2,270,032
<b>Total</b>	<b>\$ 582,269,367</b>	<b>\$ (508,328,696)</b>	<b>\$ 73,940,671</b>

A summary of net position restricted for **debt service** as of August 31, 2022 follows:

	<b>Restricted Cash for Debt Service</b>	<b>Liabilities Payable from Restricted Cash for Debt Service</b>	<b>Total</b>
Highlands Division	\$ 8,521,695	\$ (714,660)	\$ 7,807,035
Woodlands Division	6,736,158	(684,555)	6,051,603
Groundwater Reduction Plan Division	56,877,200	(8,019,232)	48,857,968
<b>Total</b>	<b>\$ 72,135,053</b>	<b>\$ (9,418,447)</b>	<b>\$ 62,716,606</b>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

A summary of net position restricted for **construction** as of August 31, 2022 follows:

	<b>Restricted Cash for Construction</b>	<b>Bonds Payable</b>	<b>Liabilities Payable from Restricted Cash for Construction</b>	<b>Total</b>
General and Administration Division	\$ 2,365,394	\$	\$	\$ 2,365,394
Highlands Division	15,054,720		(89,101)	14,965,619
Lake Conroe Division	2,883,345		(87,404)	2,795,941
Woodlands Division	18,092,114	(18,092,114)		-
Groundwater Reduction Plan Division	1,178,718	(1,178,718)		-
<b>Total</b>	<b>\$ 39,574,291</b>	<b>\$ (19,270,832)</b>	<b>\$ (176,505)</b>	<b>\$ 20,126,954</b>

A summary of net position restricted for **other** as of August 31, 2022 follows:

	<b>Emergency Reserve</b>	<b>Grants and other</b>	<b>Total</b>
General and Administration Division	\$	\$ 43,390	\$ 43,390
Woodlands Division	2,122,455		2,122,455
Flood Management		1,858,650	1,858,650
Bear Branch		195,630	195,630
Region H		129,593	129,593
<b>Total</b>	<b>\$ 2,122,455</b>	<b>\$ 2,227,263</b>	<b>\$ 4,349,718</b>

A summary of net position – **unrestricted** as of August 31, 2022 follows:

	<b>Designated</b>			<b>Total</b>
	<b>Operating Reserve</b>	<b>Emergency</b>	<b>Undesignated</b>	
General & Administration Div.	\$ 1,577,292	\$ 508,024	\$ 2,397,099	\$ 4,482,415
Raw Water Supply			1,556,000	1,556,000
Highlands Division	2,552,838	2,522,080	2,499,418	7,574,336
Lake Conroe Division	988,206	2,540,120	8,471,067	11,999,393
Woodlands Division			6,267,414	6,267,414
Flood Management			(1,840,574)	(1,840,574)
Groundwater Reduct. Plan Div.			44,852,991	44,852,991
<b>Total</b>	<b>\$ 5,118,336</b>	<b>\$ 5,570,224</b>	<b>\$ 64,203,415</b>	<b>\$ 74,891,975</b>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Insurance &amp; Fair Value of Collateral</u>
Collateral held by pledging banks in the Authority's name	\$ 33,767,506	\$ 38,734,660	\$ 54,552,410
Cash equivalents, not requiring pledging by banks, money funds & Pools	<u>137,434,840</u>	<u>137,434,840</u>	N/A
<b>Total Cash and Cash Equivalents</b>	<u>\$ 171,202,346</u>	<u>\$ 176,169,500</u>	

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

#### Investment Policy

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

#### Investments

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

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

The Authority invested in obligations of the U.S. or its agencies as of August 31, 2022.

#### Public Funds Investment Pools

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



# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

half of one percent of the value of its shares. The Authority has been authorized by the Board of Directors to invest in the Pools. In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 79, investment pools use amortized cost (which excludes unrealized gains and losses) to compute share price without any limitation or restrictions on withdrawals. An external investment pool qualifies for amortized cost reporting if it transacts with its participants at a stable net asset value per share and meets various portfolio maturity, quality, diversification liquidity and pricing requirements. Investments in pools are deemed to have a weighted average maturity of one day. At August 31, 2022, the Authority participated in TexPool (\$57,773,690), TexStar (\$5,040,054) and Texas CLASS (\$39,561,065).

### **Interest Rate Risk**

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

### **Credit Risk – Investments**

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

### **Investments – Fair Value**

The Authority’s investments are stated at fair value which is the amount that would be received in an asset sale or paid in an orderly transaction between unaffiliated market participants. The Authority categorizes the fair value measurement of its investments based on the hierarchy established by generally accepted accounting principles. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

**Level 1:** Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

**Level 2:** Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

**Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

The fair value measurement of investments and the level within the fair value hierarchy at which the investments are measured at August 31, 2022 are as follows:

	8/31/2022	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Money Market Funds	\$ 1,853,083	\$ 1,853,083		\$
U.S. Treasury Notes	31,829,628		31,829,628	
Total Investments	\$ 33,682,711	\$ 1,853,083	\$ 31,829,628	\$

The Authority has no Level 3 inputs at August 31, 2022.

### NOTE 3 – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The individual interfund receivables/payables as of August 31, 2022 follow:

	<u>Receivables</u>	<u>Payables</u>
Enterprise Funds:		
Raw Water Supply	\$	\$
General and Administration Division	158,124	
Highlands Division	266,729	53,106
Woodlands Division	53,105	2,328,279
Lake Conroe Division		
Groundwater Reduction Plan Division	2,021,095	100,920
Region H		
Bear Branch		16,748
	\$ 2,499,053	\$ 2,499,053

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, 2021 (restated)	Additions	Deletions	Balance at Aug. 31, 2021
<b>Business-Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 29,171,438	\$ 25,176	\$ (19)	\$ 29,196,595
Water permits and rights	30,947,801			30,947,801
Construction in progress	8,656,863	3,688,290	(2,826,245)	9,518,908
Total Capital Assets Not Being Depreciated	68,776,102	3,713,466	(2,826,264)	69,663,304
Capital Assets Being Depreciated:				
Land improvements	1,499,126	63,571		1,562,697
Roads	2,858,827			2,858,827
Furniture, fixtures and equipment	5,825,762	351,218		6,176,980
Other machinery and equipment	14,341,097	245,790	(90,510)	14,496,377
Automobiles and trucks	3,193,105	245,990	(197,442)	3,241,653
Intangible right-to-use assets	365,907			365,907
Buildings	27,115,615	32,207		27,147,822
Dams and appurtenances	9,434,710			9,434,710
Water systems	604,045,528	76,699		604,122,227
Wastewater utility systems	120,413,385	2,327,385		122,740,770
Capital improvement plans	3,611,319			3,611,319
Total Capital Assets Being Depreciated	792,704,381	3,342,860	(287,952)	795,759,289
Less Accumulated Depreciation for:				
Roads	1,351,384	135,143		1,486,527
Land improvements	1,033,003	52,755		1,085,758
Furniture, fixtures and equipment	4,739,832	852,334		5,592,166
Other machinery and equipment	9,409,000	687,533	(90,510)	10,006,023
Automobiles and trucks	2,360,564	293,905	(197,442)	2,457,027
Leased equipment	10,650	67,961		78,611
Buildings	5,403,912	561,604		5,965,516
Dams and appurtenances	3,430,099	103,729		3,533,828
Water systems	162,957,612	19,239,733		182,197,345
Wastewater utility systems	66,827,205	3,256,389		70,083,594
Capital improvement plans	601,186	65,645		666,831
Total Accumulated Depreciation	258,124,447	25,316,731	(287,952)	283,153,226
Total Capital Assets Being Depreciated, Net	534,579,934	(21,973,871)	0	512,606,063
<b>Business-Type Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 603,356,036</b>	<b>\$ (18,260,405)</b>	<b>\$ (2,826,264)</b>	<b>\$ 582,269,367</b>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 – LEASES

The Authority has leasing arrangements, summarized below:

The Authority entered into a lease agreement to lease tower space to affix a SCADA antenna for the Woodlands Division for 60 months beginning October 1, 2013, with five optional 60-month renewal periods. The Authority has exercised two of the renewal options extending the contract expiration to September 30, 2028. Currently, the Authority is not reasonably certain to exercise future renewal options. As of September 1, 2021, there were 84 payments remaining of the term reasonably certain to be exercised. Under the terms of the lease, the Authority pays a monthly fee that is adjusted 3% each year and in Fiscal Year 2022 the monthly payments were \$760.07. As of restated Fiscal Year 2021, the Authority recognized an intangible right-to-use asset of \$69,605 and a lease liability of \$69,605.

The Authority entered into a lease agreement to lease fiber optic lines serving the Highlands Division SCADA system for 60 months beginning August 20, 2021, with unlimited 12-month renewal options. After the initial term of the lease, the lease would be considered a short-term lease since it becomes cancelable on a year-to-year basis. As of September 1, 2021, there were 60 payments remaining of the contract term before becoming a short-term lease on August 19, 2026. Under the terms of the lease, the Authority pays a monthly fee of \$2,660. As of restated Fiscal Year 2021, the Authority recognized a right to use asset of \$296,302, which included initial direct costs incurred during Fiscal Year 2021, and a lease liability of \$147,196.

Lease liabilities as of August 31, 2022, are detailed as follows:

Lease Description	Contract End Date	Discount Rate	Balance at September 1, 2021 (Restated)	Retirements (Additions)	Balance at August 31, 2022	Amounts Due Within One Year
SCADA Tower Lease	9/30/28	3%	\$ 62,744	\$ 7,339	\$ 55,405	\$ 7,839
SCADA Fiber Lease	8/19/26	3%	147,196	27,885	119,311	28,734
Total Lease Liabilities			<u>\$ 209,940</u>	<u>\$ 35,224</u>	<u>\$ 174,716</u>	<u>\$ 36,573</u>

Schedule of future lease payments as of August 31, 2022:

Fiscal Year	Principal	Interest	Total
2023	\$ 36,573	\$ 4,741	\$ 41,314
2024	37,971	3,625	41,596
2025	39,421	2,466	41,887
2026	39,948	1,263	41,211
2027	10,087	486	10,573
2028	10,716	175	10,891
<b>Total</b>	<u>\$ 174,716</u>	<u>\$ 12,756</u>	<u>\$ 187,472</u>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

The Authority amortized the intangible right-to-use assets as of August 31, 2022:

<b>Lease Activities</b>	<b>Balance at September 1, 2021 (restated)</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at August 31, 2022</b>
Intangible right-to-use assets, net of accumulated amortization				
SCADA Antenna Tower Lease	\$ 60,905	\$	\$ (8,701)	\$ 52,204
SCADA Fiber Optic Lease	294,354		(59,260)	235,094
<b>Total</b>	<b>\$ 355,259</b>	<b>\$</b>	<b>\$ (67,961)</b>	<b>\$ 287,298</b>

### **NOTE 6 – UNAMORTIZED BOND PREMIUM OR DISCOUNT**

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

	<b>Original Bond Premium or (Discount)</b>	<b>Balance at Sept. 1, 2021</b>	<b>Current Year Amortization</b>	<b>Retirements</b>	<b>Balance at Aug. 31, 2022</b>
<b>Raw Water Supply</b>					
Water Revenue Refunding Bonds:					
Series 2019R-A	\$ 537,386	\$ 363,303	\$ 90,826	\$	\$ 272,477
<b>Total Raw Water Supply</b>	<b>537,386</b>	<b>363,303</b>	<b>90,826</b>		<b>272,477</b>
<b>Highlands Division</b>					
Water Revenue Bonds:					
Series 2013	265,830	181,437	181,437		
Series 2014	(1,348)	(949)	(59)		(890)
Series 2019R-B	2,434,636	2,158,792	143,919		2,014,873
<b>Total Highlands Division</b>	<b>2,699,118</b>	<b>2,339,280</b>	<b>325,297</b>		<b>2,013,983</b>
<b>Total Raw Water Enterprise</b>	<b>3,236,504</b>	<b>2,702,583</b>	<b>416,123</b>		<b>2,286,460</b>
<b>Woodlands Division</b>					
Special Project Revenue Refunding Bonds:					
Series 2014	1,183,116	667,399	72,807		594,592
Series 2014	2,488,017	1,558,835	129,248		1,429,587
<b>Total Woodlands Division</b>	<b>3,671,133</b>	<b>2,226,234</b>	<b>202,055</b>		<b>2,024,179</b>
<b>GRP Division</b>					
Special Project Revenue Bonds:					
Series 2011	114,995	70,337	4,353		65,984
Series 2016	69,788	56,052	2,659		53,393
<b>Total GRP Division</b>	<b>184,783</b>	<b>126,389</b>	<b>7,012</b>		<b>119,377</b>
<b>Totals</b>	<b>\$ 7,092,420</b>	<b>\$ 5,055,206</b>	<b>\$ 625,190</b>	<b>\$</b>	<b>\$ 4,430,016</b>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7 – LONG-TERM DEBT

A summary of changes in bonds payable follows:

	<u>Interest Rates</u>	<u>Original Issuance</u>	<u>Balance at Sept. 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at Aug. 31, 2022</u>	<u>Due Within One Year</u>
<b>Raw Water Supply</b>							
Water Revenue Refunding Bonds:							
Series 2019A	3.00-4.00%	6,680,000	\$ 5,620,000	\$	\$ 1,430,000	\$ 4,190,000	1,500,000
<b>Total Raw Water Supply</b>			<u>5,620,000</u>	<u>\$</u>	<u>1,430,000</u>	<u>4,190,000</u>	<u>1,500,000</u>
<b>Highlands Division</b>							
Water Revenue Bonds:							
Series 2013	2.00-5.00%	6,730,000	5,425,000		5,425,000		
Series 2014	2.00-3.50%	5,360,000	4,545,000		175,000	4,370,000	180,000
Series 2015	0.89-4.28%	29,000,000	24,680,000		920,000	23,760,000	950,000
Series 2019A	2.00-5.00%	16,715,000	15,965,000		780,000	15,185,000	810,000
<b>Total Highlands Division</b>			<u>50,615,000</u>		<u>7,300,000</u>	<u>43,315,000</u>	<u>1,940,000</u>
<b>Total Raw Water Enterprise</b>			<u>56,235,000</u>		<u>8,730,000</u>	<u>47,505,000</u>	<u>3,440,000</u>
<b>Woodlands Division</b>							
Special Project Revenue Refunding Bonds:							
Series 2014	2.00-5.00%	11,355,000	7,640,000		630,000	7,010,000	660,000
Series 2014	3.00-5.00%	26,700,000	19,535,000		1,405,000	18,130,000	1,455,000
Series 2017	0.00-1.710%	42,895,000	39,615,000		1,640,000	37,975,000	1,640,000
<b>Total Woodlands Division</b>			<u>66,790,000</u>		<u>3,675,000</u>	<u>63,115,000</u>	<u>3,755,000</u>
<b>Groundwater Reduction Plan Division</b>							
Special Project Revenue Bonds:							
Series 2009	0.85-2.66%	21,500,000	14,860,000		1,715,000	13,145,000	1,750,000
Series 2011	3.00-5.25%	83,155,000	67,250,000		2,635,000	64,615,000	2,745,000
Series 2011A	1.47-4.97%	67,470,000	49,985,000		2,460,000	47,525,000	2,545,000
Series 2012	1.47-4.62%	175,000,000	134,245,000		5,685,000	128,560,000	5,870,000
Series 2012A	1.67-4.62%	165,000,000	150,790,000		1,245,000	149,545,000	1,290,000
Series 2013	0.53-4.76%	39,850,000	33,015,000		1,070,000	31,945,000	1,105,000
Series 2016	2.00-4.00%	2,305,000	1,975,000		65,000	1,910,000	70,000
<b>Total Groundwater Reduction Plan Division</b>			<u>452,120,000</u>		<u>14,875,000</u>	<u>437,245,000</u>	<u>15,375,000</u>
<b>Total Bonds Payable</b>			<u>\$ 575,145,000</u>	<u>\$</u>	<u>\$ 27,280,000</u>	<u>\$ 547,865,000</u>	<u>\$ 22,570,000</u>

Of the \$547,865,000 of bonds payable, \$520,295,000 is considered long-term and \$27,570,000 is considered current.

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Raw Water Enterprise</b>			
2023	\$ 3,440,000	\$ 1,820,156	\$ 5,260,156
2024	3,555,000	1,691,936	5,246,936
2025	3,205,000	1,567,414	4,772,414
2026	2,155,000	1,465,242	3,620,242
2027	2,240,000	1,376,112	3,616,112
2028-2032	12,705,000	5,389,804	18,094,804
2033-2037	14,000,000	2,687,615	16,687,615
2038-2042	6,205,000	401,833	6,606,833
2043			
	<u>\$ 47,505,000</u>	<u>\$ 16,400,112</u>	<u>\$ 63,905,112</u>
<b>Woodlands Division</b>			
2023	\$ 3,755,000	\$ 1,592,454	\$ 5,347,454
2024	3,845,000	1,487,931	5,332,931
2025	3,930,000	1,390,172	5,320,172
2026	4,035,000	1,281,746	5,316,746
2027	4,170,000	1,148,020	5,318,020
2028-2032	20,625,000	3,507,302	24,132,302
2033-2037	10,785,000	1,390,120	12,175,120
2038-2042	9,890,000	592,338	10,482,338
2043	2,080,000	17,784	2,097,784
	<u>\$ 63,115,000</u>	<u>\$ 12,407,867</u>	<u>\$ 75,522,867</u>
<b>Groundwater Reduction Plan Division</b>			
2023	\$ 15,375,000	\$ 18,983,208	\$ 34,358,208
2024	15,920,000	18,436,969	34,356,969
2025	16,520,000	17,835,209	34,355,209
2026	17,185,000	17,176,263	34,361,263
2027	17,870,000	16,485,721	34,355,721
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
2043			
	<u>\$ 437,245,000</u>	<u>\$ 215,725,555</u>	<u>\$ 652,970,555</u>



# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 8 – 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, 2022.

### **NOTE 9 – RETIREMENT PLANS**

#### **Defined Contribution Pension Plan**

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

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

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

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

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

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

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **Defined Benefit Pension Plan**

#### **Summary of Significant Accounting Policies**

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

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

#### **Plan Description (Pension Plan)**

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

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

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

*Plan Membership.* At November 1, 2020, there were 157 plan members including 99 active members, 23 terminated vested members, 35 retired members and beneficiaries.

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

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **Investments**

*Pension Plan Investment policy.* It is the policy of the Authority's Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy as of December 9, 2021.

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>
Fixed Income	8%
US Bonds	20%
Global Bonds	7%
Domestic Equities	46%
Foreign Equities	10%
Real Estate	<u>9%</u>
Total	100%

*Rate of return.* For the plan year ended October 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 27.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Calculation of Money-Weighted Rate of Return

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

<u>Interest</u>	<u>Net External Cash Flows</u>	<u>Periods Invested</u>	<u>Period Weight</u>	<u>Net External Cash Flows With Interest</u>
Beginning Value - November 1, 2020	\$ 22,163,897	12.00	1.00	\$ 28,212,847
Monthly Net External Cash Flows:				
November	(42,261)	12.00	1.00	(53,795)
December	(68,558)	11.00	0.92	(85,600)
January	(42,261)	10.00	0.83	(51,633)
February	946,368	9.00	0.75	1,134,124
March	(116,856)	8.00	0.67	(137,362)
April	(63,049)	7.00	0.58	(72,521)
May	(42,261)	6.00	0.50	(47,680)
June	(225,001)	5.00	0.42	(249,001)
July	(459,573)	4.00	0.33	(497,667)
August	(66,698)	3.00	0.25	(70,846)
September	(42,261)	2.00	0.17	(44,031)
October	(72,967)	1.00	0.08	<u>(74,389)</u>
Ending Value - October 31, 2021	\$ 27,962,446			<u>\$ 27,962,446</u>
Money-Weighted Rate of Return	27.29%			

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

*Return on assets.* The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2021.

<b><u>Asset Class</u></b>	<b><u>Index</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Arithmetic Real Rate of Return</u></b>
US Core Fixed Income	Bloomberg Barclays Aggregate	8.00%	1.37%
US Interm Bonds	BBgBarc US Govt/Credit Interm TR	15.00%	0.94%
US High Yield Bonds	ICEE BofA US High Yield TR	5.00%	3.95%
Global Bonds	FTSE WGBI	7.00%	-0.13%
US Large Cap Equity	S&P 500 TR	25.00%	5.15%
US Small & Mid Cap Equit	Russell 2500 TR	21.00%	6.20%
Global Equity	MSCI ACWI NR	10.00%	5.81%
US REITs	FTSE NAREIT Equity REIT	9.00%	5.75%
Assumed Inflation - Mean			2.30%
Assumed Inflation - Standard Deviation			1.16%
Portfolio Real Mean Return			4.13%
Portfolio Nominal Mean Deviation			6.43%
Portfolio Standard Deviation			12.21%
<b>Long-Term Expected Rate of Return</b>			<b>6.00%</b>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Net Pension Liability

	<u>October 31, 2020</u>	<u>October 31, 2021</u>
Total pension liability	\$ 22,320,691	\$ 21,855,006
Fiduciary net position	22,163,897	27,962,446
<b>Net Pension Liability (Asset)</b>	<b>\$ 156,794</b>	<b>\$ (6,107,440)</b>
Fiduciary net position as a % of total pension liability	99.30%	127.95%
Covered payroll	\$ 8,680,506	\$ 8,104,641
Net pension liability as a % of covered payroll	1.81%	-75.36%

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

### Discount Rate

	<u>October 31, 2020</u>	<u>October 31, 2021</u>
Discount rate	6.00%	6.00%
Long-term expected rate of return, net of investment expense	6.00%	6.00%
Municipal bond rate	N/A	N/A

### Other Key Actuarial Assumptions

	<u>October 31, 2020</u>	<u>October 31, 2021</u>
Valuation date	November 1, 2019	November 1, 2020
Measurement date	October 31, 2020	October 31, 2021
Inflation	2.20%	2.30%
Salary increases including inflation	5.00%	5.00%
Mortality	PubG-2010 Public Retirement Plans Amount-Weighted projected with Scale MP-2019	PubG-2010 Public Retirement Plans Amount-Weighted projected with Scale MP-2020
Actuarial cost method	Entry Age Normal	Entry Age Normal

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

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Authority, calculated using the discount rate of 6.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00%) or 1-percentage-point higher (7.00%) than the current rate:

	1% Decrease	Current	1% Increase
	5.00%	Discount Rate	7.00%
	<u>5.00%</u>	<u>6.00%</u>	<u>7.00%</u>
Total pension liability	\$ 25,214,928	\$ 21,855,006	\$ 19,071,697
Fiduciary net position	27,962,446	27,962,446	27,962,446
<b>Net Pension Liability (Asset)</b>	<b><u>\$ (2,747,518)</u></b>	<b><u>\$ (6,107,440)</u></b>	<b><u>\$ (8,890,749)</u></b>

### Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances as of August 31, 2021	\$ 22,320,691	\$ 22,163,897	\$ 156,794
Changes for the year:			
Service cost	963,869		963,869
Interest on total pension liability	1,359,279		1,359,279
Effect of economic/demographic gains or losses	(1,408,134)		(1,408,134)
Effect of assumptions changes or inputs	(102,265)		(102,265)
Benefit payments	(1,278,434)	(1,278,434)	
Administrative expenses		988,629	(988,629)
Net investment income		6,093,927	(6,093,927)
Employer contributions		(5,573)	5,573
<b>Balances as of August 31, 2022</b>	<b><u>\$ 21,855,006</u></b>	<b><u>\$ 27,962,446</u></b>	<b><u>\$ (6,107,440)</u></b>

*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).

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Pension Expense

<b>Pension Expense</b>	<b>September 01, 2021 to August 31, 2022</b>
Service cost	\$ 963,869
Interest on total pension liability	1,359,279
Administrative expenses	5,573
Expected investment return net of investment expenses	(1,321,102)
Recognition of economic/demographic gains and losses	(436,982)
Recognition of assumption changes or inputs	109,058
Recognition of investment gains and losses	(1,157,719)
	\$ (478,024)

As of August 31, 2022, the deferred inflows and outflows of resources are as follows:

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Contributions made subsequent to measurement date	\$	\$ 876,461
Difference between expected and actual experience	(3,109,810)	604,663
Changes in assumptions	(189,054)	854,624
Net difference between projected and actual earnings	(3,784,602)	
<b>Total</b>	<b>\$ (7,083,466)</b>	<b>\$ 2,335,748</b>

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:

2023	\$ (1,202,641)
2024	(1,396,772)
2025	(1,214,396)
2026	(1,271,657)
2027	(254,249)
Thereafter*	(284,464)

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



# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **Depletion Date Projection**

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

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

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

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

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

#### **Plan Description**

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

As of September 1, 2021 actuarial valuation, eight former employees, dependents, and surviving spouses are receiving OPEB healthcare benefits. Three active employees and their dependents will receive this benefit if the employees continue working for the Authority until reaching the normal retirement age of 65.

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

#### **Funding Policy**

The contribution required from OPEB plan members may be amended by the Authority's Board of Directors. As of the date of this report, the OPEB healthcare plan is 100% funded by the Authority on a pay-as-you-go-basis. The Authority paid an estimated \$40,523 for OPEB medical insurance coverage for retired employees covered under the OPEB plan during the fiscal year ending August 31, 2022. After review, the Authority deems no reserve necessary for OPEB healthcare plan.

#### **Benefits Provided**

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

#### **Employees Covered by Benefit Terms**

As of August 31, 2022, eight former employees, dependents, and surviving spouses are receiving OPEB healthcare benefits. Three active employees and their dependents will receive this benefit if the employees continue working for the Authority until reaching the normal retirement age of 65.

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **Total OPEB Liability**

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

### **OPEB Liability**

	<u>August 31, 2021</u>	<u>August 31, 2022</u>
Total OPEB liability	\$ 1,683,855	\$ 1,105,965
Covered payroll	\$ 263,108	\$ 274,839
Total OPEB liability as a % of covered payroll	639.99%	402.40%

### **Discount Rate**

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

### **Discount Rate**

	<u>August 31, 2021</u>	<u>August 31, 2022</u>
Discount rate	2.14%	3.59%
20 Year Tax-Exempt Municipal Bond Yield	2.14%	3.59%

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of August 31, 2022 are as follows:

	<u>August 31, 2021</u>	<u>August 31, 2022</u>
Valuation date	September 1, 2019	September 1, 2021
Measurement date	August 31, 2021	August 31, 2022
Inflation	2.20%	2.30%
Salary increases including inflation	5.00%	5.00%
Mortality	Pub-2010 Mortality (headcount weighted) for Employees, Healthy and Contingent Annuitants projected forward (fully generational) with MP-2020	Pub-2010 Mortality (headcount weighted) for Employees, Healthy and Contingent Annuitants projected forward (fully generational) with MP-2021
Actuarial cost method	Entry Age Normal	Entry Age Normal

### Changes in OPEB Liability

	<u>Total OPEB Liability</u>
Balances as of September 1, 2021	\$ 1,683,855
Changes for the year:	
Service cost	24,486
Interest on total OPEB liability	36,127
Effect on economic/demographic gains or loss	(322,631)
Effect of assumptions changes inputs	(275,349)
Benefit payments	(40,523)
<b>Balances as of August 31, 2022</b>	<b>\$ 1,105,965</b>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### **Sensitivity Analysis.**

The following presents the total OPEB liability of the Authority, calculated using the discount rate of 3.59 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 (2.59 percent) or 1-percentage-point higher (4.59 percent) than the current rate:

	<b>Discount</b>		
	<b>1% Decrease</b>	<b>Rate</b>	<b>1% Increase</b>
	<b>2.59%</b>	<b>3.59%</b>	<b>4.59%</b>
Total OPEB Liability	\$ 1,269,404	\$ 1,105,965	\$ 971,545

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:

	<b>Current</b>		
	<b>1% Decrease</b>	<b>Trend Date</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 961,280	\$ 1,105,965	\$ 1,282,561

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

For the year ended August 31, 2022, the Authority recognized OPEB expense of \$(91,369) and \$(396,904) for fiscal year 2021 and fiscal year 2022 respectively.

#### **OPEB Expense**

	<b>Year Ended August 31</b>	
	<b>2021</b>	<b>2022</b>
<b>OPEB Expense</b>		
Service cost	\$ 29,934	\$ 24,486
Interest on total OPEB liability	37,146	36,127
Effect of plan changes		
Recognition of economic/demographic gains and losses	(258,694)	(274,550)
Recognition of assumption changes or inputs	100,245	(182,967)
	\$ (91,369)	\$ (396,904)

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

At August 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Difference between expected and actual experience	\$ (107,544)	\$
Changes in assumptions	(91,783)	
<b>Total</b>	<b>\$ (199,327)</b>	<b>\$</b>

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

<b>Year Ended August 31:</b>	
2022	\$ (199,327)
2023	
2024	
2025	
2026	
Thereafter*	

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

### **NOTE 11 – MAJOR CUSTOMERS**

Industrial and municipal water sales totaling \$18,858,273 were invoiced to the Authority's three largest customers of the Raw Water Supply Division. This accounts for 89% of the Raw Water Supply Division water sales revenues for the year ended August 31, 2022.

Revenues totaling \$3,911,945 accrued from the Authority's primary contractual partner (City of Houston) in the Lake Conroe reservoir project. This accounts for 76% of the Lake Conroe Division's operating revenues for the year ended August 31, 2022.

Water pumpage and surface water fees totaling \$34,085,317 were invoiced to the Authority's two largest customers of the Groundwater Reduction Plan Division. This accounts for 48% of Groundwater Reduction Plan Division's operating revenues for the year ended August 31, 2022.

Water and sewer service fees totaling \$32,396,127 were invoiced to the Authority's five largest customers of the Woodlands Division. This accounts for approximately 73% of The Woodlands Division's Water and sewer fees for the year ended August 31, 2022.

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 12 – CONTINGENCIES**

#### ***Hurricane Harvey Litigation***

There are 9 active lawsuits that have been filed against the Authority in Harris County, Texas, on behalf of numerous property owners that allege, among other claims, that the release of water from the Lake Conroe Dam following the landfall of Hurricane Harvey caused flooding on their properties in violation of the Takings Clause of the Texas Constitution and/or violation of the Texas Private Real Property Rights Preservation Act. Nine lawsuits that were previously pending in the Harris County District Courts have been consolidated. There are 10 additional lawsuits which were originally filed in Harris County but have been transferred to counties in which the allegedly damaged properties are located, including Orange, Montgomery, Liberty, Jefferson, Brazoria, San Jacinto, and Wharton Counties.

The Authority is contesting all of these lawsuits vigorously and intends to continue to do so. In all of the filed lawsuits, the Authority has filed a motion to dismiss or a plea to the court's jurisdiction. The Authority anticipates that pleas to the court's jurisdiction will be resolved in at least two of the cases within the next few months. Because there is an automatic right to interlocutory appeal following a court's ruling on a governmental entity's plea to the jurisdiction, the Authority anticipates that these cases will be on appeal shortly thereafter. One of the 9 active lawsuits filed in Harris County is on appeal before the Fourteenth Court of Appeals in Houston. Another lawsuit which was filed in Harris County but subsequently transferred to Montgomery County is on appeal before the Ninth Court of Appeals in Beaumont.

The above summary based on the status of litigation through August 31, 2022. We note that, subsequent to said date, the Fourteenth Court of Appeals rendered its decision and ruled in favor of the Authority, reversing the trial court's decision and dismissing the property owners' claims against the Authority in that case.

#### ***GRP Litigation***

On June 20, 2016, the Authority adopted a Rate Order setting revised rates applicable to its GRP Participants. The rate revisions were to become effective on September 1, 2016. On August 16, 2016, the City of Conroe, Texas, the second-largest rate payer in the Authority's GRP, adopted an ordinance that, among other things, directed City staff not to pay the revised rates adopted by the Authority. Litigation ensued as described below.

***Ex parte San Jacinto River Authority, No. 03-21-00137-CV, in the Court of Appeals for the Third District of Texas, Austin, Texas.*** On August 31, 2016, the Authority filed suit in the District Court of Travis County, Texas, pursuant to Chapter 1205 of the Texas Government Code, seeking a declaratory judgment that (i) the Authority is authorized to set rates for its GRP Participants pursuant to the procedures set forth in the contracts between the Authority and its GRP Participants (the "GRP Contracts"), (ii) the Authority adopted its fiscal year 2017 Rate Order, including the setting of its fiscal year 2017 rates, in accordance with the procedures set forth in the GRP Contracts, (iii) the Authority's fiscal year 2017 rates, the Rate Order, and the GRP Contract are legal and valid,

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

and (iv) the City of Conroe's refusal to pay the fiscal year 2017 rate is illegal and invalid, and its failure to pay is a breach of its GRP Contract. The Cities of Conroe, Magnolia, and Splendora, Texas, along with two privately-owned water utilities, Quadvest, L.P. and Woodlands Oaks Utility, L.P., intervened in opposition to the Authority's suit.

In August 2018, the Third Court of Appeals, Austin, affirmed the trial court's ruling that it was a proper venue for the suit and had jurisdiction with respect to declarations (i) through (iii) described in the preceding paragraph. The Cities of Conroe, Magnolia, and Splendora, Texas petitioned the Texas Supreme Court for review of the Third Court's affirmance, and review was granted. The Texas Supreme Court heard oral argument in January 2020 and issued its corrected opinion on June 12, 2020. The Court stated that the GRP Contracts are "incontestable" under the Texas Government Code and that the trial court had jurisdiction to determine whether the GRP Contracts were validly executed. Upon remand, the Authority moved for summary judgment seeking declarations that (i) the GRP Contracts were legally and validly executed; and (ii) the Authority has contractual authority under the GRP Contracts to issue rate orders and rates that comply with the GRP Contracts because those contracts were validly executed. On December 11, 2020, the Travis County district court entered an order granting the Authority's summary judgment and issuing the requested declarations based on the incontestability of the GRP Contracts as a matter of law.

The intervening parties appealed the judgment to the Third Court of Appeals, Austin. The Third Court's majority opinion issued on July 22, 2022. Over the dissent of one justice, the majority affirmed the trial court after revising the first declaration as follows: "The GRP Contracts were legally and validly executed by SJRA." None of the parties sought review by the Texas Supreme Court.

The above summary based on the status of litigation through August 31, 2022. We note that, subsequent to said date, the mandate issued from the Court of Appeals on November 14, 2022.

***Quadvest, L.P. et al. v. San Jacinto River Authority, No. 19-09-12611, in the 284<sup>th</sup> Judicial District Court for Montgomery County, Texas.*** Quadvest, L.P., Woodland Oaks Utility, L.P., Everett Square, Inc., E.S. Water Consolidators, Inc., Utilities Investments Co., Inc., and T&W Water Service Company filed a lawsuit against the Authority in Montgomery County, Texas, for breach of the parties GRP Contracts. Plaintiffs allege that that the Authority has improperly set the rates it charges for groundwater pumpage and surface water usage under the GRP Contracts. Because the Texas Supreme Court's opinion limited the suit under Government Code Chapter 1205, as discussed above, to the validity of the GRP Contracts and excluded compliance with those contracts, the Authority filed cross-claims against the Cities of Conroe and Magnolia for breach of contract for their failure to pay the prevailing GRP rates since September 2016.

Conroe and Magnolia challenged the trial court's jurisdiction on the basis of governmental immunity, specifically that the GRP Contracts lack the essential terms of price and quantity necessary for the statutory waiver of immunity to apply and because the parties did not



# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

first mediate their dispute. The trial court granted the Cities' plea to the jurisdiction, and the Authority took an interlocutory appeal. That appeal was styled *San Jacinto River Authority v. City of Conroe, Texas and City of Magnolia, Texas*, No. 09-20-00180-CV, in the Court of Appeals for the Ninth District of Texas, Beaumont, Texas. On April 21, 2022, the court of appeals affirmed the grant of the Cities' plea to the jurisdiction because the parties did not first mediate their dispute. The court held mediation was a jurisdictional prerequisite to the waiver of immunity.

The above summary based on the status of litigation through August 31, 2022. We note that, subsequent to said date, the Authority filed a Petition for Review asking the Supreme Court of Texas to review the decision of the Ninth Court. Conroe filed its Response opposing review, and the Authority filed its Reply in support. The State of Texas and the Texas Water Development Board filed a jointly filed an amicus brief in support of the Authority's request for review. On December 16, 2022, the Supreme Court called for merits briefing, which will occur during the first quarter of 2023.

***San Jacinto River Authority v. Quadvest, L.P. et al. v., No. 20-08-10189, in the 284<sup>th</sup> Judicial District Court for Montgomery County, Texas.*** After the Montgomery County District Court granted the plea to the jurisdiction in the lawsuit discussed in the preceding paragraph, Quadvest, L.P. and Woodland Oaks Utility, L.P. announced that they would no longer pay the fees owed under the GRP Contracts. Once these two private utilities became delinquent, the Authority filed this lawsuit for breach of the GRP Contracts for failure to pay. The utilities asked the trial court to stay the case pending the outcome of the Authority's interlocutory appeal discussed in the preceding paragraph. The trial court denied the utilities' request. The utilities then filed a mandamus and sought a stay from the Ninth Court of Appeals. The court of appeals granted the stay. In April 2022, the Ninth Court of Appeals denied the mandamus petition and lifted the stay and returned the case to the trial court.

The above summary based on the status of litigation through August 31, 2022. We note that, subsequent to said date, the parties filed motions for summary judgment in November 2022. The court heard argument and issued orders on December 16, 2022, denying defendants' motion and granting the Authority's, holding that the GRP Contracts are incontestable, valid, and enforceable according to their terms. The order does not resolve all of the parties' claims and discovery is ongoing.

***Quadvest, L.P. et al. v. San Jacinto River Authority, No. 4:19-CV-4508, in the U.S. District Court for the Southern District of Texas.*** Quadvest, L.P. and Woodland Oaks Utility, L.P. have filed a lawsuit against the Authority in federal court for violation of the federal antitrust laws in connection with Authority's GRP Contracts. Plaintiffs allege that the GRP Contracts are illegal because they "unreasonably restrain trade." The Authority moved to dismiss plaintiffs' claim for various reasons, including that the Authority's actions are immune from antitrust lawsuits under the state-action doctrine. The district court denied the Authority's Motion to Dismiss on all grounds, and the Authority took an interlocutory appeal to the U.S. Court of Appeals for the Fifth Circuit on the issue of immunity. The Fifth Circuit panel issued its opinion in August 2021 holding that the

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

state-action doctrine did not apply to the Authority's actions as pled in the plaintiffs' complaint. The case was remanded back to the district court and discovery has commenced. Plaintiffs sought leave to amend their Complaint to add a claim for attempted monopoly.

The above summary based on the status of litigation through August 31, 2022. We note that, subsequent to said date, the court granted plaintiffs leave to amend and add the claim for attempted monopolization. Discovery is ongoing.

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

Please refer to the Management Discussion and Analysis (pages 9-10) for past due balances due and owed under GRP Contract and are subject to the above-referenced litigation and, in certain cases, other collections litigation brought by the Authority.

### **NOTE 13 – RISK MANAGEMENT**

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

### **NOTE 14 – 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 75<sup>th</sup> Texas Legislature in 1997, Senate Bill 2 was enacted by the 77<sup>th</sup> Texas Legislature in 2001 and Senate Bill 3 was enacted by the 80<sup>th</sup> Texas Legislature in 2007. The TWDB rules provide that State funds will be used to pay 100% of the direct regional water plan costs. The Authority has received contributions from governments and other parties interested in the development of the plan that partially fund miscellaneous other Region H costs.

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 15 – COMPENSATED ABSENCES**

#### **Vacation**

As of August 31, 2022, employees of the Authority accrue vacation quarterly based on their hire date. Vacation is accrued as follows:

- 0-2.99 years of employment                      20 hours per quarter
- 3-4.99 years of employment                      25 hours per quarter
- 5-9.99 years of employment                      30 hours per quarter
- 10-14.99 years of employment                      35 hours per quarter
- 15+ years of employment                      40 hours per quarter

Employees will be allowed to accrue up to eight (8) quarters of vacation time. Balances exceeding 8 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 36 days (288 hours).

#### **Compensatory Time**

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

Accrued Compensatory time is limited based on the operational needs of the division. The actual overtime worked must be banked in a minimum of 1/2 hour increments. The

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

maximum accrual per division is listed below:

**Maximum Accruals:**

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

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

**Payment of Compensatory Time**

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

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

	<u>Sept. 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Aug. 31, 2022</u>
Lake Conroe Vacation	\$ 26,247	\$ 15,389		\$ 41,636
Highlands Vacation	18,771		4,711	14,060
Flood Management	7,957	3,510		11,467
General & Admin Vacation	231,012	64,300		295,312
Woodlands Vacation	114,898	9,061		123,959
GRP Vacation	47,896	874		48,770
Vacation Total	<u>446,781</u>	<u>93,134</u>	<u>4,711</u>	<u>535,204</u>
Lake Conroe Sick Leave				
Highlands Sick Leave				
Flood Management				
General & Admin Sick Leave	29,597	7,662		37,259
Woodlands Sick Leave	1,611	1,023		2,634
GRP, Sick Leave		6,192		6,192
Sick Leave Total	<u>31,208</u>	<u>14,877</u>		<u>46,085</u>
Lake Conroe Comp Time	2,083		18	2,065
Highlands Comp Time	1,519	896		2,415
Flood Management				
General & Admin Comp Time	2,379	560		2,939
Woodlands Comp Time	1,017		295	722
GRP Comp Time	1,163		364	799
Compensatory Time Total	<u>8,161</u>	<u>1,456</u>	<u>677</u>	<u>8,940</u>
<b>Total</b>	<u>\$ 486,150</u>	<u>\$ 109,467</u>	<u>\$ 5,388</u>	<u>\$ 590,229</u>

The current year expense and ending fiscal year 2022 liability for compensatory time is calculated based on the total employee hours accrued times the end of fiscal year 2022 pay rate.

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 16 – GASB STATEMENT NO. 87

During fiscal year 2022, the Authority implemented GASB Statement No. 87, *Leases*. The objective of the Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. In accordance with GASB Statement No. 87, the Authority implemented the standard by retroactively restating financial statements for each period presented.

As a result of implementation of GASB 87, *Leases*, prior period were restated as follows:

#### STATEMENT OF NET POSITION

	<u>As previously 8/31/2021</u>	<u>Adjustment</u>	<u>As restated 8/31/2021</u>
<b><u>Assets and Deferred Outflows</u></b>			
<b>Current Assets</b>	\$ 185,452,406	\$	\$ 185,452,406
<b>Noncurrent Assets</b>	13,504,966		13,504,966
<b>Capital Assets - at cost</b>			
Land	29,171,438		29,171,438
Land Improvements	4,357,953		4,357,953
Intangible right-to-use assets		365,907	365,907
Water permits and rights	30,947,801		30,947,801
Office furniture, fixtures & equip	5,825,762		5,825,762
Other machinery and equipment	14,341,097		14,341,097
Automobiles and trucks	3,193,105		3,193,105
Buildings	27,115,615		27,115,615
Dams and appurtenances	9,434,710		9,434,710
Water systems	604,045,531		604,045,531
Wastewater utility systems	120,413,382		120,413,382
Capital improvement plans	3,611,319		3,611,319
Construction in progress	8,656,863		8,656,863
Accumulated depreciation and amortization	(258,113,797)	(10,650)	(258,124,447)
<b>Total Capital Assets</b>	<u>603,000,779</u>	<u>355,257</u>	<u>603,356,036</u>
<b>Deferred Outflows of Resources</b>	<u>2,707,873</u>	<u>-</u>	<u>2,707,873</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 804,666,024</u>	<u>\$ 355,257</u>	<u>\$ 805,021,281</u>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### STATEMENT OF NET POSITION (Continued)

<u>Liabilities</u>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities - unrestricted	\$ 5,039,421	\$	\$ 5,039,421
Restricted for Debt Service:			
Current portion of bonds	27,280,000		27,280,000
Current portion of lease liabilities		35,224	35,224
Accrued interest payable	9,853,408		9,853,408
Restricted for Construction:			
Retainage payable	120,984		120,984
Unearned Revenue	1,992,741		1,992,741
<b>Total Current Liabilities</b>	44,286,554	35,224	44,321,778
<b>Noncurrent Liabilities</b>	1,840,648		1,840,648
<b>Long-Term Debt</b>			
First lien water revenue bonds - less current maturities	552,920,206		552,920,206
Notes payable less current liabilities - less current		174,716	174,716
<b>Total Long-Term Debt</b>	552,920,206	174,716	553,094,922
<b>Total Liabilities</b>	599,047,408	209,940	599,257,348
<b>Deferred Inflow of Resources</b>	2,604,706		2,604,706
<b>Fund Equity</b>			
<b>Net Position</b>			
Net investment in capital assets	65,681,398	145,317	65,826,715
Restricted:			
Debt service	67,358,537		67,358,537
Construction	16,639,356		16,639,356
Other	2,583,909		2,583,909
Unrestricted	50,750,710		50,750,710
<b>Total Net Position</b>	203,013,910	145,317	203,159,227
<b>Total Liabilities, Deferred Inflows and Fund Equity</b>	\$ 804,666,024	\$ 355,257	\$ 805,021,281

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<b>As previously reported 8/31/2021</b>	<b>Adjustment</b>	<b>As restated 8/31/2021</b>
<b>Operating Revenues</b>	\$ 105,394,026	\$	\$ 105,394,026
<b>Operating Expenses:</b>			
Salaries and wages	13,157,947		13,157,947
Employee insurance and other payroll benefits	5,165,348		5,165,348
Outside services employed	7,120,511		7,120,511
Operating supplies and expenses	13,955,163		13,955,163
Rentals	70,452	(10,747)	59,705
Maintenance, repairs & parts	6,505,053	(147,214)	6,357,839
Water planning grant expenses	1,446		1,446
General and admin. Expenses allocated			
Depreciation and amortization	24,677,108	10,650	24,687,758
<b>Total Operating Expenses</b>	70,653,028	(147,311)	70,505,717
<b>Operating Income (Loss)</b>	34,740,998	147,311	34,888,309
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings (loss)	86,504		86,504
Gain (Loss) on disposal of assets	128,101		128,101
Other revenues	1,623,571		1,623,571
Amortization of bond premium/discounts	458,854		458,854
Interest expense and bond issuance costs	(23,754,415)	(1,994)	(23,756,409)
<b>Total Nonoperating Revenues (Expenses)</b>	(21,457,385)	(1,994)	(21,459,379)
<b>Income (Loss) Before Contributions and Transfers</b>	13,283,613	145,317	13,428,930
<b>Transfers</b>			
<b>Capital Contributions</b>	176,927		176,927
<b>Change in Net Position</b>	13,460,540	145,317	13,605,857
Net Position at Beginning of Year	189,553,370		189,553,370
<b>Net Position at End of Year</b>	\$ 203,013,910	\$ 145,317	\$ 203,159,227

**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, 2022

Fiscal Year Ending August 31	2022	2021	2020	2019
<b><u>Total Pension Liability</u></b>				
Service cost	\$ 963,869	\$ 1,130,300	\$ 1,111,238	\$ 1,243,286
Interest on total pension liability	1,359,279	1,277,394	1,288,568	1,119,847
Effect of plan changes				
Effect of assumption changes or inputs	(1,408,134)	158,155	692,910	
Effect of economic/demographic gains or (losses)	(102,265)	(136,299)	(1,910,767)	1,007,771
Benefit payments	(1,278,434)	(529,185)	(526,971)	(551,303)
Net change in total pension liability	(465,685)	1,900,365	654,978	2,819,601
Total pension liability, beginning	22,320,691	20,420,326	19,765,348	16,945,747
<b>Total Pension Liability, Ending (a)</b>	<b>\$ 21,855,006</b>	<b>\$ 22,320,691</b>	<b>\$ 20,420,326</b>	<b>\$ 19,765,348</b>
<b><u>Fiduciary Net Position</u></b>				
Employer contributions	\$ 988,629	\$ 1,174,817	\$ 1,318,812	\$ 1,281,550
Member contributions				
Investment income net of investment expenses	6,093,927	915,003	2,047,106	110,522
Benefit payments	(1,278,434)	(529,185)	(526,971)	(551,303)
Administrative expenses	(5,573)	(6,212)	(6,087)	(6,936)
Net Change in Plan Fiduciary Net Position	5,798,549	1,554,423	2,832,860	833,833
Fiduciary net position, beginning	22,163,897	20,609,474	17,776,614	16,942,781
<b>Fiduciary Net Position, Ending (b)</b>	<b>\$ 27,962,446</b>	<b>\$ 22,163,897</b>	<b>\$ 20,609,474</b>	<b>\$ 17,776,614</b>
<b>Net Pension Liability/ (Asset), Ending (a)-(b)</b>	<b>\$ (6,107,440)</b>	<b>\$ 156,794</b>	<b>\$ (189,148)</b>	<b>\$ 1,988,734</b>
Fiduciary Net Position as a % of total pension liability	127.95%	99.30%	100.93%	89.94%
Covered Payroll	\$ 7,718,706	\$ 8,333,286	\$ 9,564,583	\$ 9,946,465
Net Pension Liability as a % of Covered Payroll	-79.13%	1.88%	-1.98%	19.99%

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



<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 1,200,814	\$ 1,045,193	\$ 1,000,263	\$ 904,125	\$	\$
1,057,429	938,603	882,137	805,717		
535,907	(258,264)				
(376,723)	(467,654)	(336,786)			
(667,764)	(359,464)	(306,775)	(280,659)		
<u>1,749,663</u>	<u>898,414</u>	<u>1,238,839</u>	<u>1,429,183</u>		
15,196,084	14,297,670	13,058,831	11,629,648		
<u>\$ 16,945,747</u>	<u>\$ 15,196,084</u>	<u>\$ 14,297,670</u>	<u>\$ 13,058,831</u>	<u>\$</u>	<u>\$</u>
\$ 1,446,275	\$ 1,225,120	\$ 1,222,436	\$ 1,200,435	\$	\$
2,338,816	488,949	265,496	754,693		
(667,764)	(359,464)	(306,775)	(280,659)		
(7,226)	(6,875)	(7,379)	(11,471)		
<u>3,110,101</u>	<u>1,347,730</u>	<u>1,173,778</u>	<u>1,662,998</u>		
13,832,680	12,484,950	11,311,172	9,648,174		
<u>\$ 16,942,781</u>	<u>\$ 13,832,680</u>	<u>\$ 12,484,950</u>	<u>\$ 11,311,172</u>	<u>\$</u>	<u>\$</u>
<u>\$ 2,966</u>	<u>\$ 1,363,404</u>	<u>\$ 1,812,720</u>	<u>\$ 1,747,659</u>	<u>\$</u>	<u>\$</u>
99.98%	91.03%	87.32%	86.62%		
\$ 10,524,840	\$ 10,081,467	\$ 9,002,044	\$ 8,355,491	\$ 5,642,798	\$ 4,491,803
0.03%	13.52%	20.14%	20.92%		

# SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2022

Fiscal Year Ended August 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2013	\$ 798,954	\$ 807,782	\$ (8,828)	\$ 6,776,385	11.92%
2014	951,702	958,987	(7,285)	7,693,148	12.47%
2015	1,090,455	1,200,435	(109,980)	8,773,266	13.68%
2016	1,091,804	1,222,436	(130,632)	9,452,146	12.93%
2017	1,172,614	1,225,120	(52,506)	10,585,540	11.57%
2018	1,281,074	1,446,275	(165,201)	11,051,082	13.09%
2019	1,159,682	1,281,550	(121,868)	10,443,788	12.27%
2020	1,289,760	1,318,812	(29,052)	10,042,812	13.13%
2021	999,597	1,174,817	(175,220)	8,680,506	13.53%
2022		988,629	(988,629)	8,104,641	12.20%

### Actuarial Methods and Assumptions Used for Funding Policy

The following actuarial methods and assumptions were used in the November 1, 2021 funding valuation. Each assumption is individually reasonable and, in combination, offer our best estimate of anticipated experience under the plan at the time. Please see the valuation report dated January 4, 2022 for further details.

#### Valuation Timing

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

#### Actuarial Cost Method

Entry Age Normal

#### Amortization Method

Level percent or level dollar

Level percent

Closed, open, or layered periods

Closed

Amortization Period at 11/1/2020

25 years for UAAL, 5 years for subsequent gains/losses, expected future service for plan amendments, 10 years for assumption changes

Amortization Growth Rate

N/A

#### Asset Valuation Method

Smoothing period

N/A

Recognition method

Market Value

Corridor

None

#### Inflation

2.30%

#### Salary Increases

5.00%

6.00%, based on the Plan's investment policy, including target asset allocation, and Milliman's capital market expectations.

#### Investment Rate of Return

#### Cost of Living Adjustment

None

#### Retirement Age

Annual rates of retirement are shown below

Age 55-64-Rate 5%

Age 65- Rate 100%

#### Turnover

Crocker-Sarason T-9 Table

#### Mortality

PubG-2010 Public Retirement Plans Amount-Weighted Mortality Tables projected with Scale MP-2020

# **SAN JACINTO RIVER AUTHORITY**

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

**Year Ended August 31, 2022**

<b><u>Fiscal Year Ended August 31</u></b>	<b><u>Net Money- Weighted Rate of Return</u></b>
2013	2.89%
2014	3.73%
2015	7.42%
2016	2.20%
2017	3.73%
2018	15.95%
2019	0.62%
2020	11.08%
2021	4.30%
2022	27.29%

# 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, 2022

<b>Fiscal Year Ending August 31</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b><u>Total OPEB Liability</u></b>				
Service cost	\$ 24,486	\$ 29,934	\$ 23,037	\$ 20,070
Interest on total OPEB liability	36,127	37,146	60,194	72,789
Changes of benefit terms				
Effect of economic/demographic gains or (losses)	(322,631)		(455,879)	(181,457)
Effect of assumption changes or inputs	(274,349)	(18,216)	74,419	321,952
Benefit payments	<u>(40,523)</u>	<u>(46,737)</u>	<u>(47,103)</u>	<u>(48,166)</u>
Change in total OPEB liability	(576,890)	2,127	(345,332)	185,188
Total OPEB liability, beginning	<u>1,683,855</u>	<u>1,681,728</u>	<u>2,027,060</u>	<u>1,841,872</u>
<b>Total OPEB Liability, Ending</b>	<b><u>\$ 1,106,965</u></b>	<b><u>\$ 1,683,855</u></b>	<b><u>\$ 1,681,728</u></b>	<b><u>\$ 2,027,060</u></b>
Covered-Employee Payroll	\$ 274,839	\$ 263,108	\$ 263,108	\$ 322,813
Total OPEB Liability as a % of Covered Payroll	402.77%	639.99%	639.18%	627.94%

There are no assets accumulated in a trust that meets the criteria of GASB Statement 75 to pay related benefits of the OPEB plan.

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.

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
\$ 22,695 68,240	\$ 28,903 61,195	\$	\$	\$	\$
(144,021) (52,564) <u>(105,650)</u>	(242,418) (51,636) <u>(203,956)</u>				
1,947,522 <u>\$ 1,841,872</u>	2,151,478 <u>\$ 1,947,522</u>	\$	\$	\$	\$
\$ 322,115 571.81%	\$ 393,447 494.99%	\$ 352,848	\$ 347,971	\$ 336,482	\$ 413,753

# 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, 2022

<u>Fiscal Year Ended August 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contribution as a % of Covered Payroll</u>
2013	\$ 49,250	\$ 49,250	\$	\$ 413,753	11.90%
2014	49,446	49,446		336,482	14.69%
2015	51,223	51,223		347,971	14.72%
2016	52,301	52,301		352,848	14.82%
2017	51,636	51,636		393,447	13.12%
2018	52,564	52,564		322,115	16.32%
2019	48,166	48,166		322,813	14.92%
2020	47,103	47,103		263,108	17.90%
2021	46,737	46,737		263,108	17.76%
2022	40,523	40,523		274,839	14.74%

#### **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, 2021 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, 2021.

#### **Actuarial Cost Method**

Entry Age Normal

#### **Amortization Method**

Level percent or level dollar

N/A

Closed, open, or layered periods

N/A

Amortization Period at September 1, 2018

N/A

Amortization Growth Rate

N/A

#### **Inflation**

2.40%

#### **Salary Increases**

5.00%

#### **Discount Rate**

August 31, 2021: 2.14%

August 31, 2022: 3.59%

#### **Healthcare Cost Trend Rates**

4.7% for 2022, 4.8 for 2023-2025 and ultimately grading down to 3.8% per year in 2072 and beyond.

#### **Retirement**

100% at age 65

#### **Mortality**

RP-2010 Mortality (headcount weighted) for Employees, Healthy Annuitants, and Contingent Annuitants projected forward (fully generational) with MP-2021

**OTHER SUPPLEMENTARY INFORMATION**



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

**Year Ended August 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b><u>Operating Revenues</u></b>				
Water revenues	\$ 25,739,698	\$ 25,789,698	\$ 25,148,137	\$ (641,561)
Permits, licenses and fees	1,124,879	1,124,879	1,210,904	86,025
<b>Total Revenues</b>	<u>26,864,577</u>	<u>26,914,577</u>	<u>26,359,041</u>	<u>(555,536)</u>
<b><u>Operating Expenses</u></b>				
<b>Current:</b>				
Salaries and wages	4,844,961	4,844,961	4,100,412	(744,549)
Employee insurance and other payroll benefits	2,191,067	2,191,067	1,478,593	(712,474)
Outside services employed	3,250,542	3,378,542	2,420,844	(957,698)
Operating supplies and expenses	1,183,348	1,183,348	1,147,195	(36,153)
Rentals	92,205	154,125	96,832	(57,293)
Maintenance, repairs and parts	1,097,750	1,247,750	1,307,379	59,629
General and administrative	1,866,484	1,866,484	1,309,885	(556,599)
Depreciation and amortization			2,961,604	2,961,604
<b>Total Expenditures</b>	<u>14,526,357</u>	<u>14,866,277</u>	<u>14,822,744</u>	<u>(43,533)</u>
<b>Operating Net Income</b>	12,338,220	12,048,300	11,536,297	(512,003)
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Interest income	6,000	6,000	94,081	88,081
Interest expense on bonds	(2,111,804)	(2,111,804)	(1,914,843)	196,961
Other	5,767	5,767	538,834	533,067
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(2,100,037)</u>	<u>(2,100,037)</u>	<u>(1,281,928)</u>	<u>818,109</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>\$ 10,238,183</u>	<u>\$ 9,948,263</u>	<u>\$ 10,254,369</u>	<u>\$ 306,106</u>



# **SAN JACINTO RIVER AUTHORITY**

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

### **WOODLANDS DIVISION**

#### **Year Ended August 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Over (Under)</b>
<b>Operating Revenues</b>				
Water and sewer service fees	\$ 43,412,200	\$ 43,412,200	\$ 44,371,519	\$ 959,319
Permits, licenses and fees	207,100	207,100	207,100	
Capacity charges	3,300,650	3,300,650	3,300,650	
<b>Total Revenues</b>	<b>46,919,950</b>	<b>46,919,950</b>	<b>47,879,269</b>	<b>959,319</b>
<b>Operating Expenses</b>				
<b>Current:</b>				
Salaries and wages	5,306,304	5,306,304	4,815,067	(491,237)
Employee insurance and other payroll benefits	2,384,929	2,384,929	1,893,427	(491,502)
Outside services employed	20,068,811	20,068,811	21,028,876	960,065
Operating supplies and expenses	4,511,099	4,511,099	5,169,992	658,893
Rentals	25,900	25,900	8,712	(17,188)
Maintenance, repairs and parts	13,160,274	13,160,274	3,890,947	(9,269,327)
General and administrative	835,925	835,925	764,069	(71,856)
Depreciation and amortization			6,963,678	6,963,678
<b>Total Expenditures</b>	<b>46,293,242</b>	<b>46,293,242</b>	<b>44,534,768</b>	<b>(1,758,474)</b>
<b>Operating Net Income (Loss)</b>	<b>626,708</b>	<b>626,708</b>	<b>3,344,501</b>	<b>2,717,793</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	16,200	16,200	(336,599)	(352,799)
Interest expense	(1,649,027)	(1,649,027)	(1,653,018)	(3,991)
Other			317,077	317,077
<b>Total Nonoperating Revenues</b>	<b>(1,632,827)</b>	<b>(1,632,827)</b>	<b>(1,672,540)</b>	<b>(39,713)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>\$ (1,006,119)</b>	<b>\$ (1,006,119)</b>	<b>\$ 1,671,961</b>	<b>\$ 2,678,080</b>

#### **NOTES TO OTHER SUPPLEMENTARY INFORMATION**

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

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

**Year Ended August 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b><u>Operating Revenues</u></b>				
Industrial and Municipal water sales	\$ 580,642.00	\$ 580,642	\$ 580,642	\$
Water revenues *	57,387,969	57,387,969	69,877,975	12,490,006
<b>Total Revenues</b>	<b>57,968,611</b>	<b>57,968,611</b>	<b>70,458,617</b>	<b>12,490,006</b>
<b><u>Operating Expenses</u></b>				
<b>Current:</b>				
Salaries and wages	3,394,729	3,394,729	3,230,029	(164,700)
Employee insurance and other payroll benefits	1,426,659	1,426,659	1,334,534	(92,125)
Outside services employed	2,507,100	2,507,100	1,840,754	(666,346)
Operating supplies and expenses	11,824,722	11,824,722	10,378,536	(1,446,186)
Rentals	1,500	1,500	86	(1,414)
Maintenance, repairs and parts	1,676,280	1,676,280	1,310,086	(366,194)
General and administrative	518,640	518,640	144,275	(374,365)
Depreciation			14,951,420	14,951,420
<b>Total Expenditures</b>	<b>21,349,630</b>	<b>21,349,630</b>	<b>33,189,720</b>	<b>11,840,090</b>
<b>Operating Net Income</b>	<b>36,618,981</b>	<b>36,618,981</b>	<b>37,268,897</b>	<b>649,916</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Interest income			287,225	287,225
Interest expense	(19,285,502)	(19,285,502)	(19,285,502)	
Other **	5,400	5,400	2,575,687	2,570,287
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(19,280,102)</b>	<b>(19,280,102)</b>	<b>(16,422,590)</b>	<b>2,857,512</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>\$ 17,338,879</b>	<b>\$ 17,338,879</b>	<b>\$ 20,846,307</b>	<b>\$ 3,507,428</b>

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

\* Water revenues in the amount of \$70,194,029 includes short pays of fees for City of Conroe (\$2,786,543) and City of Magnolia (\$143,077), and nonpayments for Quadvest, LP. (\$3,976,597) and Woodlands Oak Utilities (\$371,370).

\*\* Other nonoperating revenues of \$2,575,687 includes nonpayment of interest and penalties for City of Conroe (\$1,146,479), City of Magnolia (\$62,943), Quadvest, LP. (\$885,305), and Woodlands Oak Utilities (\$81,557).

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

**August 31, 2022**

**Assets**

**Current Assets**

Cash and cash equivalents	
Unrestricted	\$ 16,186,231
Restricted for debt service	56,877,200
Restricted for construction	1,178,718
Accounts receivable, inventory and prepaids	11,904,705
<b>Total Current Assets</b>	<u>86,146,854</u>

**Noncurrent Assets**

22,059,774

**Capital Assets - at cost**

Land	14,306,156
Land improvements	2,470,693
Furniture and fixtures	2,453,189
Other machinery and equipment	813,664
Automobiles and trucks	515,024
Buildings	15,616,136
Water systems	421,306,212
Construction in progress	52,346
Accumulated Depreciation	(105,318,908)

**Total Capital Assets**

352,214,512

**Total Noncurrent and Capital Assets**

374,274,286

**Total Assets**

\$ 460,421,140

**Liabilities**

**Current Liabilities**

Accounts payable and accrued liabilities - unrestricted	\$ 5,297,719
Restricted for debt services - current portion of bonds	15,375,000
Restricted for debt services - accrued interest payable	8,019,232
<b>Total Current Liabilities</b>	<u>28,691,951</u>

**Noncurrent Liabilities**

First lien water revenue bonds - less current maturities	421,870,000
Unamortized bond premium or discount	119,377

**Total Noncurrent Liabilities**

421,989,377

**Total Liabilities**

450,681,328

**Net Position**

**Net Position**

Net investment in capital assets	(83,971,147)
Restricted for debt service	48,857,968
Unrestricted	44,852,991

**Total Net Position**

\$ 9,739,812

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

**Year Ended August 31, 2022**

**Operating Revenues**

Industrial and Municipal water sales	\$ 580,642
Water revenues (GRP Pumpage and Surface Water Fees)	69,877,975
<b>Total Revenues</b>	<u>70,458,617</u>

**Operating Expenses**

**Current:**

Salaries and wages	3,230,029
Employee insurance and other payroll benefits	1,334,534
Outside services employed	1,840,754
Operating supplies and expenses	10,378,536
Rentals	86
Maintenance, repairs and parts	1,310,086
General and administrative expenses	144,275
Depreciation	14,951,420
<b>Total Expenditures</b>	<u>33,189,720</u>

**Operating Net Income (Loss)** 37,268,897

**Nonoperating Revenues (Expenses)**

Interest income	287,225
Gain (Loss) on disposal of assets	9,000
Amortization of debt issuance costs	7,012
Interest expense on bonds	(19,285,502)
Other	2,559,675
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(16,422,590)</u>

**Income (Loss) Before Transfers and Contributions** 20,846,307

**Transfers** (375,000)  
**Contributions**

**Change in Net Position** 20,471,307

Net Position at Beginning of Year (10,731,495)

**Net Position at End of Year** \$ 9,739,812

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

**Year Ended August 31, 2022**

<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 58,689,944
Cash payments to suppliers for goods and services	(10,355,299)
Cash paid for employee services	(4,564,563)
Other revenues and expenses	2,559,675
<b>Net Cash Provided by Operating Activities</b>	<u>46,329,757</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers	<u>(375,000)</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>(375,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal paid on bonds	(14,875,000)
Interest paid on bonds	(19,482,236)
Acquisition of capital assets	(184,454)
Proceeds from the sale of assets	9,000
Capital contributions	
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<u>(34,532,690)</u>
<b>Cash Flows from Investing Activities</b>	
Interest earned	<u>287,225</u>
<b>Net Cash Flows Provided by Investing Activities</b>	<u>287,225</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	11,709,292
Cash and equivalents at beginning of year	<u>62,532,857</u>
<b>Cash and Equivalents at End of Year</b>	<u>\$ 74,242,149</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ 37,268,897
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Other revenues and expenses	2,559,675
Depreciation	14,951,420
(Increase) decrease in receivables	(11,624,398)
(Increase) decrease in inventory	(17,956)
(Increase) decrease in prepaids	197,892
Increase (decrease) in accounts payable and accrued liabilities	2,994,227
Increase in unearned revenue	
<b>Total Adjustments</b>	<u>9,060,860</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 46,329,757</u>

# **SAN JACINTO RIVER AUTHORITY**

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

**Year Ended August 31, 2022**

**Dam and Appurtenances:**

Dam and appurtenances - joint	\$ 21,370,611
Dam and appurtenances - San Jacinto River Authority	3,122,920
<b>Total Dam and Appurtenances</b>	<b><u>24,493,531</u></b>

**Buildings and Residences:**

Office building - joint	71,742
Warehouse building - joint	21,724
Residences - joint	60,477
Boat house - joint	21,646
Storage building - San Jacinto River Authority	23,404
<b>Total Buildings and Residences</b>	<b><u>198,993</u></b>

**Equipment:**

Construction and maintenance equipment - joint	979,777
Streets and roads - joint	65,192
Transportation equipment - joint	377,325
Transportation equipment - San Jacinto River Authority	
Office furniture and fixtures - joint	51,189
Computer software - joint	797,421
Computer hardware - joint	121,569
Telephone system - joint	23,148
Miscellaneous equipment - joint	49,871
Construction and maintenance equipment - San Jacinto River Authority	7,371
<b>Total Equipment</b>	<b><u>2,472,863</u></b>

**Land:**

Land easements and improvements - joint	7,574,579
Land acquisition and administration - joint	5,870,687
Ayer Island improvements - joint	49,508
Land easements - Newton Park	312,928
Land improvements - joint	131,800
Water supply well rehabilitation - joint	20,241
Lake Conroe land - site prep - SJRA	28,379
Land acquisition and administration - San Jacinto River Authority	580,032
Lake Conroe park land improvements - San Jacinto River Authority	388,833
Lake Conroe park roads improvements - San Jacinto River Authority	108,635
<b>Total Land</b>	<b><u>15,065,622</u></b>

**Total Lake Conroe Dam, Reservoir and Related Equipment** 42,231,009

**Less City of Houston Contribution** (26,739,803)

**San Jacinto River Authority's Interest in Lake Conroe Dam, Reservoir  
and Related Equipment** 15,491,206

**Less Accumulated Depreciation on San Jacinto River Authority's Interest  
in Assets** (4,500,010)

**Net Interest in Lake Conroe Dam, Reservoir and Related Equipment** \$ 10,991,196

# SAN JACINTO RIVER AUTHORITY

## INSURANCE COVERAGES

**August 31, 2021**

<b><u>Types of Coverages</u></b>	<b><u>Amount of Coverage</u></b>	<b><u>Insurer</u></b>	<b><u>Coverage to</u></b>
Property Coverages			
Buildings	\$ 267,847,205	TWCA Risk Management Fund	7/1/2023
Contents	7,351,486	TWCA Risk Management Fund	7/1/2023
EDP Equipment	1,279,439	TWCA Risk Management Fund	7/1/2023
Equipment/Contractors Equip	2,752,961	TWCA Risk Management Fund	7/1/2023
Miscellaneous Property & Equipment	4,852,143	TWCA Risk Management Fund	7/1/2023
Rented Equipment	200,000	TWCA Risk Management Fund	7/1/2023
Boiler and Machinery	191,288,336	TWCA Risk Management Fund	7/1/2023
Total Property Coverages	<u>\$475,571,570</u>		
Automobile:			
Bodily injury and property damage	Combined limit \$1,000,000	TWCA Risk Management Fund	7/1/2023
Excess auto liability	\$9,000,000	TWCA Risk Management Fund	7/1/2023
Physical damage	Actual cash value	TWCA Risk Management Fund	7/1/2023
General Liability	\$1,000,000	TWCA Risk Management Fund	7/1/2023
	per occurrence		
Excess General Liability	\$9,000,000	TWCA Risk Management Fund	7/1/2023
Public Officials:			
Errors and omissions	\$1,000,000	TWCA Risk Management Fund	7/1/2023
Excess errors and omissions	\$9,000,000	TWCA Risk Management Fund	7/1/2023
GRP Review Committee	\$1,000,000	JI Special Risk Insurance Agency	6/3/2023
Workers' Compensation	Statutory	TWCA Risk Management Fund	7/1/2023

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

# **SAN JACINTO RIVER AUTHORITY**

## **PRINCIPAL OFFICIALS**

**August 31, 2021**

### **Directors**

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

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

Mark Micheletti, Treasurer  
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William "Wil" Faubel, Secretary  
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Ricardo "Rick" Mora, Secretary-Pro Tem  
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Stacey Buick  
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Stephanie Johnson  
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### **Staff**

Jace Houston, General Manager  
  
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Ed Shackelford, P.E., Director of Utility  
Operations  
P.O. Box 329  
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Tom Michel, Director of Financial & Administrative  
Services  
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Wayne Owen, Director of Raw Water & Flood  
Management  
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Heather Ramsey Cook, Director of Public  
Communication  
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Pam J. Steiger, Controller  
  
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Conroe, Texas 77305-0329

### **Consultants**

General Counsel  
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Schwartz, Page & Harding, LLP  
1300 Post Oak Boulevard, Suite 2400  
Houston, Texas 77056

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



# STATISTICAL SECTION



This section of the San Jacinto River Authority's 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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	88-91
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	92-94
These schedules contain information to help the reader assess the Authority's most significant local revenue source, the water and sewer service.	
<b>Debt Capacity</b>	95-97
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.	
<b>Demographic and Economic Information</b>	98-101
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
<b>Operating Information</b>	102-105
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.	

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

# SAN JACINTO RIVER AUTHORITY

## NET POSITION BY COMPONENT

### Last Ten Fiscal Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Business-type activities				
Net Investment in capital assets	\$ 34,279,471	\$ 52,304,682	\$ 81,417,800	\$ 76,461,833
Restricted	68,491,559	59,550,621	52,279,716	54,932,005
Unrestricted	38,155,393	34,447,449	33,386,039	38,519,086
Total business-type activities net position	<u>\$ 140,926,423</u>	<u>\$ 146,302,752</u>	<u>\$ 167,083,555</u>	<u>\$ 169,912,924</u>
Primary government				
Net Investment in capital assets	\$ 34,279,471	\$ 52,304,682	\$ 81,417,800	\$ 76,461,833
Restricted	68,491,559	59,550,621	52,279,716	54,932,005
Unrestricted	38,155,393	34,447,449	33,386,039	38,519,086
Total primary government net position	<u>\$ 140,926,423</u>	<u>\$ 146,302,752</u>	<u>\$ 167,083,555</u>	<u>\$ 169,912,924</u>

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

**Fiscal Year**

<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
\$ 54,705,951	\$ 51,689,036	\$ 57,974,629	\$ 61,352,744	\$ 65,681,398	\$ 73,940,671
56,121,250	60,520,121	80,940,146	75,754,603	86,581,802	87,193,278
41,920,578	48,534,255	33,786,246	52,446,023	50,750,710	74,891,975
<u>\$ 152,747,779</u>	<u>\$ 160,743,412</u>	<u>\$ 172,701,021</u>	<u>\$ 189,553,370</u>	<u>\$ 203,013,910</u>	<u>\$ 236,025,924</u>
\$ 54,705,951	\$ 51,689,036	\$ 57,974,629	\$ 61,352,744	\$ 65,681,398	\$ 73,940,671
56,121,250	60,520,121	80,940,146	75,754,603	86,581,802	87,193,278
41,920,578	48,534,255	33,786,246	52,446,023	50,750,710	74,891,975
<u>\$ 152,747,779</u>	<u>\$ 160,743,412</u>	<u>\$ 172,701,021</u>	<u>\$ 189,553,370</u>	<u>\$ 203,013,910</u>	<u>\$ 236,025,924</u>

# SAN JACINTO RIVER AUTHORITY

## CHANGES IN NET POSITION

### Last Ten Fiscal Years

	2013	2014	2015	2016
<b>Expenses</b>				
Business-type activities:				
Salaries and wages	\$ 8,392,601	\$ 8,872,719	\$ 10,720,810	\$ 11,724,348
Employee insurance and other payroll benefits	3,476,905	3,443,181	4,255,143	4,715,723
Outside services employed	4,072,695	4,943,193	3,759,083	5,042,298
Operating supplies and expenses	7,797,323	9,405,454	6,754,835	11,252,100
Rentals	234,674	118,467	69,320	85,327
Maintenance, repairs and parts	4,538,373	3,773,308	4,113,761	5,279,400
Water planning study expenses	257,465	520,071	802,042	17,877
General and administrative expenses				
Depreciation	7,404,035	7,783,943	8,753,185	23,527,194
Total business-type activities expenses	36,174,071	38,860,336	39,228,179	61,644,267
Total primary government expenses	\$ 36,174,071	\$ 38,860,336	\$ 39,228,179	\$ 61,644,267
<b>Program Revenues:</b>				
Business-type activities				
Water sales:				
Industrial	\$ 10,125,269	\$ 11,070,653	\$ 10,550,443	\$ 12,622,941
Irrigation	109,004	129,878	141,375	139,677
Water and sewer service fees	44,863,366	52,090,243	60,607,860	67,391,878
Permits, licenses, and fees	1,002,670	1,070,828	1,131,372	1,125,274
Contractual revenues			1,716,011	1,486,056
Capacity charges	5,252,805	5,188,612	5,022,163	3,834,462
Water planning study	249,233	492,810	759,984	359,554
Total business-type activities revenues	61,602,347	70,043,024	79,929,208	86,959,842
Total primary government revenues	\$ 61,602,347	\$ 70,043,024	\$ 79,929,208	\$ 86,959,842
<b>Net (Expenses) Revenue</b>				
Business-type activities				
Interest income	\$ 1,189,490	\$ 376,774	\$ 238,633	\$ 396,775
Gain (Loss) on disposal of capital assets	(144,605)	959,459	(33,748)	452,827
Oil and gas royalty income				
Other revenues	117,973	87,035	40,825	39,697
FEMA Grant				
Other expenses	(1,234,093)	(3,097,923)	(799,966)	(108,133)
Amortization of bond premium or discounts	77,657	166,343	278,431	278,666
Interest expense on bonds	(22,414,786)	(25,688,916)	(25,183,782)	(24,954,257)
Total business-type activities	(22,408,364)	(27,197,228)	(25,459,607)	(23,894,425)
Total primary government	\$ (22,408,364)	\$ (27,197,228)	\$ (25,459,607)	\$ (23,894,425)
<b>General Revenues and Other Change in Net Position</b>				
Business-type activities:				
Capital Contributions/(Distributions)	\$ 3,300,933	\$ 1,390,869	\$ 4,030,000	\$ 1,408,219
Total business-type activities	3,300,933	1,390,869	4,030,000	1,408,219
Total primary government	\$ 3,300,933	\$ 1,390,869	\$ 4,030,000	\$ 1,408,219
<b>Change in Net Position</b>				
Business-type activities	6,320,845	5,376,329	19,271,422	2,829,369
Total primary government	\$ 6,320,845	\$ 5,376,329	\$ 19,271,422	\$ 2,829,369

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						
	2017	2018	2019	2020	2021	2022
\$	12,182,806	\$ 12,255,875	\$ 12,511,453	\$ 12,666,436	\$ 13,157,947	\$ 13,418,772
	4,924,773	5,179,617	5,493,433	4,904,352	5,165,348	3,743,106
	6,283,542	6,367,524	8,366,993	10,905,653	7,120,511	8,440,887
	11,732,077	11,849,544	11,958,973	12,667,800	13,955,163	14,859,879
	75,774	80,229	67,175	68,850	70,452	84,370
	6,080,155	7,792,350	7,891,447	6,674,429	6,505,053	6,885,976
	1,943	1,479	1,732	1,965	1,446	6,847
	<u>24,446,476</u>	<u>24,381,708</u>	<u>24,170,719</u>	<u>24,868,561</u>	<u>24,677,108</u>	<u>25,316,731</u>
	<u>65,727,546</u>	<u>67,908,326</u>	<u>70,461,925</u>	<u>72,758,046</u>	<u>70,653,028</u>	<u>72,756,568</u>
\$	<u><u>65,727,546</u></u>	<u><u>67,908,326</u></u>	<u><u>70,461,925</u></u>	<u><u>72,758,046</u></u>	<u><u>70,653,028</u></u>	<u><u>72,756,568</u></u>
\$	13,553,382	\$ 14,571,525	\$ 16,532,985	\$ 17,287,532	\$ 18,195,773	\$ 18,979,086
	204,387	120,487	118,548	110,041	123,746	120,141
	73,727,688	77,933,431	69,595,114	80,590,320	78,733,012	96,231,415
	1,351,718	1,334,353	1,424,817	1,293,958	1,450,549	1,418,004
	2,065,619	2,617,142	3,314,511	4,641,065	3,398,148	3,911,945
	3,856,538	3,846,463	9,646,449	3,918,310	3,293,800	3,300,650
	112,377	667,766	470,686	744,516	198,998	320,023
	<u>94,871,709</u>	<u>101,091,167</u>	<u>101,103,110</u>	<u>108,585,742</u>	<u>105,394,026</u>	<u>124,281,264</u>
\$	<u><u>94,871,709</u></u>	<u><u>101,091,167</u></u>	<u><u>101,103,110</u></u>	<u><u>108,585,742</u></u>	<u><u>105,394,026</u></u>	<u><u>124,281,264</u></u>
\$	527,927	\$ 1,408,665	\$ 1,856,573	\$ 2,353,932	\$ 86,504	\$ 80,292
	588,168	557,773	1,854,993	388,847	128,101	179,206
	675,300	574,180	861,342	2,296,497	1,623,571	2,658,030
		(4,015,162)				
	273,179	314,621	281,686	461,056	458,854	625,190
	<u>(25,644,260)</u>	<u>(25,517,682)</u>	<u>(25,087,078)</u>	<u>(24,754,703)</u>	<u>(23,754,415)</u>	<u>(22,853,363)</u>
	<u>(23,579,686)</u>	<u>(26,677,605)</u>	<u>(20,232,484)</u>	<u>(19,254,371)</u>	<u>(21,457,385)</u>	<u>(19,310,645)</u>
\$	<u><u>(23,579,686)</u></u>	<u><u>(26,677,605)</u></u>	<u><u>(20,232,484)</u></u>	<u><u>(19,254,371)</u></u>	<u><u>(21,457,385)</u></u>	<u><u>(19,310,645)</u></u>
\$	<u>(21,992,683)</u>	<u>1,490,397</u>	<u>1,548,908</u>	<u>279,024</u>	<u>176,927</u>	<u>652,646</u>
	<u>(21,992,683)</u>	<u>1,490,397</u>	<u>1,548,908</u>	<u>279,024</u>	<u>176,927</u>	<u>652,646</u>
\$	<u><u>(21,992,683)</u></u>	<u><u>1,490,397</u></u>	<u><u>1,548,908</u></u>	<u><u>279,024</u></u>	<u><u>176,927</u></u>	<u><u>652,646</u></u>
	<u>(16,428,206)</u>	<u>7,995,633</u>	<u>11,957,609</u>	<u>16,852,349</u>	<u>13,460,540</u>	<u>32,866,697</u>
\$	<u><u>(16,428,206)</u></u>	<u><u>7,995,633</u></u>	<u><u>11,957,609</u></u>	<u><u>16,852,349</u></u>	<u><u>13,460,540</u></u>	<u><u>32,866,697</u></u>

# SAN JACINTO RIVER AUTHORITY

## WOODLANDS DIVISION WATER AND SEWER SERVICE FEES BY SOURCE

### Last Ten Fiscal Years

Fiscal Year	Water and Sewer Fees			Total Water Direct Rate	Total WasteWater Direct Rate (1)
	Water	Sewer	Total		
2013	\$ 10,905,780	\$ 10,265,798	\$ 21,171,578	\$ 1.74	\$ 3.64
2014	\$ 9,566,723	\$ 11,235,673	\$ 20,802,396	\$ 1.74	\$ 3.64
2015	\$ 10,291,031	\$ 11,609,244	\$ 21,900,275	\$ 1.99	\$ 3.95
2016	\$ 10,863,349	\$ 12,105,737	\$ 22,969,086	\$ 2.03	\$ 4.15
2017	\$ 11,604,919	\$ 13,289,956	\$ 24,894,875	\$ 2.10	\$ 4.30
2018	\$ 11,279,001	\$ 13,286,432	\$ 24,565,433	\$ 2.10	\$ 4.30
2019	\$ 9,534,666	\$ 12,135,765	\$ 21,670,431	\$ 2.10	\$ 4.30
2020	\$ 10,894,954	\$ 13,117,346	\$ 24,012,300	\$ 2.19	\$ 4.49
2021	\$ 11,006,957	12,666,410	\$ 23,673,367	\$ 2.26	\$ 4.62
2022	\$ 13,338,892	13,943,119	\$ 27,282,011	\$ 2.37	\$ 4.85

(1) Direct Rate based on per thousand gallons

# SAN JACINTO RIVER AUTHORITY

## PRINCIPAL WOODLANDS DIVISION WATER AND SEWER FEES PAYERS

August 31, 2022

Customer	2022			2013		
	Revenue Base Attributable	Rank	% Base of The total Revenue Base	Revenue Base Attributable	Rank	% Base of The total Revenue Base
MUD 6	\$ 2,481,531	8	5%	\$ 1,050,065	8	5%
MUD 7	\$ 3,110,076	6	7%	\$ 1,584,124	6	8%
MUD 36	\$ 1,640,183	9	4%	\$ 952,244	9	5%
MUD 39	\$ 1,582,974	10	4%	\$ 749,826	10	4%
MUD 1*	\$ 3,062,769	7	7%	\$ 1,369,950	7	7%
MUD 46	\$ 10,263,589	1	23%	\$ 4,899,964	1	24%
MUD 47	\$ 7,569,775	2	17%	\$ 3,966,030	2	19%
MUD 60	\$ 4,938,077	4	11%	\$ 2,516,861	3	12%
MUD 67	\$ 4,357,344	5	10%	\$ 1,649,442	5	8%
Metro MUD	\$ 5,267,342	3	12%	\$ 1,777,464	4	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, 2022**

### **Raw Water Enterprise**

Chevron Phillips Chemical Company  
Crosby Municipal Utility District  
ECO Services Operations, LLC  
Entergy  
ExxonMobil  
Harris County MUD No. 50  
LCY Elastomers, LP  
Newport MUD  
Rayford Road MUD  
SJRA - GRP Division

### **Woodlands Division**

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

### **Lake Conroe Division**

Bentwater Yacht & Country Club, Ltd.  
GPW Two LLC  
GPW LLC Waterpoint Shopping Center  
Lakeside Resort JV, LLC  
  
Seven Coves Association  
SHM Walden Marina  
Sports Harbour, LLC  
Stow-A-Way Marina  
The Palms Marine on Lake Conroe

### **Groundwater Reduction Plan Division**

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

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



# SAN JACINTO RIVER AUTHORITY

## RATIO OF OUTSTANDING DEBT BY TYPE

### Last Ten Fiscal Years

Fiscal Year	<u>Business-Type Activities</u>			Total Primary Government	Percentage of Revenue (1)	Percentage of Personal Income (2)	Debt per Population (2)
	Water Revenue Bonds	Special Project Revenue Bond	Loans				
2013 (3)	\$ 46,860,000	\$ 561,830,000	\$ 3,414,305	\$ 612,104,305	902.61%	N/A	N/A
2014 (3)	\$ 45,060,000	\$ 589,770,000	\$ 3,148,703	\$ 637,978,703	1035.64%	N/A	N/A
2015 (4)	\$ 77,385,000	\$ 573,355,000	\$ 2,870,882	\$ 653,610,882	1061.02%	N/A	N/A
2016	\$ 75,285,000	\$ 559,405,000	\$ 2,597,001	\$ 637,287,001	732.85%	N/A	N/A
2017	\$ 72,708,771	\$ 547,509,584	\$ 2,310,895	\$ 622,529,250	652.09%	N/A	N/A
2018 (5)	\$ 68,865,000	571,525,000	2,010,855	\$ 642,400,855	677.13%	N/A	N/A
2019	\$ 65,500,000	555,565,875	1,697,860	\$ 622,763,735	613.52%	N/A	N/A
2020	\$ 59,635,000	537,470,000	1,371,156	\$ 598,476,156	551.16%	N/A	N/A
2021	\$ 56,235,000	518,910,000		\$ 575,145,000	485.87%	N/A	N/A
2022	\$ 47,505,000	500,360,000		\$ 547,865,000	394.85%	N/A	N/A

(1) Based on operating revenues.

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

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

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

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

Note: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements. The Authority's outstanding debt reported above are gross of any amortization or discounts. See Note 6 and 7

# SAN JACINTO RIVER AUTHORITY

## PLEDGE - REVENUE COVERAGE

### Last Ten Fiscal Years

Fiscal Year	Water Revenue Bonds						Cover Ratio
	Revenue	Less Operating Expenses	Net Available for Debt Service	Debt Service			
				Principal	Interest		
<b>All Divisions Except the GRP Division</b>							
2013	\$ 9,338,000	\$ 3,363,471	\$ 5,974,529	\$ 1,715,000	\$ 1,616,962	1.79	
2014	\$ 10,928,913	\$ 4,135,993	\$ 6,792,920	\$ 1,800,000	\$ 1,711,799	1.93	
2015	\$ 12,456,148	\$ 4,208,932	\$ 8,247,216	\$ 2,035,000	\$ 1,677,115	2.22	
2016	\$ 15,253,673	\$ 5,122,763	\$ 10,130,910	\$ 2,100,000	\$ 2,796,584	2.07	
2017	\$ 16,679,811	\$ 4,600,229	\$ 12,079,582	\$ 3,160,000	\$ 2,757,433	2.04	
2018	\$ 17,198,144	\$ 5,025,528	\$ 12,172,616	\$ 3,260,000	\$ 2,625,692	2.07	
2019	\$ 18,882,546	\$ 5,960,724	\$ 12,921,822	\$ 3,365,000	\$ 2,567,879	2.18	
2020	\$ 19,843,757	\$ 5,362,557	\$ 14,481,200	\$ 3,470,000	\$ 1,955,500	2.67	
2021	\$ 20,585,108	\$ 5,230,541	\$ 15,354,567	\$ 3,400,000	\$ 2,266,921	2.71	
2022	\$ 21,236,192	\$ 5,294,665	\$ 15,941,527	\$ 3,305,000	\$ 2,050,930	2.98	
<b>GRP Division</b>							
2013	\$	\$	\$	\$	\$		
2014	\$	\$	\$	\$	\$		
2015	\$	\$	\$	\$	\$		
2016	\$	\$	\$	\$	\$		
2017	\$	\$	\$	\$	\$		
2018	\$	\$	\$	\$	\$		
2019	\$	\$	\$	\$	\$		
2020	\$	\$	\$	\$	\$		
2021	\$	\$	\$	\$	\$		
2022	\$	\$	\$	\$	\$		

**Special Project Revenue Bonds**

Revenue	Less Operating Expenses	Net Available for Debt Service	Debt Service		Cover Ratio
			Principal	Interest	
\$ 5,252,805	\$ 5,350	\$ 5,247,455	\$ 2,815,000	\$ 2,326,974	1.02
\$ 5,188,612	\$ 6,550	\$ 5,182,062	\$ 2,935,000	\$ 2,433,327	0.97
\$ 5,022,163	\$ 13,450	\$ 5,008,713	\$ 3,525,000	\$ 1,450,666	1.01
\$ 3,834,462	\$ 3,750	\$ 3,830,712	\$ 3,245,000	\$ 725,139	0.96
\$ 3,856,538	\$ 7,776	\$ 3,848,762	\$ 2,095,000	\$ 1,628,000	1.03
\$ 3,846,463	\$ 2,250	\$ 3,844,213	\$ 2,270,000	\$ 1,517,719	1.01
\$ 37,992,337	\$ 31,903,081	\$ 6,089,256	\$ 2,335,000	\$ 1,933,731	1.43
\$ 42,277,226	\$ 33,887,393	\$ 8,389,833	\$ 4,770,719	\$ 1,835,368	1.27
\$ 40,978,859	\$ 32,133,419	\$ 8,845,440	\$ 4,130,000	\$ 1,756,675	1.50
\$ 47,637,356	\$ 37,140,091	\$ 10,497,265	\$ 3,675,000	\$ 1,679,506	1.96
\$ 23,955,203	\$ 6,139,654	\$ 17,815,549	\$	\$ 18,333,910	0.97
\$ 31,293,612	\$ 7,041,051	\$ 24,252,561	\$ 7,820,000	\$ 21,350,629	0.83
\$ 38,529,534	\$ 7,122,884	\$ 31,406,650	\$ 12,890,000	\$ 21,341,076	0.92
\$ 45,655,158	\$ 15,577,960	\$ 30,077,198	\$ 13,010,000	\$ 21,316,968	0.88
\$ 50,469,701	\$ 19,627,649	\$ 30,842,052	\$ 13,025,000	\$ 21,337,138	0.90
\$ 55,177,487	\$ 17,690,439	\$ 37,487,048	\$ 13,315,000	\$ 20,914,988	1.10
\$ 49,628,068	\$ 17,049,953	\$ 32,578,115	\$ 13,650,000	\$ 20,713,575	0.95
\$ 58,796,228	\$ 18,732,651	\$ 40,063,577	\$ 14,020,000	\$ 20,340,104	1.17
\$ 56,809,491	\$ 19,297,001	\$ 37,512,490	\$ 14,430,000	\$ 19,930,199	1.09
\$ 69,877,975	\$ 18,232,325	\$ 51,645,650	\$ 14,875,000	\$ 19,482,237	1.50

# 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.

<b><u>County/City</u></b>	<b><u>Population</u></b>
Barrett	3,389
Baytown	76,089
Crosby	2,276
Grimes County	28,447
Highlands	7,345
Liberty County	97,621
Montgomery County	648,886
San Jacinto County	28,574
Walker County	77,977
Waller County	53,626

*CensusReporter.org*

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

### **Educational Attainment**

<b><u>County/City</u></b>	<b><u>High School</u></b>	<b><u>College</u></b>
Barrett	75%	11%
Baytown	78%	14%
Crosby	88%	17%
Grimes County	81%	18%
Highlands	78%	12%
Liberty County	75%	12%
Montgomery County	90%	41%
San Jacinto County	86%	15%
Walker County	83%	18%
Waller County	85%	23%

*Source CensusReporter.org*

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

<b><u>County/City</u></b>	<b><u>Median Age</u></b>	<b><u>Largest Employers</u></b>
Barrett	43	Alight Solutions
Baytown	33	ChevronPhillips
Crosby	38	Conroe Independent School District
Grimes County	41	Entergy
Highlands	37	Houston Methodist The Woodlands Hospital
Liberty County	36	Lone Star College System - Montgomery
Montgomery County	38	Memorial Hermann The Woodlands Medical Center
San Jacinto County	45	St. Luke's The Woodlands Hospital
Walker County	33	Texas Children's
Waller County	30	Woodforest National Bank

Source CensusReporter.org; The Woodlands Area Economic Development Partnership

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

<b><u>County/City</u></b>	<b><u>Median Household Income (\$)</u></b>
Barrett	52,102
Baytown	54,454
Crosby	34,063
Grimes County	56,086
Highlands	55,603
Liberty County	55,697
Montgomery County	86,903
San Jacinto County	44,566
Waller County	41,470
Walker County	61,752

CensusReporter.org

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

<b><u>County/City</u></b>	<b><u>Unemployment Rate</u></b>
Barrett	4.7%
Baytown	10.0%
Crosby	4.7%
Grimes County	5.2%
Highlands	4.7%
Liberty County	6.7%
Montgomery County	4.1%
San Jacinto County	5.5%
Walker County	5.1%
Waller County	4.6%

Source Homefacts.com

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

# SAN JACINTO RIVER AUTHORITY

## NUMBER OF EMPLOYEES BY DIVISION

### Last Ten Fiscal Years

<u>Division</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Highlands	7	7	7	6	10
Lake Conroe	13	14	14	14	13
Woodlands	39	33	38	42	39
General & Administration	77	79	83	86	80
Groundwater Reduction Plan	7	12	23	29	27
Flood Management					
Total	143	145	165	177	169

Note: This table reports the number of filled, full-time employee positions based on the division in which they are employed. Table does not include budgeted, unfilled positions. Employees in the General & Administration Division provide centralized services to all five 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 2014 has been directly related to the implementation of a surface water program in response to regulations adopted by the Lone Star Groundwater Conservation District.

<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
11	9	10	10	11
14	14	14	13	13
39	37	42	34	35
74	77	76	75	74
29	26	26	25	24
	1	1	2	2
<hr/>				
167	164	169	159	159
<hr/> <hr/>				

# SAN JACINTO RIVER AUTHORITY

## OPERATING STATISTICS

### Last Ten Fiscal Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>Raw Water Enterprise (Lake Conroe and Highlands Division)</u></b>					
Water Delivered (Thousand Gallons)	22,634,039	23,192,114	23,611,611	24,583,145	32,205,585
Water Rights (See detail below)	7	7	7	7	7

#### **Woodlands Division**

Water Average Pumpage (Thousand Gallons)	6,628,769	6,115,812	5,529,976	6,015,090	6,132,615
Wastewater Average Flow (Thousand Gallons per Day)	7,315	7,677	7,746	7,960	7,864
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**

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



<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
30,979,017	31,520,814	30,359,231	31,896,926	36,845,113
7	8	8	8	8
5,927,160	5,068,824	5,680,388	5,248,377	5,829,617
7,689	7,760	7,364	7,387	6,972
1	1	1	1	1
3	3	3	3	3
2	2	2	2	2

# SAN JACINTO RIVER AUTHORITY

## SCHEDULE OF CAPITAL ASSET ADDITIONS

### Last Ten Fiscal Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Raw Water Enterprise, Highlands, Flood Management and General &amp; Administration</b>				
Land	\$	\$ 10,000	\$ 58,876	\$ 462,528
Water permits and rights				
Construction in progress	13,887,890	9,772,503	7,427,025	12,317,956
Furniture, fixtures and equipment	18,540	160,680	134,167	52,201
Leased Equipment				
Other machinery and equipment	300,528	361,139	70,271	178,617
Automobiles and trucks	131,621	100,878	65,171	86,271
Buildings		1,484,025	774	147,491
Water systems	17,875,400	2,802,551	8,574,076	1,378,675
<b>Lake Conroe Division</b>				
Land			2,596	1,833
Construction in progress	63,109	501,722	642,080	64,925
Furniture, fixtures and equipment	1,134	7,055	39,036	56,850
Other machinery and equipment	1,828	10,864	43,014	
Automobiles and trucks	17,215	21,814	12,854	10,400
Buildings				87
Dams and appurtenances	6,908		1,132,947	
Water systems				
<b>Woodlands Division</b>				
Land	6,568		23,194	
Construction in progress	7,662,672	6,548,527	5,020,431	7,941,930
Furniture, fixtures and equipment	196,702	71,413	386,203	14,261
Leased Equipment				
Other machinery and equipment	9,849	372,450	49,496	337,314
Automobiles and trucks	58,209	46,058	7,410	129,939
Buildings		6,720		
Dams and appurtenances		256,356		
Water systems	5,458,285	3,783,083	3,296,024	1,758,450
Wastewater utility systems	2,511,040	3,020,956	1,801,043	1,660,236
Capital Improvement Plans				
<b>Groundwater Reduction Plan Division</b>				
Land	85,157		500,536	
Construction in Progress	81,722,501	218,185,401	111,689,168	25,045,377
Furniture, fixtures and equipment	104,686	189,621	534,634	1,088,875
Other machinery and equipment				342,658
Automobiles and trucks	19,529		206,776	113,450
Buildings	47,963		43,153	13,186,309
Water systems				417,692,912
<b>Total Capital Asset Additions</b>	<u>\$ 130,187,334</u>	<u>\$ 247,713,816</u>	<u>\$ 141,760,955</u>	<u>\$ 484,069,545</u>

<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
\$ 31,328	\$ 3,811,415	\$ 1,206	\$ 172,742	\$ 1,255,966	\$ 25,176
9,439,000	7,808,330	5,522,593	1,394,463	4,401,510	2,356,335
70,175	171,677	84,988	82,097	48,105	282,444
					-
11,732	189,732	34,019	826,825	145,324	165,260
66,379	16,066	148,789	198,841	269,458	156,019
12,628		5,696	592,304	263,355	
19,779,516	6,434,762	569,257	5,059,490	3,202,734	
2,541					
609,074	60,182	95,327	70,690	355,307	636,465
2,912	907	1,301	3,345	123,013	
16,624	76,639	3,905	6,150	2,237	10,397
11,373	9,172	16,096	13,502		13,229
	72,154				2,500
	489,081				
			84,949	73,100	63,571
2,318,762	5,850,096	5,990,530	11,496,920	7,763,035	643,144
66,713	26,764	27,108	68,688	90,980	60,324
					-
46,714	53,589	91,656	1,450,429	261,906	42,351
57,982	73,207	97,004	92,707	220,203	19,185
			14,297		15,260
3,297,838		674,106	709,306	3,095,645	52,828
7,610,604	146,497	35,966	13,447,243	10,672,870	2,327,385
12,583,964	586,852				
3,239,805	416,023	58,489	61,097		52,346
10,543	19,455	13,536	55,519	78,563	8,450
168,058	107,072	86,105	7,102	42,497	27,782
	25,808	43,363		70,165	57,557
34,680	1,870				14,447
1,023,991	2,480,945	5,229	71,588		23,871
<u>\$ 60,512,936</u>	<u>\$ 28,928,295</u>	<u>\$ 13,606,269</u>	<u>\$ 35,980,294</u>	<u>\$ 32,435,973</u>	<u>\$ 7,056,326</u>