

**San Jacinto River Authority**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended August 31, 2010**



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

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Comprehensive Annual Financial Report for Fiscal Year Ended August 31, 2010

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## **INTRODUCTORY SECTION**

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# San Jacinto River Authority

ADMINISTRATIVE OFFICE  
P.O. Box 329 • Conroe, Texas 77305  
(T) 936.588.1111 • (F) 936.588.3043

January 17, 2011

Board of Directors  
San Jacinto River Authority  
Montgomery County, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the San Jacinto River Authority (SJRA or Authority) for the fiscal year ended August 31, 2010. The purpose of the report is to provide the Board of Directors, our customers, stakeholders, and other interested parties with reliable financial information about the "Authority". The San Jacinto River Authority's Accounting Department has prepared the CAFR in accordance with generally accepted accounting principles (GAAP). Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Our auditor Sandersen, Knox & Co, L.L.P., Certified Public Accountants, has issued an unqualified ("clean") opinion on the San Jacinto River Authority's financial statements for the year ended August 31, 2010. The independent auditor's report is located at the front of the financial section of this report. A single audit was not required this year since SJRA did not receive sufficient federal grant funds to require such an audit. Accordingly, a single audit report is not included with this CAFR.

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

## *Profiles of the Government*

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

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

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 provides management and support services to the SJRA's four operating divisions.

The Highlands Division located in East Harris County operates a pump station at Lake Houston. Raw water from the lake is diverted into an extensive 35-mile system of canals and a 1400-acre reservoir for delivery to industrial, municipal, and agricultural customers. The Highlands system also includes a transfer station to receive raw water from the Trinity River via canal.

The Lake Conroe Division is situated seven miles west of Interstate 45 at the Lake Conroe Dam. In addition to operating and maintaining the dam, this division handles the licensing, regulation and enforcement functions related to onsite sewage facilities around Lake Conroe. This division also approves permits and licenses related to boat sanitation, piers, boat slips, boathouses, marinas, and other facilities operated or constructed on Lake Conroe as well as collects annual fees and rentals for these facilities. The SJRA also supplies raw water from Lake Conroe, which was built as a water supply reservoir. Although the lake is exclusively operated by the SJRA, the City of Houston owns two-thirds of the permitted water rights in the reservoir.

The Woodlands Division is located in southern Montgomery County and provides wholesale water supply and wastewater treatment services from centralized facilities to the 90,000-person community of The Woodlands. To provide these services, the SJRA operates wastewater treatment plants, lift stations, water wells, elevated and ground storage tanks, and miles of collection and distribution facilities.

The Groundwater Reduction Plan Division, with its office located at the Lake Conroe Dam, is responsible for implementing a countywide surface water program that will meet the groundwater reduction requirements of the Lone Star Groundwater Conservation District and ensure reliable, long-term water supplies for all public utilities in Montgomery County that choose to join the program. The GRP Division will design, construct, operate, maintain, and administer a water treatment plant and transmission lines that will withdraw raw surface water from Lake Conroe, treat it to meet or exceed drinking water standards, and then transmit it to customer cities and utilities within Montgomery County.



## *ECONOMIC CONDITION AND OUTLOOK*

The Texas Economy: According to the Texas Comptroller of Public Accounts in the latest issue of "Texas Economy in Focus," the Texas economy is faring better than most other states however, the state did feel the effects of the economy in 2009. "Over the past year, Texas added jobs in most sectors, including construction, manufacturing, mining and logging, leisure and hospitality, financial activities, professional and business services, educational and health services, and government." The U.S. unemployment rate was 9.5% compared to Texas unemployment rate of 8.2% reported in the July 2010 report. The Texas economy shook off the rough ride in 2009 because it stayed committed to "its traditional advantages such as low living costs, modest taxes, a central location and an attractive business climate" says the Federal Reserve Bank of Dallas (FED) in its Southwest Economy first quarter report. It also goes on to say that "barring further setbacks, the Texas economy should pick up steam in 2010 and beyond."

The Local Economy: The SJRA boundaries include the entire watershed of the San Jacinto River and its tributaries excluding Harris County. The SJRA serves many customers in the Houston area and is authorized to operate in Harris County east of the San Jacinto River. The SJRA does not receive money from the state, nor does it collect any type of taxes. Income is primarily derived from the sale and distribution of water and treatment of wastewater. This revenue covers the cost of operation and maintenance as well as outstanding debt. Revenue bonds are sold to finance projects. The SJRA weathered through the effects of the recession in 2009 and will continue to fare well in 2010 and beyond. With continued population growth in the SJRA's service area, the demand to provide increasing amounts of water is great. With the SJRA's service area located between two rapidly growing major metropolitan areas, the need for future water supplies and reliable planning is apparent and as a result, the SJRA's Board of Directors and staff are working diligently to plan for future water supplies in order to better assure the region's future economic vitality.

## *FINANCIAL INFORMATION*

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

As demonstrated by the statements and schedules included in the financial section of this report as well as the management discussion and analysis also included herein, the SJRA continues to meet its responsibility for sound financial management. The SJRA

recommends that each reader to closely read each section of this report including the oversight review provided by the MD &A in order to have a thorough understanding of the SJRA, its activities, financial position and results of operations.

### *MAJOR INITIATIVES*

For the Year. One of the SJRA's major initiatives for Fiscal Year 2010 included planning for the adequate water resources for the San Jacinto River Basin, including Montgomery County, along with the planning necessary for the development of additional future supplies of water. This initiative was evident in the work of SJRA staff with committees related to instream surface water flows, fresh water inflows for bays and estuaries, review of water quality standards, regional water planning, and desired future conditions for groundwater aquifers in Southeast Texas.

Another major initiative in Fiscal Year 2010 was planning and implementation of critical facility repairs to the SJRA's raw water delivery system in the Highlands. This project will increase the productivity and reliability of the delivery system. A major milestone of this project was the sale of approximately \$25,380,000 of revenue bonds to finance various parts of this multi-year project. The project includes repair and replacement of numerous siphons, repairs to the Highlands Reservoir dam, improvements to the Highlands Division office, and installation of additional measuring equipment and SCADA controls.

Another major initiative that was underway during Fiscal Year 2010 was building a new General and Administration Building. A campus planning study in 2009 showed that the General and Administration office space was not sufficient for the current and future needs of the SJRA. The new G&A building will provide us enough space to achieve an optimal level of service for the SJRA's four operating divisions and outside commitments. While the bulk of the design and construction of the G&A building occurred during Fiscal Year 2010, final completion and move-in did not occur until December of 2010, during Fiscal Year 2011.

For the Future. In November 2009, the Lone Star Groundwater Conservation District (LSGCD) adopted final regulations that require certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how the user intends to meet a 2016 deadline for conversion to surface water supplies. The SJRA responded to this regulatory requirement with the development of a long-term countywide approach that will provide a compliance solution for all users in the county who choose to join. The SJRA plan was designed so that any large volume groundwater user in the county could join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required monthly GRP Pumpage Fee. The GRP Pumpage Fee is currently set at \$0.50 per thousand gallons of groundwater pumped by the participating entity and is billed monthly. It is anticipated that this fee will

increase each year as costs are incurred for design and construction of the necessary infrastructure to deliver surface water by the 2016 deadline. Current studies suggest that the GRP Pumpage Fee could be close to \$2.00 per thousand gallons by 2016. The estimated cost of the entire surface water system that must be constructed to meet the 2016 deadline is \$480 million. To date, the cities and water utilities that have joined the SJRA GRP represent approximately 80 percent of the water use in Montgomery County. The GRP Division will be responsible for implementing surface water program and constructing all the necessary infrastructure to deliver water beginning in 2016.

Another ongoing major initiative as described above is the continued improvements to critical infrastructure in the Highlands Division.

### *Acknowledgements*

Independent Audit. Section 49.191 of the Texas Water Code requires an annual audit of the SJRA's accounting records by a certified public accountant or public accountant holding a permit from the Texas State Board of Public Accountancy and selected by the Board of Directors. The firm Sandersen, Knox & Co., LLP was selected by the Board for the 2010 fiscal year. We appreciate their professionalism, timeliness and assistance in completing this report. Copies of this report will be filed with the TCEQ, State Comptroller, State Auditor, as well as with the county clerk of each county within the SJRA jurisdiction.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the SJRA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements.

Acknowledgments. 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 residents of the SJRA service area. The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated staff of the SJRA's Accounting Department.

Sincerely,

A handwritten signature in blue ink, appearing to read "Reed Eichelberger".

Reed Eichelberger, PE  
General Manager

A handwritten signature in blue ink, appearing to read "Michael L. Jackson".

Michael L. Jackson, CPA  
Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Jacinto River Authority  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

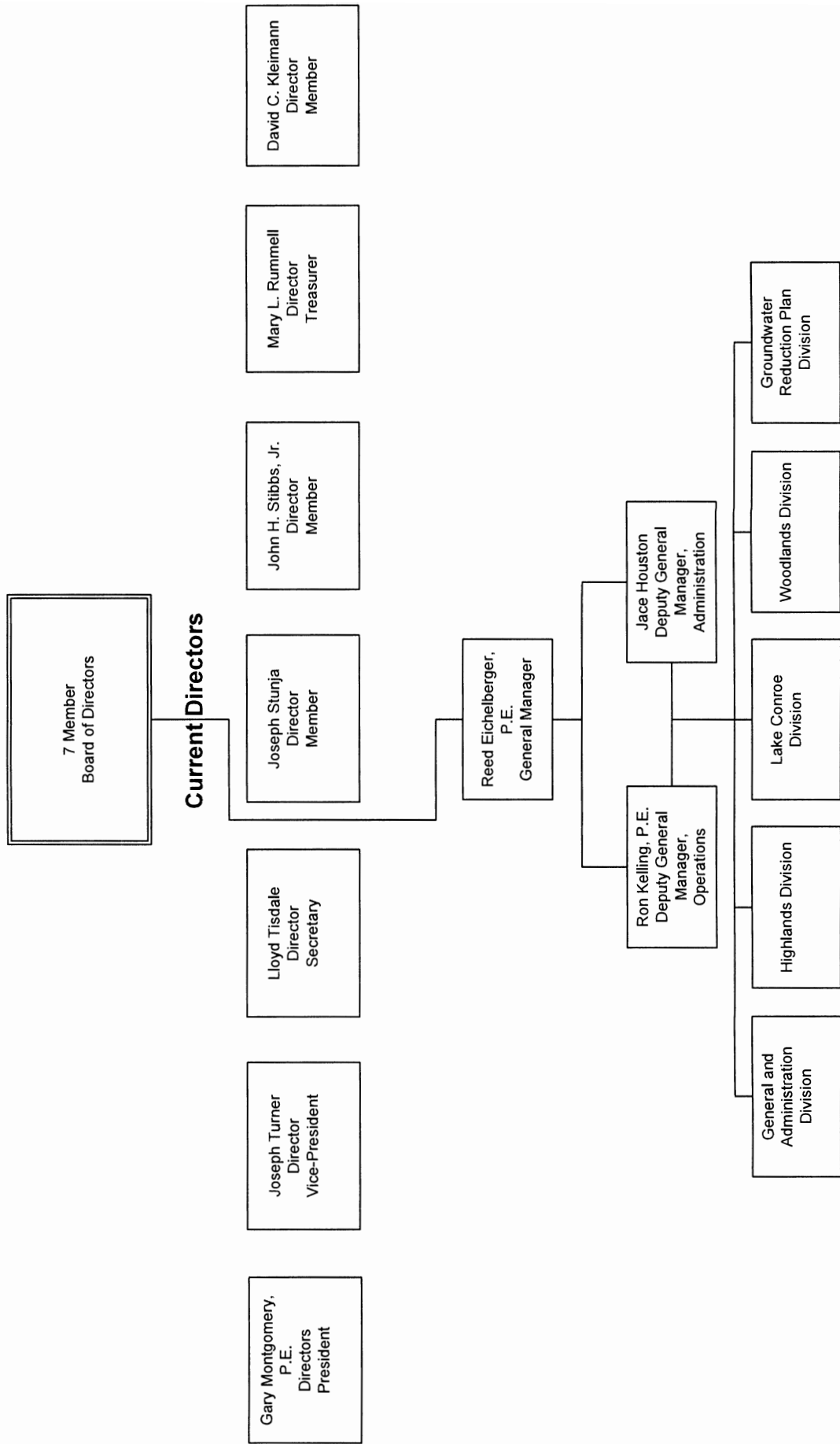


President

Executive Director



# San Jacinto River Authority Organizational Chart Management



# ***SAN JACINTO RIVER AUTHORITY***

## **Board of Directors**

	<b><u>Appointed</u></b>
R. Gary Montgomery, President	2008
Joseph V. Turner, Vice President	2005
Lloyd B. Tisdale, Secretary	2007
Mary L. Rummell, Treasurer	2004
John H. Stibbs, Member	2004
Joseph L. Stunja, Member	2008
David C. Kleimann, Member	2008

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.

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## **FINANCIAL SECTION**







130 Industrial Blvd, Suite 130 · Sugar Land, Texas 77478 · 281/242-3232 · fax 281/242-3252 · www.sktx.com

## **Independent Auditors' Report**

Board of Directors  
San Jacinto River Authority  
Montgomery County, Texas

We have audited the accompanying financial statements of the business-type activities and each major fund of the San Jacinto River Authority, as of and for the year ended August 31, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the San Jacinto River Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the San Jacinto River Authority as of August 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12 and required supplementary information on pages 44-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the San Jacinto River Authority's financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Sam Karp & Co." The signature is written in a cursive, flowing style.

Sugar Land, Texas  
November 15, 2010

# **SAN JACINTO RIVER AUTHORITY**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The management of the San Jacinto River Authority (the "Authority") offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended August 31, 2010. We encourage readers to consider the information presented here in conjunction with the financial statements and the notes to the financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Authority's total assets were \$258.6 million; of this amount, approximately \$162.0 million represents net capital assets and \$87.0 million represents cash and cash equivalents under both, current and restricted assets.
- Liabilities for the Authority totaled \$132.9 million of which \$118.5 million accounts for obligations under long-term debt.
- The Authority's total assets exceeded liabilities by approximately \$125.7 million. This amount represents net assets; of this amount, \$39.2 million is invested in capital assets – net of related debt. An additional \$65.5 million is under restricted net assets and the remaining \$21.1 million represents unrestricted net assets.
- Operating revenues for the Authority at year-end were \$31.1 million and exceeded operating expenses by \$4.6 million. The major revenue sources were untreated water sales to industrial and municipal customers of \$8.9 million; capacity charges water and wastewater treatment service fees to Woodlands municipal utility districts of \$19.8 million.
- Operating expenses totaled \$26.5 million. Of this amount, salaries, wages and employee benefits were \$6.9 million, followed by depreciation of \$5.8 million, and operating supplies of \$5.4 million.
- Non-operating expenses exceeded non-operating revenues by approximately \$3.8 million. This was primarily attributable to interest expense paid on bonds that totaled \$3.5 million as of year-end.
- Capital contributions from Woodlands municipal utility districts totaled \$.8 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## **ENTERPRISE FUNDS**

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

- Administration and Highlands Division
- Lake Conroe Division
- The Woodlands Division
- Groundwater Reduction Plan Division

## **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 ASSETS**

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

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

- Invested in Capital Assets – net of related debt
- Restricted
- Unrestricted

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

## FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a financial statement position. In the case of the Authority, assets exceeded liabilities by \$125.7 million at the close of the most recent fiscal year.

### As of August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current assets	\$ 94,327,687	\$ 56,500,966
Noncurrent assets	164,307,573	152,282,347
<b>Total Assets</b>	<u>\$ 258,635,260</u>	<u>\$ 208,783,313</u>
<b>Liabilities</b>		
Current liabilities	\$ 13,798,702	\$ 9,592,131
Noncurrent liabilities	119,093,448	74,998,047
<b>Total Liabilities</b>	<u>\$ 132,892,150</u>	<u>\$ 84,590,178</u>
<b>Net Assets</b>		
Invested in capital assets - net of related debt	\$ 39,210,018	\$ 71,921,272
Restricted:		
Debt service	4,604,287	5,794,580
Construction	60,860,370	22,860,362
Unrestricted	21,068,435	23,616,921
<b>Total Net Assets</b>	<u>\$ 125,743,110</u>	<u>\$ 124,193,135</u>

- Current assets increased by \$37.8 million which represents a 67% increase from the prior year primarily due to an increase in cash and cash equivalents from bond proceeds for the Highlands and Groundwater Reduction Plan Divisions, restricted to construction.
- Noncurrent assets increased by \$162,619, an 8% increase due to bond issue costs from new and refunding bond issues.
- Total liabilities increased by \$48.3 million, a 57% increase from the prior year.
- Current liabilities from accounts payable increased by \$4.2 million, a 44% increase due to increased purchases.
- Long term debt increased by \$43.8 million, primarily due to new bond issues for the Highlands and Groundwater Reduction Plan Divisions.



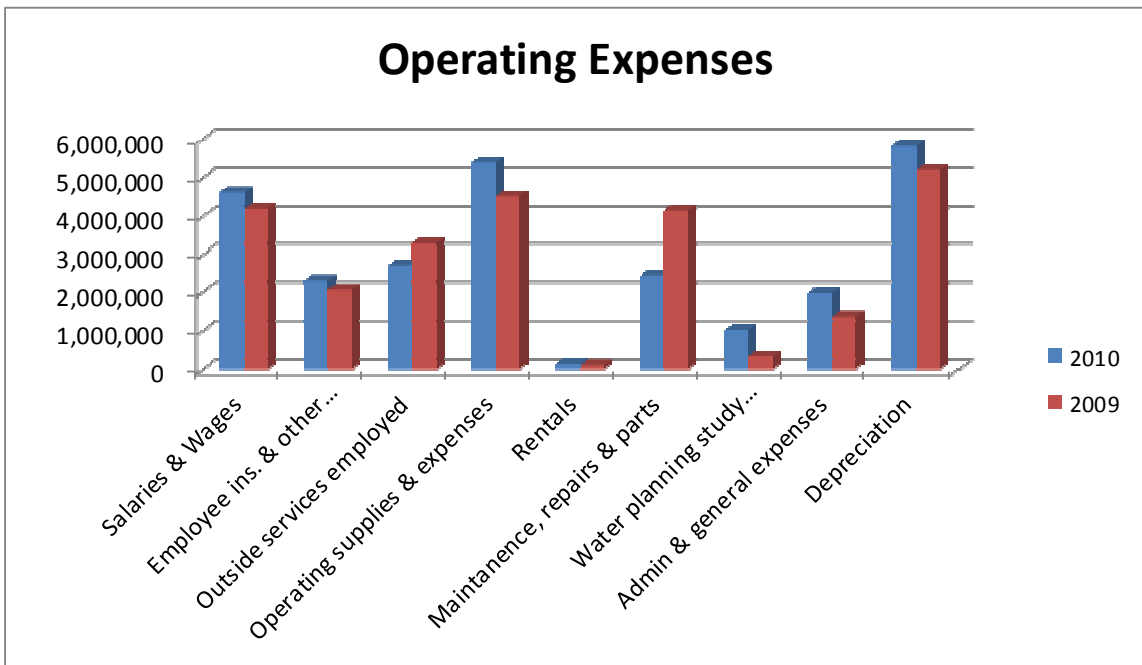
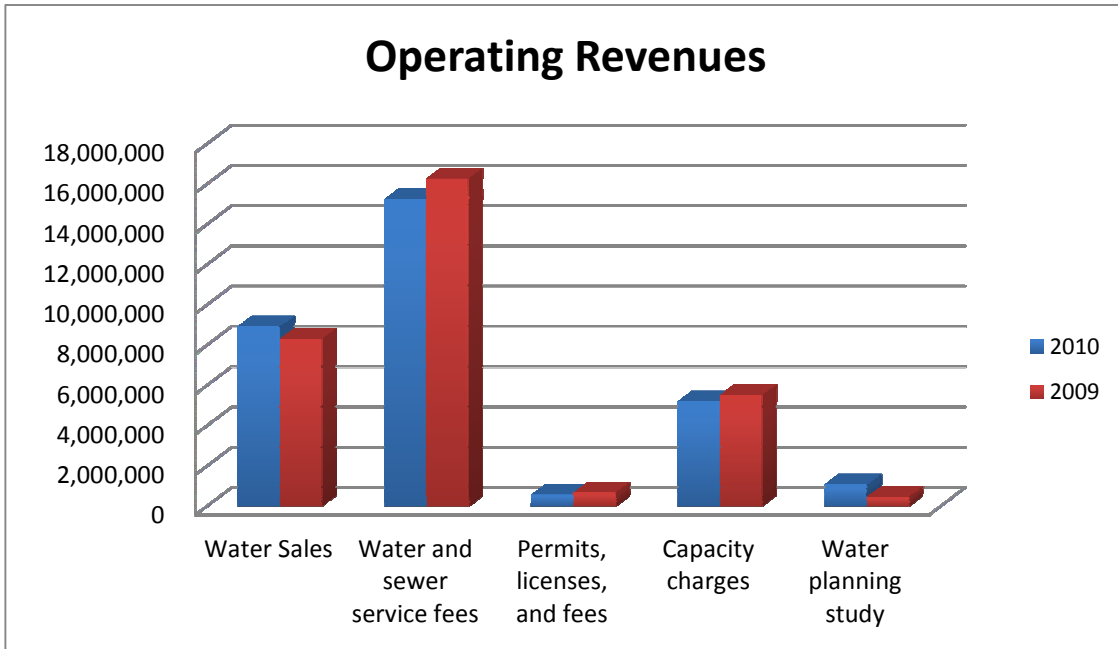
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

### For the Years Ended August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Operating Revenues:</b>		
Water sales	\$ 8,938,663	\$ 8,322,762
Water and sewer service fees	15,253,398	16,270,637
Permits, licenses and fees	578,560	682,043
Capacity charges	5,205,756	5,522,353
Water planning study	1,088,622	464,449
<b>Total Operating Revenues</b>	<u>31,064,999</u>	<u>31,262,244</u>
<b>Operating Expenses:</b>		
Salaries and wages	4,610,165	4,213,962
Employee insurance and other payroll benefits	2,316,454	2,057,484
Outside services employed	2,718,636	3,279,261
Operating supplies & expenses	5,437,305	4,499,020
Rentals	147,150	111,362
Maintenance, repairs and parts	2,446,618	4,174,346
Water planning study expenses	1,026,692	356,123
Admin and general expenses	1,971,681	1,370,683
Depreciation	5,823,940	5,219,499
<b>Total Operating Expenses</b>	<u>26,498,641</u>	<u>25,281,740</u>
<b>Operating Income</b>	4,566,358	5,980,504
<b>Nonoperating Revenues (Expenses)</b>	(3,805,508)	(1,999,334)
<b>Contributed Capital</b>	<u>789,125</u>	<u>2,088,886</u>
<b>Net Income</b>	1,549,975	6,070,056
Net assets at beginning of year	<u>124,193,135</u>	<u>118,123,079</u>
<b>Net Assets at End of Year</b>	<u>\$ 125,743,110</u>	<u>\$ 124,193,135</u>

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



- Operating revenues in the Administration and Highlands Division from industrial water sales increased by \$615,901, a 7% increase from the previous year primarily due to an increase in the water rate.
- Operating revenues in The Woodlands Division from water and wastewater treatment services decreased by \$1 million, a 6% decrease from the previous year due to decreased water usage resulting in decreased revenue during a period of high average rainfall.
- Salaries and wages increased by \$396,203, a 9% increase from the prior year which was primarily due to additional employees.
- Employee insurance and other payroll benefits increased by \$258,970, a 13% increase from the prior year due to the additional employees.
- Operating supplies and expenses increased by \$938,285, a 21% increase from the previous year. Most of the increase was attributable to the expenses of the Groundwater Reduction Plan Division.
- Maintenance, repairs, and parts decreased by \$1,727,728, a 41% decrease from the prior year.
- Depreciation expense increased by \$604,441, an increase of 12% from the previous year. Most of this increase was due to the purchase of capital assets.

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

The Authority's investment in net capital assets as of August 31, 2010 totaled \$162.0 million. This investment in capital assets includes land; water permits and rights; office furniture, fixtures and equipment; other machinery and equipment; automobiles and trucks; buildings; dams and appurtenances; water systems; wastewater utility systems; capital improvement plans; and construction in progress. The total increase in the Authority's investment in net capital assets for the current fiscal year was 8%.

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

- The Authority added \$9.7 million to the construction in progress for the water treatment design and implementation of the Groundwater Reduction Plan Division, construction of a new General and Administration building, a number of rehabilitations and a number of water wells.
- The Authority acquired waterlines, sewer plants, and lift stations that were constructed within the boundaries of the Woodlands at a capital cost of \$2,362,106.

	<u>2010</u>	<u>2009</u>
<b>Capital Assets - at cost</b>		
Land	\$ 10,353,889	\$ 9,110,761
Water permits and rights	30,941,517	30,936,780
Office furniture, fixtures & equip	521,767	336,933
Other machinery and equipment	1,504,746	1,615,800
Automobiles and trucks	1,607,564	1,327,474
Buildings	3,510,969	3,504,209
Dams and appurtenances	8,182,965	8,175,437
Water systems	88,388,478	85,006,310
Wastewater utility systems	83,535,554	80,819,439
Capital improvement plans	376,882	376,882
Construction in progress	11,324,009	1,594,361
Less accumulated depreciation	<u>(78,268,757)</u>	<u>(72,687,410)</u>
<b>Total Capital Assets</b>	<u>\$ 161,979,583</u>	<u>\$ 150,116,976</u>

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

#### **LONG-TERM DEBT**

At the end of the current fiscal year, the Authority had long-term debt of \$118.8 million. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

#### **As of August 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Long-Term Debt</b>		
First Lien Water Revenue Bonds-		
less current maturities	\$ 120,380,000	\$ 76,620,000
Deferred amount of refunding	<u>(1,623,292)</u>	<u>(1,894,296)</u>
<b>Total Long-Term Debt</b>	<u>\$ 118,756,708</u>	<u>\$ 74,725,704</u>

The Authority's total debt increased by \$44 million from the previous year, due to the sale of Water Revenue Refunding Bonds Series 2010, Woodlands Waste Disposal System Special Project Revenue Refunding Bonds Series 2010, Woodlands Water Supply System Project Special Project Revenue Refunding Bonds Series 2010, Water, Series 2010 Waterworks System Water Revenue Bonds, and the Special Project Revenue Bonds (GRP), Series 2009.

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

## **REQUEST FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

# SAN JACINTO RIVER AUTHORITY

## STATEMENT OF NET ASSETS

August 31, 2010

### Business-Type Activities - Enterprise Funds

	<u>Administration and Highlands Division</u>	<u>Lake Conroe Division</u>	<u>The Woodlands Division</u>	<u>Groundwater Reduction Plan Division</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents						
Unrestricted	\$ 11,127,168	\$	\$ 5,854,872	\$ 7,263	\$	\$ 16,989,303
Restricted:						
Debt service	2,536,908		3,384,818			5,921,726
Construction	25,324,301		20,261,259	18,536,530		64,122,090
Accrued income receivable						
Accounts receivable	4,426,186	401,774	4,004,001	1,089,476	(3,441,886)	6,479,551
Prepaid expenses	354,573	27,094	433,350			815,017
<b>Total Current Assets</b>	<u>43,769,136</u>	<u>428,868</u>	<u>33,938,300</u>	<u>19,633,269</u>	<u>(3,441,886)</u>	<u>94,327,687</u>
<b>Noncurrent Assets</b>						
Debt issuance costs - net	542,023		1,328,821	457,146		2,327,990
<b>Capital Assets - at cost</b>						
Land	1,080,986	5,448,998	2,683,964	1,139,941		10,353,889
Water permits and rights	30,941,517					30,941,517
Furniture and fixtures	199,128	14,026	293,613	15,000		521,767
Other equipment	1,042,452	142,226	320,068			1,504,746
Automobiles and trucks	359,671	86,812	1,161,081			1,607,564
Buildings	713,399	152,003	2,645,567			3,510,969
Dams and appurtenances		6,653,572	1,529,393			8,182,965
Water systems	8,742,804		79,645,674			88,388,478
Wastewater utility systems			83,535,554			83,535,554
Capital improvement plans			376,882			376,882
Construction in progress	5,428,556	83,441	3,546,808	2,265,204		11,324,009
Accumulated depreciation	(4,852,098)	(2,902,225)	(70,512,853)	(1,581)		(78,268,757)
<b>Total Capital Assets</b>	<u>43,656,415</u>	<u>9,678,853</u>	<u>105,225,751</u>	<u>3,418,564</u>		<u>161,979,583</u>
<b>Total Noncurrent Assets</b>	<u>44,198,438</u>	<u>9,678,853</u>	<u>106,554,572</u>	<u>3,875,710</u>		<u>164,307,573</u>
<b>Total Assets</b>	<u>\$ 87,967,574</u>	<u>\$ 10,107,721</u>	<u>\$ 140,492,872</u>	<u>\$ 23,508,979</u>	<u>\$ (3,441,886)</u>	<u>\$ 258,635,260</u>

**Business-Type Activities - Enterprise Funds**

	<u>Administration and Highlands Division</u>	<u>Lake Conroe Division</u>	<u>The Woodlands Division</u>	<u>Groundwater Reduction Plan Division</u>	<u>Eliminations</u>	<u>Total</u>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts payable and accrued liabilities - unrestricted	\$ 1,486,108	\$ 67,140	\$ 2,727,291	\$ 3,917,560	\$ (3,441,886)	\$ 4,756,213
Restricted for Debt service:						
Current portion of bonds	1,025,000		2,525,000			3,550,000
Current portion of notes	296,296			396,451		692,747
Accrued interest payable	231,684		1,085,755			1,317,439
Restricted for Construction:						
Accounts payable			2,364,206			2,364,206
Retainage payable	293,519		603,229	766		897,514
Deferred revenue	66,617	108,988	44,978			220,583
<b>Total Current Liabilities</b>	<u>3,399,224</u>	<u>176,128</u>	<u>9,350,459</u>	<u>4,314,777</u>	<u>(3,441,886)</u>	<u>13,798,702</u>
<b>Noncurrent Liabilities</b>						
Net OPEB obligation	<u>147,086</u>	<u>199,759</u>	<u>219,785</u>			<u>566,630</u>
<b>Long-Term Debt</b>						
First lien water revenue bonds -						
less current maturities	42,605,000		55,445,000	21,500,000		119,550,000
Notes payable less current	703,704			551,316		1,255,020
Deferred refunding	<u>(654,910)</u>		<u>(1,623,292)</u>			<u>(2,278,202)</u>
<b>Total Long-Term Debt</b>	<u>42,653,794</u>		<u>53,821,708</u>	<u>22,051,316</u>		<u>118,526,818</u>
<b>Total Noncurrent Liabilities</b>	<u>42,800,880</u>	<u>199,759</u>	<u>54,041,493</u>	<u>22,051,316</u>		<u>119,093,448</u>
<b>Total Liabilities</b>	<u>46,200,104</u>	<u>375,887</u>	<u>63,391,952</u>	<u>26,366,093</u>	<u>(3,441,886)</u>	<u>132,892,150</u>
<b>Net Assets</b>						
Invested in capital assets - net of related debt	(318,675)	9,678,853	48,879,043	(19,029,203)		39,210,018
Restricted:						
Debt service	2,305,224		2,299,063			4,604,287
Construction	25,030,782		17,293,824	18,535,764		60,860,370
Unrestricted	<u>14,750,139</u>	<u>52,981</u>	<u>8,628,990</u>	<u>(2,363,675)</u>		<u>21,068,435</u>
<b>Total Net Assets</b>	<u>\$ 41,767,470</u>	<u>\$ 9,731,834</u>	<u>\$ 77,100,920</u>	<u>\$ (2,857,114)</u>	<u>\$</u>	<u>\$ 125,743,110</u>



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# SAN JACINTO RIVER AUTHORITY

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

### Year Ended August 31, 2010

#### Business-Type Activities - Enterprise Funds

	<u>Administration and Highlands Division</u>	<u>Lake Conroe Division</u>	<u>The Woodlands Division</u>	<u>Groundwater Reduction Plan Division</u>	<u>Eliminations</u>	<u>Total</u>
<b>Operating Revenues:</b>						
Water sales:						
Industrial	\$ 7,906,420	\$ 955,874	\$	\$	\$	\$ 8,862,294
Irrigation	76,369					76,369
Water and sewer service fees			14,565,251	1,089,476	(401,329)	15,253,398
Permits, licenses and fees		578,560				578,560
Capacity charges			5,205,756			5,205,756
Water planning study	1,078,622			10,000		1,088,622
<b>Total Operating Revenues</b>	<u>9,061,411</u>	<u>1,534,434</u>	<u>19,771,007</u>	<u>1,099,476</u>	<u>(401,329)</u>	<u>31,064,999</u>
<b>Operating Expenses:</b>						
Salaries and wages	495,340	745,048	3,058,713	311,064		4,610,165
Employee insurance and other payroll benefits	286,765	456,104	1,484,235	89,350		2,316,454
Outside services employed	185,965	357,277	1,567,939	607,455		2,718,636
Operating supplies	109,971	169,032	4,142,072	1,417,559	(401,329)	5,437,305
Rentals	1,044	45,623	92,608	7,875		147,150
Maintenance, repairs & parts	23,199	160,412	2,248,633	14,374		2,446,618
Water planning study	1,026,692					1,026,692
General and administrative	1,256,754	266,082	448,845			1,971,681
Depreciation	388,936	130,003	5,303,420	1,581		5,823,940
<b>Total Operating Expenses</b>	<u>3,774,666</u>	<u>2,329,581</u>	<u>18,346,465</u>	<u>2,449,258</u>	<u>(401,329)</u>	<u>26,498,641</u>
<b>Operating Income (Loss)</b>	<u>5,286,745</u>	<u>(795,147)</u>	<u>1,424,542</u>	<u>(1,349,782)</u>		<u>4,566,358</u>
<b>Nonoperating Revenues (Expenses)</b>						
Interest income	336,334		77,036	22,747	(206,628)	229,489
Gain (Loss) on disp of assets	4,381	129,422	27,533			161,336
Oil and gas royalty income	12,635					12,635
Other revenues	42	1,890				1,932
Amortization of debt issuance	(35,854)		(625,680)	(22,191)		(683,725)
Interest expense on bonds	(789,030)		(2,706,709)	(238,064)	206,628	(3,527,175)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(471,492)</u>	<u>131,312</u>	<u>(3,227,820)</u>	<u>(237,508)</u>		<u>(3,805,508)</u>
<b>Income (Loss) Before Contributions and Transfers</b>	4,815,253	(663,835)	(1,803,278)	(1,587,290)		760,850
<b>Operating Transfers</b>	270,857	999,911	(944)	(1,269,824)		
<b>Capital Contributions</b>			789,125			789,125
<b>Change in Net Assets</b>	5,086,110	336,076	(1,015,097)	(2,857,114)		1,549,975
Net Assets at Beginning of Year	36,681,360	9,395,758	78,116,017			124,193,135
<b>Net Assets at End of Year</b>	<u>\$ 41,767,470</u>	<u>\$ 9,731,834</u>	<u>\$ 77,100,920</u>	<u>\$ (2,857,114)</u>	<u>\$</u>	<u>\$ 125,743,110</u>

See Notes to Financial Statements.

# SAN JACINTO RIVER AUTHORITY

## STATEMENT OF CASH FLOWS

Year Ended August 31, 2010

### Business-Type Activities - Enterprise Funds

	Administration and Highlands Division	Lake Conroe Division	The Woodlands Division	Groundwater Reduction Plan Division	Eliminations	Total
<b>Cash Flows from Operating Activities</b>						
Cash rec'd from customers	\$ 6,041,762	\$ 1,157,001	\$ 19,495,927	\$ 10,000	\$ 3,040,557	\$ 29,745,247
Cash payments to suppliers for goods and services	(2,193,790)	(921,301)	(7,261,104)	1,870,297	(3,040,557)	(11,546,455)
Cash paid for employee serv.	(782,105)	(1,201,152)	(4,542,948)	(400,414)		(6,926,619)
Other revenues & expenses	42	1,890				1,932
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>3,065,909</u>	<u>(963,562)</u>	<u>7,691,875</u>	<u>1,479,883</u>		<u>11,274,105</u>
<b>Cash Flows from Noncapital Financing Activities</b>						
Oil and gas royalty income	12,635					12,635
<b>Net Cash Provided by Net Cash Provided by Noncapital Financing Activities</b>	<u>12,635</u>					<u>12,635</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Principal paid on bonds	(15,145,000)		(9,530,000)			(24,675,000)
Principal paid on notes				(252,233)		(252,233)
Interest paid on bonds	(608,958)		(2,597,734)	(238,064)	206,628	(3,238,128)
Proceeds from bond sales	39,380,000		6,805,000	21,500,000		67,685,000
Proceeds from notes	1,000,000			1,200,000		2,200,000
Bond issue expenses	(1,181,629)		(188,491)	(478,571)		(1,848,691)
Operating transfers	270,857	999,911	(944)	(1,269,824)		
Acquisition of capital assets	(5,212,984)	(171,049)	(6,982,004)	(3,420,145)		(15,786,182)
Capital contributions			789,125			789,125
Proceeds from asset sales	9,389	134,700	36,769			180,858
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>18,511,675</u>	<u>963,562</u>	<u>(11,668,279)</u>	<u>17,041,163</u>	<u>206,628</u>	<u>25,054,749</u>

**Business-Type Activities - Enterprise Funds**

	<u>Administration and Highlands Division</u>	<u>Lake Conroe Division</u>	<u>The Woodlands Division</u>	<u>Groundwater Reduction Plan Division</u>	<u>Eliminations</u>	<u>Total</u>
<b>Cash Flows from Investing Activities</b>						
Interest earned	336,334		77,036	22,747	(206,628)	229,489
<b>Net Cash Provided by Investing Activities</b>	<u>336,334</u>		<u>77,036</u>	<u>22,747</u>	<u>(206,628)</u>	<u>229,489</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>						
	21,926,553		(3,899,368)	18,543,793		36,570,978
Cash and equivalents at beginning of year	<u>17,061,824</u>		<u>33,400,317</u>			<u>50,462,141</u>
<b>Cash and Equivalents at End of Year</b>	<u>\$ 38,988,377</u>	<u>\$</u>	<u>\$ 29,500,949</u>	<u>\$ 18,543,793</u>	<u>\$</u>	<u>\$ 87,033,119</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>						
Operating Income (Loss)	\$ 5,286,745	\$ (795,147)	\$ 1,424,542	\$ (1,349,782)	\$	\$ 4,566,358
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Other revenues & exp	42	1,890				1,932
Depreciation	388,936	130,003	5,303,420	1,581		5,823,940
(Increase) decrease in receivables	(2,973,529)	(356,384)	(89,317)	(1,089,476)	3,441,886	(1,066,820)
(Increase) decrease in prepaid expenses and deposits	(7,452)	(4,458)	(177,013)			(188,923)
Increase (decrease) in accounts payable and accrued liabilities	417,287	81,583	1,416,006	3,917,560	(3,441,886)	2,390,550
Increase (decrease) in deferred revenue	(46,120)	(21,049)	(185,763)			(252,932)
<b>Total Adjustments</b>	<u>(2,220,836)</u>	<u>(168,415)</u>	<u>6,267,333</u>	<u>2,829,665</u>		<u>6,707,747</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 3,065,909</u>	<u>\$ (963,562)</u>	<u>\$ 7,691,875</u>	<u>\$ 1,479,883</u>	<u>\$</u>	<u>\$ 11,274,105</u>

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# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

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

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

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

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

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

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

The Enterprise Funds maintained by the Authority are described below:

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

This fund accounts for the long-term water sale commitments to several industries and municipal customers from its water resources in the Reservoir and Canal System located in Highlands, Texas. As of year-end, substantially all of the estimated water available from the Authority from the San Jacinto River through the Reservoir and Canal System is committed to such customers through sales contracts expiring through 2031. Most of the sales contracts contain provisions for the quantities of water, which must be paid for, whether or not the water is used by the customers. Some of the sales contracts

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

contain options for the additional purchases of water by customers. In addition, all water pumped from below the Lake Conroe Dam for water sales is recorded in this fund.

The General and Administration Division, located in the general business office at Lake Conroe, consists of professional, technical, accounting, administrative and support staff working under the direction of the General Manager. The General and Administration Division provides management and support services to the SJRA's four operating divisions.

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

The Authority contracted with the City of Houston for the joint construction of Lake Conroe. Under the terms of the contract, the City of Houston advanced two-thirds of the financing of such construction and owns two-thirds of the water yield of Lake Conroe. The Authority, in whom the legal title to the physical properties is vested, owns the remaining one-third of the water yield. The Authority operates Lake Conroe for the benefit of itself and the City of Houston. The operating costs of Lake Conroe are borne one-third by the Authority and two-thirds by the City of Houston.

The accompanying financial statements include only the costs of the Authority's ownership interest in Lake Conroe; therefore, the costs of the City of Houston's ownership interest of \$20,664,221 in Lake Conroe are excluded from the capital asset totals presented.

During the useful life of Lake Conroe, the Authority has agreed to operate Lake Conroe for the benefit of the Authority and for the benefit of the City of Houston and its undivided two-thirds ownership interest. For operating Lake Conroe, the Authority is reimbursed for two-thirds of the net annual costs and expenses (after credits for revenues received from recreational facilities and other Lake Conroe sources except the sale of water) incurred by the Authority for maintenance, operation and capital outlays of Lake Conroe. Due to the joint ownership interests in capital assets, the accompanying financial statements present only the Authority's share in capital assets of Lake Conroe. This fund also accounts for the provision of water sales from such water as is pumped directly from Lake Conroe.

### **Woodlands Division Fund ("The Woodlands Division")**

This fund accounts for the water and wastewater treatment (WWT) plants, major facilities and equipment located in The Woodlands, Texas. The water and wastewater treatment plants, facilities and equipment are provided to this fund as follows: (1) The central WWT plant, facilities and equipment are provided for through the purchases of the costs of the reserve capacity in such plant, facilities and equipment by various municipal utility districts located in The Woodlands, Texas. A portion of such costs of the reserve capacity is reduced by federal grants received by the Authority for the cost

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

of expansion to the WWT plant No. 1. (2) The major trunk lines of the water and WWT facilities and equipment outside the central plant area which are within the jurisdictions of the municipal utility districts are constructed and financed by the Authority, and the debt thereon is paid for by capacity charges billed to the customer districts.

All activities necessary to provide water and sewer services from such assets are accounted for in this fund, including operations, maintenance, financing and related debt service, and billings and collections from the municipal utility districts that have purchased some of the reserve capacity in the central plant, facilities and equipment. The basic agreement with the municipal utility districts for water and WWT services provides for billings of revenue based upon the recovery of the expenses incurred for the operations, maintenance and contingency reserves for the water and sewer plants, facilities and equipment exclusive of depreciation of such assets. As of August 31, 2010, the following municipal utility districts have purchased some of the reserve capacity in such central facilities and have also contributed facilities from within their respective jurisdictions: Montgomery County Municipal Utility District Nos. 6, 7, 36, 39, 40, 46, 47, 60 and 67, The Woodlands Municipal Utility District No. 2, The Woodlands Metro Center Municipal Utility District and Harris Montgomery County Municipal Utility District No. 386. The purchases and contributions are subject to the financing arrangements made with The Woodlands Corporation as explained below.

In the initial 1975 agreement and supplemental agreements thereto between the Authority and The Woodlands Corporation (the "Corporation"), the Corporation agreed to advance monies to The Woodlands Division, to the extent that funds were not available to finance the costs of the expansions to the centralized water supply and waste disposal facilities. Such agreements also stipulate that sums advanced to The Woodlands Division by the Corporation shall be reimbursed to the Corporation. During the construction of the second expansion of the centralized WWT facilities and major waterlines, the Corporation advanced monies to The Woodlands Division to finance such construction. Such advances are reimbursable to the Corporation from the proceeds from the sales of the undivided interests in the reserve capacity of central waste disposal and water supply system facilities to the municipal utility districts in The Woodlands, Texas.

The Authority also owns and operates the Bear Branch Reservoir System (Bear Branch) which provides elements of a storm water management system within 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, 2010, contracts have been signed with Montgomery County Municipal Utility Districts Nos. 7, 46, 47, 60 and 67 to purchase the reserve capacity for storm water detention facilities in Bear Branch.



# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

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

As authorized by the Board of Directors, the Authority is developing a Groundwater Reduction Plan (GRP) on behalf of all large volume groundwater users (LVGU's) within Montgomery County who choose to join. Individual LVGU's in Montgomery County will be able to comply with the Lone Star Groundwater Conservation District (LSGCD) regulatory requirements to submit a GRP by participating in the Authority's GRP. The projected water demand of all participating LVGU's is included in the planning for the Authority's regionalized water supply and distribution system. The specific requirements for this planning are set forth in the LSGCD's District Regulatory Plan. In order to join the Authority's GRP, individual LVGU's would 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 program.

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

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

The Enterprise Funds have a net income or capital 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 Assets.

The Authority applies all GASB pronouncements as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

### **D. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in checking, savings, money market accounts and Public Funds Investment Pools.

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **E. Accounts Receivable**

The allowance for doubtful accounts is established to provide an estimate of bad debts charged to revenues. Losses are charged against the allowance when management believes the collectibility of a receivable is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. As of August 31, 2010, the allowance for bad debts is \$22,519.

### **F. Depreciation**

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

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

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. Amortization of Other Assets**

Included within other assets are debt issuance costs. The debt issuance costs, bond premiums and cost of surety bonds are being amortized over the life of the related obligation on the straight-line method.

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### H. Date of Management's Review

Subsequent events have been evaluated through November 15, 2010, which is the date the financial statements were available to be issued.

### I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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 assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net assets represent the remaining portion of net assets.

A summary of invested in capital assets – net of related debt as of August 31, 2010 follows:

	<u>Administration and Highlands Division</u>	<u>Lake Conroe Division</u>	<u>The Woodlands Division</u>	<u>Groundwater Reduction Plan Division</u>	<u>Total</u>
Total capital assets - net of depreciation	\$ 43,656,415	\$ 9,678,853	\$ 105,225,751	\$ 3,418,564	\$ 161,979,583
Total bonds payable	<u>(43,975,090)</u>		<u>(56,346,708)</u>	<u>(22,447,767)</u>	<u>(122,769,565)</u>
<b>Investment in Capital Assets - Net of Related Debt</b>	<u>\$ (318,675)</u>	<u>\$ 9,678,853</u>	<u>\$ 48,879,043</u>	<u>\$ (19,029,203)</u>	<u>\$ 39,210,018</u>

A summary of net assets restricted for debt service as of August 31, 2010 follows:

	<u>Administration and Highlands Division</u>	<u>Lake Conroe Division</u>	<u>The Woodlands Division</u>	<u>Groundwater Reduction Plan Division</u>	<u>Total</u>
Restricted cash and cash equivalents:					
Debt service	\$ 2,536,908	\$	\$ 3,384,818	\$	\$ 5,921,726
Liabilities payable from restricted assets:					
Debt service	<u>(231,684)</u>		<u>(1,085,755)</u>		<u>(1,317,439)</u>
<b>Net Assets Restricted for Debt Service</b>	<u>\$ 2,305,224</u>	<u>\$</u>	<u>\$ 2,299,063</u>	<u>\$</u>	<u>\$ 4,604,287</u>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

A summary of net assets restricted for construction as of August 31, 2010 follows:

	<u>Administration and Highlands Division</u>	<u>Lake Conroe Division</u>	<u>The Woodlands Division</u>	<u>Groundwater Reduction Plan Division</u>	<u>Total</u>
Restricted cash and equivalents:					
Construction	\$ 25,324,301	\$	\$ 20,261,259	\$ 18,536,530	\$ 64,122,090
Liabilities payable from restricted assets:					
Construction	(293,519)	(296,435)	(2,967,435)	(766)	(3,261,720)
	<u>\$ 25,030,782</u>	<u>\$</u>	<u>\$ 17,293,824</u>	<u>\$ 18,535,764</u>	<u>\$ 60,860,370</u>

A summary of net assets - unrestricted as of August 31, 2010 follows:

	<u>Administration and Highlands Division</u>	<u>Lake Conroe Division</u>	<u>The Woodlands Division</u>	<u>Groundwater Reduction Plan Division</u>	<u>Total</u>
Designated:					
Operating reserve	\$ 790,812	\$ 597,148	\$	\$	\$ 1,387,960
Contingency fund	1,581,624	1,194,296	1,229,881		4,005,801
Capital repair/replacement	2,285,491	1,386,993			3,672,484
Undesignated	10,092,212	(3,125,456)	7,399,109	(2,363,675)	12,002,190
	<u>\$ 14,750,139</u>	<u>\$ 52,981</u>	<u>\$ 8,628,990</u>	<u>\$ (2,363,675)</u>	<u>\$ 21,068,435</u>

### 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.

	<u>Book Balance</u>	<u>Bank Balance</u>	<u>Insurance &amp; Market Value of Collateral</u>
Petty cash	\$ 1,000	\$ N/A	\$ N/A
Collateral held by pledging banks in the Authority's name	873,498	1,639,659	7,417,092
Cash equivalents, not requiring pledging by banks, money funds & Pools	<u>86,158,621</u>	<u>86,167,701</u>	N/A
<b>Total Cash and Cash Equivalents</b>	<u>\$ 87,033,119</u>	<u>\$ 87,807,360</u>	

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

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

### **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

There are no such investments as of August 31, 2010.

### **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 AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

### **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 to meet cash requirements for ongoing operation.

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **Credit Risk – Investments**

In accordance with its investment policy, the Authority minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. As all of the Authority's investments are in investment pools, the Authority is not exposed to custodial credit risk.

### **NOTE 3 – INTERFUND RECEIVABLES/PAYABLES**

The individual interfund receivables/payables as of August 31, 2010 follow:

	<b><u>Receivables</u></b>	<b><u>Payables</u></b>
Enterprise Funds:		
Administration and Highlands Division	\$ 3,040,559	\$
The Woodlands Division		485,609
Bear Branch Reservoir		36,503
Groundwater Reduction Plan Division	<u>401,327</u>	<u>2,919,774</u>
	<u>\$ 3,441,886</u>	<u>\$ 3,441,886</u>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4 – CAPITAL ASSETS

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

	<u>Balance at Sept. 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Aug. 31, 2010</u>
<b>Business-Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 9,110,761	\$ 1,243,128	\$	\$ 10,353,889
Water permits and rights	30,936,780	4,737		30,941,517
Construction in progress	<u>1,594,361</u>	<u>13,313,331</u>	<u>(3,583,683)</u>	<u>11,324,009</u>
Total Capital Assets Not Being Depreciated	<u>41,641,902</u>	<u>14,561,196</u>	<u>(3,583,683)</u>	<u>52,619,415</u>
Capital Assets Being Depreciated:				
Furniture, fixtures and equipment	420,397	101,370		521,767
Other machinery and equipment	1,532,336	204,119	(231,709)	1,504,746
Automobiles and trucks	1,327,474	377,653	(97,563)	1,607,564
Buildings	3,504,209	23,253	(16,493)	3,510,969
Dams and appurtenances	8,175,437	7,528		8,182,965
Water systems	85,006,310	3,382,168		88,388,478
Wastewater utility systems	80,819,439	2,716,115		83,535,554
Capital improvement plans	<u>376,882</u>			<u>376,882</u>
Total Capital Assets Being Depreciated	<u>181,162,484</u>	<u>6,812,206</u>	<u>(345,765)</u>	<u>187,628,925</u>
Less Accumulated Depreciation for:				
Furniture, fixtures and equipment	184,993	50,093		235,086
Other machinery and equipment	1,287,929	153,758	(226,701)	1,214,986
Automobiles and trucks	808,286	251,357	(86,557)	973,086
Buildings	654,796	77,656	(11,215)	721,237
Dams and appurtenances	2,700,971	111,477		2,812,448
Water systems	31,056,110	2,446,626		33,502,736
Wastewater utility systems	35,837,881	2,795,711		38,633,592
Capital improvement plans	<u>156,444</u>	<u>19,142</u>		<u>175,586</u>
Total Accumulated Depreciation	<u>72,687,410</u>	<u>5,905,820</u>	<u>(324,473)</u>	<u>78,268,757</u>
Total Capital Assets Being Depreciated, Net	<u>108,475,074</u>	<u>906,386</u>	<u>(21,292)</u>	<u>109,360,168</u>
<b>Business-Type Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 150,116,976</u>	<u>\$ 15,467,582</u>	<u>\$ (3,604,975)</u>	<u>\$ 161,979,583</u>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 – DEBT ISSUANCE COSTS – NET

A summary of changes in debt issuance costs – net follows:

	<b>Original Bond Issue Cost</b>	<b>Balance at Sept. 1, 2009</b>	<b>Current Year Amortization</b>	<b>Balance at Aug. 31, 2010</b>
<b>Administration and Highlands Division</b>				
Water Revenue Bonds:				
Series 2003	\$ 171,646	\$ 121,838	\$ 8,078	\$ 113,760
Series 2010	877,292		9,343	867,949
Water Revenue Refunding Bonds:				
Series 2000	456,465	289,464	19,086	270,378
Series 2010	(55,807)		(653)	(55,154)
<b>Total Administration and Highlands Division</b>	<b>1,449,596</b>	<b>411,302</b>	<b>35,854</b>	<b>1,196,933</b>
 <b>The Woodlands Division</b>				
Special Project Revenue Bonds:				
Series 1998	364,287	168,733	126,760	41,973
Series 1999	300,166	64,812	64,002	810
Series 1999	364,752	17,725	11,816	5,909
Surety Bond Series 1997	50,427	17,798	2,966	14,832
Series 2004	436,669	355,232	16,850	338,382
Series 2004	680,739	553,785	26,266	527,519
Series 2007	617,961	575,984	23,999	551,985
Refunding Bonds:				
Series 2010	1,501,995		31,292	1,470,703
<b>Total Woodlands Division</b>	<b>4,316,996</b>	<b>1,754,069</b>	<b>303,951</b>	<b>2,952,113</b>
 <b>GRP Division</b>				
Water Revenue Bonds:				
Series 2009	479,337		22,191	457,146
<b>Total GRP Division</b>	<b>479,337</b>		<b>22,191</b>	<b>457,146</b>
<b>Total Debt Issuance Costs</b>	<b>\$ 6,245,929</b>	<b>\$ 2,165,371</b>	<b>\$ 361,996</b>	<b>\$ 4,606,192</b>



# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 – LONG-TERM DEBT

A summary of changes in bonds payable follows:

	<u>Interest Rates</u>	<u>Original Issuance</u>	<u>Balance at Sept. 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at Aug. 31, 2010</u>	<u>Due Within One Year</u>
<b>Administration and Highlands Division</b>							
Water Revenue Bonds:							
Series 2003	3.77%	\$ 4,950,000	\$ 4,440,000	\$	\$ 190,000	\$ 4,250,000	\$ 195,000
Series 2010	3-4.375%	25,380,000		25,380,000		25,380,000	
Water Revenue Refunding Bonds:							
Series 2000	4.55%	17,175,000	14,955,000		14,955,000		
Series 2010	2-4%	14,000,000		14,000,000		14,000,000	830,000
<b>Total Administration and Highlands Division</b>			<u>19,395,000</u>	<u>39,380,000</u>	<u>15,145,000</u>	<u>43,630,000</u>	<u>1,025,000</u>
<b>The Woodlands Division</b>							
Special Project Revenue Bonds:							
Series 1999	4.60%	14,730,000	2,940,000		2,625,000	315,000	315,000
Series 1999	4.60%	19,905,000	1,275,000		400,000	875,000	425,000
Series 2007	5.25-5.5%	14,435,000	14,105,000		285,000	13,820,000	300,000
Special Project Refunding Bonds:							
Series 1998	4.40%	6,520,000	5,230,000		4,880,000	350,000	350,000
Water Revenue Refunding Bonds:							
Series 2004	2-5%	21,310,000	18,775,000		1,200,000	17,575,000	990,000
Series 2004	2-5%	18,970,000	18,370,000		140,000	18,230,000	145,000
Series 2010	3-5%	4,440,000		4,440,000		4,440,000	
Series 2010	3-4%	2,365,000		2,365,000		2,365,000	
<b>Total Woodlands Division</b>			<u>60,695,000</u>	<u>6,805,000</u>	<u>9,530,000</u>	<u>57,970,000</u>	<u>2,525,000</u>
<b>Groundwater Reduction Plan Division</b>							
Special Project Revenue Bonds:							
Series 2009	.85-2.66%	21,500,000		21,500,000		21,500,000	
				<u>21,500,000</u>		<u>21,500,000</u>	
<b>Total Bonds Payable</b>			<u>\$ 80,090,000</u>	<u>\$ 67,685,000</u>	<u>\$ 24,675,000</u>	<u>\$ 123,100,000</u>	<u>\$ 3,550,000</u>

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

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

- Debt Service Fund – No later than the fifth day preceding each maturity date, an amount sufficient to pay principal and interest on the outstanding Water Revenue Bonds.
- Debt Service Reserve Fund – On or before the fifth day of each month, such amounts in equal monthly installments, not less than one-sixtieth of the average annual sum payable in respect of the principal and interest scheduled to become due on the outstanding Water Revenue Bonds at the time of such computation. In 1998, the Authority purchased surety bonds, which eliminated the requirement for a debt service reserve fund for these bonds.

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 in an amount not less than one-twelfth of the scheduled amount of principal and interest to become due on the bonds in such fiscal year.

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

On November 24, 2009, SJRA issued \$21,500,000 San Jacinto River Authority Special Project Revenue Bonds (GRP Project), Series 2009 through the Texas Water Development Board. The bonds were sold under the Water Infrastructure Fund (WIF) Program. The proceeds from the sale of the bonds were used to finance Groundwater Reduction Plan Division capital improvement projects which qualify under the Texas Water Development Board program and pay the cost of issuance. The bonds are collateralized solely by a lien on a pledge of the GRP Project net revenues.

On May 18, 2010, SJRA issued \$4,440,000 San Jacinto River Authority Special Project Revenue Refunding Bonds (The Woodlands Water Supply System Project) Series 2010. The proceeds from the sale of the bonds were used to currently refund \$4,545,000 of the Series 1999 (Woodlands Water Supply System Project) bonds and pay the cost of issuance. The bonds are collateralized, together with other currently outstanding Revenue Bonds, by a first lien on and a pledge of revenues from capacity charges to be paid by participating Woodlands Municipal Utility Districts. The aggregate savings in debt service is \$282,625 and the economic gain on the transaction is \$233,377.

On May 25, 2010, SJRA issued \$2,365,000 San Jacinto River Authority Special Project Revenue Refunding Bonds (The Woodlands Waste Disposal System Project) Series 2010. The proceeds from the sale of the bonds were used to currently refund \$2,330,000 of

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

the Series 1999 (Woodlands Waste Disposal System Project) bonds and pay the cost of issuance. The bonds are collateralized, together with other currently outstanding Revenue Bonds, by a first lien on and a pledge of revenues from capacity charges to be paid by participating Woodlands Municipal Utility Districts. The aggregate savings in debt service is \$166,604 and the economic gain on the transaction is \$149,831.

On July 27, 2010, SJRA issued \$14,000,000 San Jacinto River Authority Water Revenue Refunding Bonds Series 2010. The proceeds from the sale of the bonds were used to currently refund \$14,330,000 of the Series 2000 Water Revenue Refunding Bonds and pay the cost of issuance. The bonds are collateralized, together with other currently outstanding Revenue Bonds, solely by a lien on a pledge of a portion of the net revenues of the untreated surface water supply system. The aggregate savings in debt service on the refunding is \$1,996,981 and the economic gain on the transaction is \$1,591,742.

On August 24, 2010, SJRA issued \$25,380,000 San Jacinto River Authority Water Revenue Bonds, Series 2010 etc. The proceeds from the sale of the bonds were used to pay the cost of issuance at the time of sale and will be used to finance capital improvements in the Highlands Division. The bonds are collateralized, together with other currently outstanding Revenue Bonds, solely by a lien on a pledge of a portion of the net revenues of the untreated surface water supply system.

# 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>Administration and Highlands Division</b>			
2011	\$ 1,025,000	\$ 1,307,068	\$ 2,332,068
2012	1,680,000	1,600,341	3,280,341
2013	1,740,000	1,549,156	3,289,156
2014	1,805,000	1,492,808	3,297,808
2015	1,865,000	1,434,116	3,299,116
2016-2020	10,500,000	6,049,064	16,549,064
2021-2025	10,905,000	3,920,646	14,825,646
2026-2030	5,610,000	2,441,107	8,051,107
2031-2035	6,925,000	1,127,850	8,052,850
2036	1,575,000	34,452	1,609,452
	<u>\$ 43,630,000</u>	<u>\$ 20,956,608</u>	<u>\$ 64,586,608</u>
<b>The Woodlands Division</b>			
2011	\$ 2,525,000	\$ 2,578,229	\$ 5,103,229
2012	2,925,000	2,484,830	5,409,830
2013	2,815,000	2,372,818	5,187,818
2014	2,935,000	2,260,430	5,195,430
2015	3,055,000	2,139,180	5,194,180
2016-2020	12,325,000	8,954,375	21,279,375
2021-2025	11,550,000	6,294,168	17,844,168
2026-2030	13,880,000	3,269,043	17,149,043
2031-2034	5,960,000	447,476	6,407,476
	<u>\$ 57,970,000</u>	<u>\$ 30,800,549</u>	<u>\$ 88,770,549</u>
<b>Groundwater Reduction Plan Division</b>			
2016-2020	\$ 4,950,000	\$ 1,789,664	\$ 6,739,664
2021-2025	8,775,000	1,501,454	10,276,454
2026-2030	7,775,000	415,674	8,190,674
	<u>\$ 21,500,000</u>	<u>\$ 3,706,792</u>	<u>\$ 25,206,792</u>

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Notes Payable

The Administration and Highlands Division entered into a loan commitment during the year. The commitment from the bank is for \$4,000,000 for a term of 120 months, interest only at 5.7% through January 2011 and 107 principal payments of \$37,037 thereafter or until such time as all principal has been repaid and interest on the unpaid balance. As of August 31, 2010, the Authority had borrowed \$1,000,000 on this loan commitment.

The Groundwater Reduction Plan Division entered into a loan commitment during the year. The commitment from the bank was \$1,200,000 for a term of 36 months, interest at 4% and monthly payments of \$35,459. The balance of the note at August 31, 2010 was \$947,767.

Maturities of the loan commitments for the balances outstanding as of August 31, 2010 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Administration and Highlands Division</b>			
2011	\$ 296,296	\$ 52,074	\$ 348,370
2012	444,445	28,500	472,945
2013	259,259	4,926	264,185
	<u>\$ 1,000,000</u>	<u>\$ 85,500</u>	<u>\$ 1,085,500</u>
<b>Groundwater Reduction Plan Division</b>			
2011	\$ 396,451	\$ 34,388	\$ 430,839
2012	410,672	14,784	425,456
2013	140,644	1,190	141,834
	<u>\$ 947,767</u>	<u>\$ 50,362</u>	<u>\$ 998,129</u>

### NOTE 7 – ADMINISTRATIVE AND GENERAL EXPENSES

The administrative and general expenses, presented below, 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, 2010.

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

Salaries and wages	\$	723,414
Employee insurance and related payroll benefits		306,234
Outside services employed		359,620
Operating supplies and expenses		569,858
Rentals		1,033
Maintenance, repairs and parts		11,522
	\$	<u>1,971,681</u>

Total allocations to:		
Balance of unallocated expenses	\$	1,256,754
Lake Conroe Division		266,082
The Woodlands Division		448,845
	\$	<u>1,971,681</u>

### **NOTE 8 – PENSION PLAN**

#### **Plan Description**

The Authority contributes to the San Jacinto River Authority Pension Plan (the "Plan"). 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.

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

Lincoln National Life is the trustee of the Plan. There is no stand alone pension plan report available, but a copy of the actuarial report is available from Milliman, 333 Clay Street, Suite 4330, Houston, Texas 77002.

#### **Funding Policy**

Employees of the Authority are not required to contribute to the Plan. The Authority

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

makes annual contributions to the Plan equal to the amount accrued for pension expense.

### **Annual Pension Cost and Net Pension Obligation**

For 2010, the Authority's annual pension cost of \$600,041 for the Plan was equal to the Authority's required and actual contribution plus a portion of the unfunded past service liability. The annual required contribution for the current year was determined as a part of the November 1, 2009 actuarial valuation using the projected benefit method with aggregate level normal cost and frozen supplemental liability. Gains and losses are spread over the current year and future years in accordance with the funding method. Significant actuarial assumptions used in the valuation include (a) an assumed rate of return used in determining the actuarial present value of the accumulated benefits of 6.5%, (b) separations before normal retirement in accordance with T-1 of the Actuary's *Pension Handbook*, as modified for females, (c) mortality rates in accordance with the RP2000 Mortality Table with Projection Scale AA, (d) salary increases at an assumed 5% per annum, (e) cost of living increases [IRC Section 401(a)(17) compensation limit and IRC Section 415 benefit limit] at an assumed 4.0% increase per annum, (f) normal retirement at the later of age 65 or 5 years of participation, or attained age if later, (g) no loading for expenses and (h) 80.0% of participants are assumed married with the husband 3 years older than the wife. The valuation is based on participants in the Plan as of the valuation date and does not take future participants into account. No provision has been made for contingent liabilities with respect to nonvested terminated participants who may be reemployed. The valuation assumptions anticipate a modest rate of future inflation. The actuarial value of the assets was the market value.

### **NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

#### **Plan Description**

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

# SAN JACINTO RIVER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

As of August 31, 2010, six former employees and their dependents are receiving OPEB healthcare benefits. Seven 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 Director's. 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 \$46,113 for OPEB medical insurance coverage for retired employees covered under the OPEB plan during the year.

### **Annual OPEB Cost and Net OPEB Obligation**

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Authority has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to pay-as-you-go financing.

Annual required contribution	\$ 340,400
Interest on net OPEB obligation	
Annual OPEB cost (expense)	<u>340,400</u>
Contributions made	<u>(46,113)</u>
Increase in net OPEB obligation	294,287
Net OPEB obligation - beginning of year	<u>272,343</u>
Net OPEB obligation - end of year	<u><u>\$ 566,630</u></u>

### **Funded Status and Funding Progress**

As of August 31, 2010, the initial actuarial valuation date, the plan was 0% percent funded. The actuarial accrued liability for benefits was \$3,282,370 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$469,053 and the ratio of the UAAL to the covered payroll was 699.8%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and



# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

### **Actuarial Methods and Assumptions**

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

In the August 31, 2010 actuarial valuation, the entry age actuarial cost method was used. The retirement age for an active employee was assumed to be 65, which is the first year an eligible employee would qualify for OPEB plan benefits. The probability for employees eligible for the OPEB plan remaining employed by the Authority until normal retirement age was based on GASB 45, Alternative Measurement Method Calculations, Table 1. The marital status of eligible active employees was assumed to continue throughout retirement. Life expectancies were based on the Social Security Administration Period Life Table 2005. The actuarial assumptions included a 1.0% investment rate of return (net of administrative expenses) for fiscal year 2010 and 4.0% for fiscal years 2011 and later.

The present value of OPEB plan benefits was calculated based on the rates in effect for retired employees under the health insurance policy in force with United American Insurance. The annual healthcare cost trend rate was a 10.0% increase for fiscal year 2010 based on the Authority's 2010 budget. The annual healthcare cost trend rate was reduced to a rate increase of 6.0% annually beginning in fiscal year 2011 based on the average for years 2011 through 2018 based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services, National Health Expenditure Amounts, and Annual Percent Change by Type of Expenditure: Calendar Years 2003 - 2018, Table 2.

The discount rate used is 4.0%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at August 31, 2010, was 28 years.

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 10 – MAJOR CUSTOMERS**

Industrial water sales totaling \$6,856,740 were invoiced to two primary customers. This accounts for 86% of the Administration and Highlands Division's water sales revenues for the year ended August 31, 2010.

Water revenues totaling \$955,874 accrued from one primary customers. This accounts for 62% of the Lake Conroe Division's operating revenues for the year ended August 31, 2010.

Water and sewer service fees and capacity charges totaling \$10,757,028 accrued from three primary customers. This accounts for 54% of The Woodlands Division's operating revenues for the year ended August 31, 2010.

### **NOTE 11 – CONTINGENT LIABILITY**

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

### **NOTE 12 – FUNDING FOR WATER PLANNING STUDY**

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, while the Authority and Harris-Galveston Subsidence District share 100% of the administrative costs. The Authority has received contributions from governments and other parties interested in the development of the plan that partially fund miscellaneous other costs.

# **SAN JACINTO RIVER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 13 – TRANSFER TO LAKE CONROE DIVISION FROM ADMINISTRATION AND HIGHLANDS DIVISION**

The Lake Conroe Division has a net loss before contributions and transfers. This loss has been funded primarily by transfers from the Administration and Highlands Division. However, revenues generated by the water flow from Lake Conroe into the Highlands system through Lake Houston has not been calculated nor allocated to the Lake Conroe Division.

**REQUIRED SUPPLEMENTARY INFORMATION**

# SAN JACINTO RIVER AUTHORITY

## GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 27, DEFINED BENEFIT PENSION PLAN, SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND FUNDING PROGRESS

Year Ended August 31, 2010

### Six Year Trend Information

#### Schedule of Contributions From the Employer

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
10/31/2004	\$ 262,139	\$ 286,380	109.2 %
10/31/2005	267,348	328,222	122.8
10/31/2006	325,357	362,278	111.3
10/31/2007	337,523	372,478	110.4
10/31/2008	397,109	437,482	110.2
10/31/2009	571,234	572,069	100.1

#### Schedule of Funding Progress - Frozen Initial Liability Actuarial Cost Method

<u>Actuarial Valuation Date</u>	<u>(1) Actuarial Value of Plan Assets</u>	<u>(2) Frozen Initial Liability</u>	<u>(3) Unfunded Frozen Initial Liab (UFIL) (2) - (1)</u>	<u>(4) Funded Ratio (1) / (2)</u>	<u>(5) Covered Payroll</u>	<u>(6) UFIL as a % of Covered Payroll (3) / (5)</u>
11/1/2004	\$ 4,514,638	\$ 4,652,160	\$ 137,522	97.0 %	\$ 2,579,200	5.3 %
11/1/2005	4,844,697	5,145,507	300,810	94.2	2,826,100	10.6
11/1/2006	5,222,959	5,460,671	237,712	95.6	2,890,174	8.2
11/1/2007	5,600,313	5,776,428	176,115	97.0	3,254,963	5.4
11/1/2008	6,042,141	6,375,231	333,090	94.8	4,013,370	8.3
11/1/2009	6,632,221	6,903,154	270,933	96.1	4,129,705	6.6

Note: This schedule reflects the plan's fiscal year.

# SAN JACINTO RIVER AUTHORITY

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

Year Ended August 31, 2010

### Two Year Trend Information

#### Schedule of Contributions From the Employer

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
8/31/2009	\$ 316,787	14.0%	\$272,343
8/31/2010	\$ 340,400	13.6%	\$294,287

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

<u>Actuarial Valuation Date</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) AAL Actuarial Accrued Liability</u>	<u>(3) UAAL Unfunded AAL (2) - (1)</u>	<u>(4) Funded Ratio (1) / (2)</u>	<u>(5) Covered Payroll</u>	<u>(6) UAAL as a % of Covered Payroll (3) / (5)</u>
8/31/2009	\$ 0	\$ 3,009,073	\$ 3,009,073	0.0 %	\$ 455,791	660.2 %
8/31/2010	0	\$ 3,282,370	\$ 3,282,370	0.0 %	\$ 469,053	699.8 %

The Authority has implemented GASB Statement No. 45 for the year ended August 31, 2009.

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**OTHER SUPPLEMENTARY INFORMATION**



# SAN JACINTO RIVER AUTHORITY

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

For the Year Ended August 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Operating Revenues</u></b>				
Water and sewer service fees	\$ 15,695,778	\$ 15,695,778	\$ 14,565,251	\$ (1,130,527)
<b>Total Revenues</b>	<u>15,695,778</u>	<u>15,695,778</u>	<u>14,565,251</u>	<u>(1,130,527)</u>
<b><u>Operating Expenses</u></b>				
<b>Current:</b>				
Salaries and wages	3,089,645	3,089,645	3,050,850	38,795
Employee insurance and other payroll benefits	1,585,660	1,585,660	1,481,858	103,802
Outside services employed	2,205,588	2,205,588	1,557,836	647,752
Operating supplies and expenses	4,379,706	4,379,706	4,138,882	240,824
Rentals	50,000	50,000	92,608	(42,608)
Maintenance, repairs and parts	6,234,976	6,234,976	2,229,890	4,005,086
General and administrative	468,616	468,616	441,559	27,057
Depreciation	1,470,000	1,470,000	5,284,278	(3,814,278)
<b>Total Expenditures</b>	<u>19,484,191</u>	<u>19,484,191</u>	<u>18,277,761</u>	<u>1,206,430</u>
<b>Operating Net Income (Loss)</b>	(3,788,413)	(3,788,413)	(3,712,510)	75,903
<b><u>Nonoperating Revenues</u></b>				
Interest income	16,047	16,047	74,500	58,453
Other	300	300	(3,310,671)	(3,310,971)
<b>Total Nonoperating Revenues</b>	<u>16,347</u>	<u>16,347</u>	<u>(3,236,171)</u>	<u>(3,252,518)</u>
<b>Change in Net Assets</b>	<u>\$ (3,772,066)</u>	<u>\$ (3,772,066)</u>	<u>\$ (6,948,681)</u>	<u>\$ (3,176,615)</u>

### **NOTE 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 the Woodlands 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 Operating Division rate calculation and budget. Depreciation is included in the budget approved by the Authority's Board of Directors. The Bear Branch Reservoir System budget is not included in this schedule.

# SAN JACINTO RIVER AUTHORITY

## SCHEDULE OF REVENUE AND EXPENSES - BUDGET AND ACTUAL

### ADMINISTRATION, HIGHLANDS AND LAKE CONROE DIVISIONS

For the Year Ended August 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
<b><u>Operating Revenues</u></b>				
Water revenues	\$ 9,849,976	\$ 9,849,976	\$ 8,938,663	\$ (911,313)
Permits, licenses and fees	430,302	430,302	535,690	105,388
Water planning study	648,872	658,872	1,078,622	419,750
<b>Total Revenues</b>	<b>10,929,150</b>	<b>10,939,150</b>	<b>10,552,975</b>	<b>(386,175)</b>
<b><u>Operating Expenses</u></b>				
<b>Current:</b>				
Salaries and wages	1,422,480	1,422,480	1,248,261	174,219
Employee insurance and other payroll benefits	757,826	757,826	745,246	12,580
Outside services employed	831,899	831,899	545,321	286,578
Operating supplies and expenses	442,446	442,446	282,617	159,829
Rentals	37,890	37,890	46,667	(8,777)
Maintenance, repairs and parts	827,999	827,999	202,354	625,645
Water planning study expenses	651,883	651,883	1,026,692	(374,809)
General and administrative	880,312	880,312	1,530,122	(649,810)
Depreciation	472,205	472,205	538,080	(65,875)
<b>Total Expenditures</b>	<b>6,324,940</b>	<b>6,324,940</b>	<b>6,165,360</b>	<b>159,580</b>
<b>Operating Net Income</b>	<b>4,604,210</b>	<b>4,614,210</b>	<b>4,387,615</b>	<b>(226,595)</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Interest income	136,138	136,138	337,085	200,947
FEMA Grant	250,000	250,000		(250,000)
Interest expense on bonds	(1,103,180)	(1,103,180)	(789,030)	314,150
Other	231,550	231,550	155,344	(76,206)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(485,492)</b>	<b>(485,492)</b>	<b>(296,601)</b>	<b>188,891</b>
<b>Change in Net Assets</b>	<b>\$ 4,118,718</b>	<b>\$ 4,128,718</b>	<b>\$ 4,091,014</b>	<b>\$ (37,704)</b>

#### **NOTE TO OTHER SUPPLEMENTARY INFORMATION**

This schedule also includes the Bear Branch Reservoir System revenues and expenses.

**SAN JACINTO RIVER AUTHORITY**  
**SCHEDULE OF REVENUE AND EXPENSES -**  
**BUDGET AND ACTUAL**  
**GROUNDWATER REDUCTION PLAN DIVISION**  
**For the Year Ended August 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Operating Revenues</u></b>				
Water revenues	\$	\$	\$ 1,089,476	\$ 1,089,476
Water planning study		10,000	10,000	
<b>Total Revenues</b>		<b>10,000</b>	<b>1,099,476</b>	<b>1,089,476</b>
<b><u>Operating Expenses</u></b>				
<b>Current:</b>				
Salaries and wages	162,803	295,000	311,064	(16,064)
Employee insurance and other payroll benefits	59,260	105,800	89,350	16,450
Outside services employed	1,535,000	605,443	607,455	(2,012)
Operating supplies and expenses		1,404,626	1,417,559	(12,933)
Rentals		9,000	7,875	1,125
Maintenance, repairs and parts		15,000	14,374	626
Depreciation			1,581	(1,581)
<b>Total Expenditures</b>	<b>1,757,063</b>	<b>2,434,869</b>	<b>2,449,258</b>	<b>(14,389)</b>
<b>Operating Net Income</b>	<b>(1,757,063)</b>	<b>(2,424,869)</b>	<b>(1,349,782)</b>	<b>1,075,087</b>
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Interest income	45	19,045	22,747	3,702
Interest expense on bonds		(31,436)	(238,064)	(206,628)
Other			(22,191)	(22,191)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>45</b>	<b>(12,391)</b>	<b>(237,508)</b>	<b>(225,117)</b>
<b><u>Operating Transfers</u></b>				
			(1,269,824)	(1,269,824)
<b>Change in Net Assets</b>	<b>\$ (1,757,018)</b>	<b>\$ (2,437,260)</b>	<b>\$ (2,857,114)</b>	<b>\$ (419,854)</b>

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

**August 31, 2010**

**Assets**

**Current Assets**

Cash and cash equivalents	
Unrestricted	\$ 7,263
Restricted for construction	18,536,530
Accounts receivable	1,089,476
<b>Total Current Assets</b>	<u>19,633,269</u>

**Noncurrent Assets**

Debt issuance costs - net	<u>457,146</u>
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**Capital Assets - at cost**

Land	1,139,941
Furniture and fixtures	15,000
Construction in progress	2,265,204
Accumulated Depreciation	(1,581)
<b>Total Capital Assets</b>	<u>3,418,564</u>
<b>Total Noncurrent Assets</b>	<u>3,875,710</u>

**Total Assets** \$ 23,508,979

**Liabilities**

**Current Liabilities**

Accounts payable and accrued liabilities - unrestricted	\$ 3,917,560
Restricted for debt service - current portion of notes	396,451
Restricted for construction - retainage payable	766
<b>Total Current Liabilities</b>	<u>4,314,777</u>

**Noncurrent Liabilities**

First lien water revenue bonds - less current maturities	21,500,000
Notes payable less current maturities	551,316
<b>Total Noncurrent Liabilities</b>	<u>22,051,316</u>
<b>Total Liabilities</b>	<u>26,366,093</u>

**Net Assets**

**Net Assets**

Invested in capital assets - net of related debt	(19,029,203)
Restricted for construction	18,535,764
Unrestricted	(2,363,675)
<b>Total Net Assets</b>	<u>\$ (2,857,114)</u>

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

**For the Year Ended August 31, 2010**

<b><u>Operating Revenues</u></b>	
Water revenues	\$ 1,089,476
Water planning study	10,000
<b>Total Revenues</b>	1,099,476
<b><u>Operating Expenses</u></b>	
<b>Current:</b>	
Salaries and wages	311,064
Employee insurance and other payroll benefits	89,350
Outside services employed	607,455
Operating supplies and expenses	1,417,559
Rentals	7,875
Maintenance, repairs and parts	14,374
Depreciation	1,581
<b>Total Expenditures</b>	2,449,258
<b>Operating Net Income (Loss)</b>	(1,349,782)
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Interest income	22,747
Interest expense on bonds	(238,064)
Other	(22,191)
<b>Total Nonoperating Revenues (Expenses)</b>	(237,508)
<b>Income (Loss) Before Operating Transfers</b>	(1,587,290)
<b>Operating Transfers</b>	(1,269,824)
<b>Change in Net Assets</b>	(2,857,114)
Net Assets at Beginning of Year	_____
<b>Net Assets at End of Year</b>	<b>\$ (2,857,114)</b>

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

**For the Year Ended August 31, 2010**

<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 10,000
Cash payments to suppliers for goods and services	1,870,297
Cash paid for employee services	(400,414)
<b>Net Cash Provided by Operating Activities</b>	<b><u>1,479,883</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal payments on notes	(252,233)
Interest paid on bonds	(238,064)
Proceeds from bond sales	21,500,000
Proceeds from notes	1,200,000
Bond issue expenses	(478,571)
Operating transfers	(1,269,824)
Acquisition of capital assets	(3,420,145)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>17,041,163</u></b>
<b>Cash Flows from Investing Activities</b>	
Interest earned	22,747
<b>Net Cash Flows Provided by Investing Activities</b>	<b><u>22,747</u></b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>18,543,793</b>
Cash and equivalents at beginning of year	<u>                    </u>
<b>Cash and Equivalents at End of Year</b>	<b><u>\$ 18,543,793</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ (1,349,782)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	1,581
(Increase) in receivables	(1,089,476)
Increase in accounts payable and accrued liabilities	3,917,560
<b>Total Adjustments</b>	<b><u>2,829,665</u></b>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 1,479,883</u></b>

# SAN JACINTO RIVER AUTHORITY

## LAKE CONROE DAM, RESERVOIR AND RELATED EQUIPMENT

August 31, 2010

**Dam and Appurtenances:**

Dam and appurtenances - joint	\$ 16,541,726
Dam and appurtenances - San Jacinto River Authority	1,169,194
<b>Total Dam and Appurtenances</b>	<u>17,710,920</u>

**Buildings and Residences:**

Office building - joint	75,715
Warehouse building - joint	21,724
Residences - joint	174,106
Boat house - joint	100,380
Storage building - San Jacinto River Authority	23,404
<b>Total Buildings and Residences</b>	<u>395,329</u>

**Equipment:**

Construction and maintenance equipment - joint	148,202
Transportation equipment - joint	260,435
Office furniture and fixtures - joint	27,957
Computer software - joint	115,344
Computer hardware - joint	11,001
Laboratory equipment - joint	62,034
Miscellaneous equipment - joint	91,557
Construction and maintenance equipment - San Jacinto River Authority	45,919
<b>Total Equipment</b>	<u>762,449</u>

**Land:**

Land easements and improvements - joint	7,570,361
Land acquisition and administration - joint	5,863,771
Ayer Island improvements - joint	49,508
Land easements - Newton Park	312,928
Land acquisition and administration - San Jacinto River Authority	580,032
<b>Total Land</b>	<u>14,376,600</u>

<b>Total Lake Conroe Dam, Reservoir and Related Equipment</b>	33,245,298
<b>Less City of Houston Contribution</b>	<u>(20,664,221)</u>
<b>San Jacinto River Authority's Interest in Lake Conroe Dam, Reservoir and Related Equipment</b>	12,581,077
<b>Less Accumulated Depreciation on San Jacinto River Authority's Interest in Assets</b>	<u>(2,902,225)</u>
<b>Net Interest in Lake Conroe Dam, Reservoir and Related Equipment</b>	<u>\$ 9,678,852</u>

# SAN JACINTO RIVER AUTHORITY

## INSURANCE COVERAGE

August 31, 2010

<u>Types of Coverages</u>	<u>Amount of Coverage</u>	<u>Insurer</u>	<u>Coverage to</u>
Property Coverages			
Buildings	\$ 106,903,656	TWCA Risk Management Fund	7/1/2011
Contents	\$ 4,229,228	TWCA Risk Management Fund	7/1/2011
Mobile			
Equipment/Contractors Equip	\$ 1,547,374	TWCA Risk Management Fund	7/1/2011
Miscellaneous Property & Equipment	\$ 1,419,277	TWCA Risk Management Fund	7/1/2011
Rented Equipment	\$ 200,000	TWCA Risk Management Fund	7/1/2011
Total Property Coverages;	<u>\$ 114,299,535</u>		
Boiler and Machinery:	\$ 50,282,052	TWCA Risk Management Fund	7/1/2011
Automobile:			
Bodily injury and property damage	Combined limit \$ 1,000,000	TWCA Risk Management Fund	7/1/2011
Excess auto liability	\$ 5,000,000	TWCA Risk Management Fund	7/1/2011
Physical damage	Actual cash value	TWCA Risk Management Fund	7/1/2011
General Liability	\$ 1,000,000	TWCA Risk Management Fund	7/1/2011
	per occurrence		
Excess General Liability	\$ 5,000,000	TWCA Risk Management Fund	7/1/2011
Public Officials:			
Errors and omissions	\$ 1,000,000	TWCA Risk Management Fund	7/1/2011
Excess errors and omissions	\$ 4,000,000	TWCA Risk Management Fund	7/1/2011
Workers' Compensation	Statutory	TWCA Risk Management Fund	7/1/2011



# **SAN JACINTO RIVER AUTHORITY**

## **PRINCIPAL OFFICIALS**

**August 31, 2010**

### **Directors**

R. Gary Montgomery, President  
P.O. Box 329  
Conroe, Texas 77305-0329

Joseph V. Turner, Vice President  
P.O. Box 329  
Conroe, Texas 77305-0329

Lloyd B. Tisdale, Secretary  
P.O. Box 329  
Conroe, Texas 77305-0329

Mary L. Rummell, Treasurer  
P.O. Box 329  
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John H. Stibbs, Member  
P.O. Box 329  
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Joseph L. Stunja, Member  
P.O. Box 329  
Conroe, Texas 77305-0329

David C. Kleimann, Member  
P.O. Box 329  
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### **Staff**

Reed Eichelberger, General Manager  
P.O. Box 329  
Conroe, Texas 77305-0329

Michael Jackson, Controller  
P.O. Box 329  
Conroe, Texas 77305-0329

Ron Kelling, Deputy General Manager, Operations  
P.O. Box 329  
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Jace Houston, Deputy General Manager, Administration  
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### **Consultants**

General Counsel  
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Financial Advisor  
Jan Bartholomew  
RBC Capital Markets  
1001 Fannin, Suite 400  
Houston, Texas 77002

# 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>
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<b>Financial Trends</b>	58-61
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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>	62-64
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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>	65-67
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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>	68-71
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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>	72-75
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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 ASSETS BY COMPONENT

### Last Eight Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Business-type activities			
Invested in capital assets-net of related debt	\$ 65,310,123	\$ 48,547,804	\$ 50,362,973
Restricted	4,019,668	19,894,387	31,273,497
Unrestricted	15,112,280	14,332,693	15,446,458
Total business-type activities net assets	<u>\$ 84,442,071</u>	<u>\$ 82,774,884</u>	<u>\$ 97,082,928</u>
Primary government			
Invested in capital assets-net of related debt	\$ 65,310,123	\$ 48,547,804	\$ 50,362,973
Restricted	4,019,668	19,894,387	31,273,497
Unrestricted	15,112,280	14,332,693	15,446,458
Total primary government net assets	<u>\$ 84,442,071</u>	<u>\$ 82,774,884</u>	<u>\$ 97,082,928</u>

Notes: The requirement for statistical data is ten years; only eight years are available at this time.  
The Authority does not currently have any governmental activities.

**Fiscal Year**

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$ 60,374,586	\$ 65,772,745	\$ 65,030,432	\$ 71,921,272	\$ 39,210,018
22,324,988	18,254,369	34,936,170	28,654,942	65,464,657
17,451,681	16,039,280	18,156,477	23,616,921	21,068,435
<u>\$ 100,151,255</u>	<u>\$ 100,066,394</u>	<u>\$ 118,123,079</u>	<u>\$ 124,193,135</u>	<u>\$ 125,743,110</u>
\$ 60,374,586	\$ 65,772,745	\$ 65,030,432	\$ 71,921,272	\$ 39,210,018
22,324,988	18,254,369	34,936,170	28,654,942	65,464,657
17,451,681	16,039,280	18,156,477	23,616,921	21,068,435
<u>\$ 100,151,255</u>	<u>\$ 100,066,394</u>	<u>\$ 118,123,079</u>	<u>\$ 124,193,135</u>	<u>\$ 125,743,110</u>

# SAN JACINTO RIVER AUTHORITY

## CHANGES IN NET ASSETS

### Last Eight Fiscal Years

	2003	2004	2005
<b>Expenses</b>			
Business-type activities:			
Salaries and wages	\$ 2,280,689	\$ 2,276,993	\$ 2,365,528
Employee insurance and other payroll benefits	1,039,212	1,056,883	1,166,323
Outside services employed	1,322,733	1,438,566	1,410,829
Operating supplies and expenses	2,489,217	2,923,444	3,355,259
Rentals	24,074	42,515	18,895
Maintenance, repairs and parts	2,223,585	2,069,226	1,867,411
Water planning study expenses	340,232	419,037	505,656
General and administrative expenses	717,041	712,106	677,448
Depreciation	3,691,444	3,971,573	4,241,197
Total business-type activities expenses	<u>14,128,227</u>	<u>14,910,343</u>	<u>15,608,546</u>
Total primary government expenses	<u>\$ 14,128,227</u>	<u>\$ 14,910,343</u>	<u>\$ 15,608,546</u>
<b>Program Revenues:</b>			
Business-type activities			
Water sales:			
Industrial	\$ 3,950,633	\$ 3,997,431	\$ 4,061,681
Irrigation	13,200	14,800	18,249
Water and sewer service fees	8,524,518	7,880,999	9,574,736
Permits, licenses, and fees	169,136	252,942	140,832
Capacity charges	4,011,418	4,252,382	4,171,424
Water planning study	340,232	420,802	505,656
Total business-type activities revenues	<u>17,009,137</u>	<u>16,819,356</u>	<u>18,472,578</u>
Total primary government revenues	<u>\$ 17,009,137</u>	<u>\$ 16,819,356</u>	<u>\$ 18,472,578</u>
<b>Net (Expenses) Revenue</b>			
Business-type activities			
Interest income	\$ 638,911	\$ 367,633	\$ 924,941
Gain (Loss) on disposal of capital assets	(434,576)	(109,568)	6,500
Oil and gas royalty income	67,231	52,551	57,689
Other revenues	5,502	4,699	3,584
FEMA Grant			
Other expenses			
Amortization of debt issuance costs	(106,704)	(486,268)	(736,681)
Interest expense on bonds	(4,298,316)	(3,990,520)	(3,445,937)
Total business-type activities	<u>(4,127,952)</u>	<u>(4,161,473)</u>	<u>(3,189,904)</u>
Total primary government	<u>\$ (4,127,952)</u>	<u>\$ (4,161,473)</u>	<u>\$ (3,189,904)</u>
<b>General Revenues and Other Change in Net Assets</b>			
Business-type activities:			
Capital Contributions	\$ 1,403,036	\$ 585,273	\$ 14,633,916
Total business-type activities	<u>1,403,036</u>	<u>585,273</u>	<u>14,633,916</u>
Total primary government	<u>\$ 1,403,036</u>	<u>\$ 585,273</u>	<u>\$ 14,633,916</u>
<b>Change in Net Assets</b>			
Business-type activities	<u>155,994</u>	<u>(1,667,187)</u>	<u>14,308,044</u>
Total primary government	<u>\$ 155,994</u>	<u>\$ (1,667,187)</u>	<u>\$ 14,308,044</u>

Note: The requirement for statistical data is ten years; only eight years are available at this time.  
The Authority does not currently have any governmental activities.

**Fiscal Year**

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$ 2,537,539	\$ 2,974,694	\$ 3,609,239	\$ 4,213,962	\$ 4,610,165
1,352,771	1,777,904	1,802,280	2,057,484	2,316,454
1,318,626	1,981,899	2,785,842	3,279,261	2,718,636
4,238,291	3,871,080	4,717,992	4,499,020	5,437,305
18,677	32,509	48,714	111,362	147,150
2,966,070	2,495,369	3,456,995	4,174,346	2,446,618
389,211	75,104	125,700	356,123	1,026,692
643,248	830,749	949,078	1,370,683	1,971,681
4,501,769	4,619,949	5,747,453	5,219,499	5,823,940
<u>17,966,202</u>	<u>18,659,257</u>	<u>23,243,293</u>	<u>25,281,740</u>	<u>26,498,641</u>
<u>\$ 17,966,202</u>	<u>\$ 18,659,257</u>	<u>\$ 23,243,293</u>	<u>\$ 25,281,740</u>	<u>\$ 26,498,641</u>
\$ 3,973,539	\$ 6,020,521	\$ 7,660,698	\$ 8,264,471	\$ 8,862,294
25,752	28,147	40,013	58,291	76,369
11,488,378	8,558,969	13,514,338	16,270,637	15,253,398
157,742	791,295	858,733	682,043	578,560
4,202,855	4,212,228	5,149,975	5,522,353	5,205,756
389,211	82,726	575,909	464,449	1,088,622
<u>20,237,477</u>	<u>19,693,886</u>	<u>27,799,666</u>	<u>31,262,244</u>	<u>31,064,999</u>
<u>\$ 20,237,477</u>	<u>\$ 19,693,886</u>	<u>\$ 27,799,666</u>	<u>\$ 31,262,244</u>	<u>\$ 31,064,999</u>
\$ 1,666,911	\$ 1,874,487	\$ 1,549,570	\$ 482,664	\$ 229,489
10,826	7,716	11,706	22,746	161,336
82,420	35,714	51,268	32,820	12,635
57,313	43,313	185,648	74,016	1,932
1,262,964	408,965		1,910,083	
		(17,800)		
(663,089)	(631,922)	(641,709)	(646,329)	(683,725)
<u>(3,445,006)</u>	<u>(3,344,542)</u>	<u>(3,814,792)</u>	<u>(3,875,334)</u>	<u>(3,527,175)</u>
<u>(1,027,661)</u>	<u>(1,606,269)</u>	<u>(2,676,109)</u>	<u>(1,999,334)</u>	<u>(3,805,508)</u>
<u>\$ (1,027,661)</u>	<u>\$ (1,606,269)</u>	<u>\$ (2,676,109)</u>	<u>\$ (1,999,334)</u>	<u>\$ (3,805,508)</u>
\$ 1,824,713	\$ 486,779	\$ 16,176,421	\$ 2,088,886	\$ 789,125
<u>1,824,713</u>	<u>486,779</u>	<u>16,176,421</u>	<u>2,088,886</u>	<u>789,125</u>
<u>\$ 1,824,713</u>	<u>\$ 486,779</u>	<u>\$ 16,176,421</u>	<u>\$ 2,088,886</u>	<u>\$ 789,125</u>
<u>3,068,327</u>	<u>(84,861)</u>	<u>18,056,685</u>	<u>6,070,056</u>	<u>1,549,975</u>
<u>\$ 3,068,327</u>	<u>\$ (84,861)</u>	<u>\$ 18,056,685</u>	<u>\$ 6,070,056</u>	<u>\$ 1,549,975</u>

**SAN JACINTO RIVER AUTHORITY**  
**WATER AND SEWER SERVICE FEES BY SOURCE**

**Last Eight Fiscal Years**

<u>Fiscal Year</u>	<u>Water and Sewer Fees</u>			<u>Total Water Direct Rate</u>	<u>Total WasteWater Direct Rate (1)</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>		
<b>2003</b>	\$ 3,485,909	\$ 5,038,609	\$ 8,524,518	\$ 0.76	\$ 1.25
<b>2004</b>	3,219,745	4,661,254	7,880,999	0.76	1.25
<b>2005</b>	3,932,639	5,642,097	9,574,736	0.76	1.25
<b>2006</b>	4,746,910	6,741,468	11,488,378	0.76	1.25
<b>2007</b>	3,665,615	4,893,355	8,558,969	0.85	1.32
<b>2008</b>	5,945,121	7,569,217	13,514,338	1.01	1.50
<b>2009</b>	7,798,389	8,472,248	16,270,637	1.21	1.57
<b>2010</b>	7,068,137	7,497,114	14,565,251	1.26	1.63

(1) Direct Rate based on per thousand gallons

Note: The requirement for statistical data is ten years; only eight years are available at this time.

**SAN JACINTO RIVER AUTHORITY**  
**PRINCIPAL WATER AND SEWER FEES PAYERS**

**August 31, 2010**

<u>Customer</u>	<u>2010</u>			<u>2004</u>		
	<u>Revenue Base Attributable</u>	<u>Rank</u>	<u>% Base of The total Revenue Base</u>	<u>Revenue Base Attributable</u>	<u>Rank</u>	<u>% Base of The total Revenue Base</u>
MUD 6	\$ 707,593	8	5%	\$ 573,356	8	7%
MUD 7	1,107,538	5	8%	916,643	4	10%
MUD 36	602,287	9	4%	524,871	9	6%
MUD 39	524,198	10	4%	275,116	10	3%
MUD 40	911,953	7	6%	739,882	7	8%
MUD 46	3,411,559	1	24%	922,735	3	10%
MUD 47	2,832,282	2	20%	2,119,350	1	24%
MUD 60	1,774,663	3	12%	1,113,070	2	13%
MUD 67	1,178,902	4	8%	819,927	5	9%
Metro MUD	1,235,891	6	9%	786,167	6	9%

Note: The requirement for statistical data is ten years; only seven years are available at this time.



# SAN JACINTO RIVER AUTHORITY

## LIST OF PRINCIPAL CUSTOMERS

August 31, 2010

### Highlands Division

ExxonMobil  
Chevron Chemical Company  
Amoco Chemical Corporation  
Entergy  
Grassland Operating Co  
Murff Turf Farms  
Venon Walton  
Ineos USA LLC  
Occidental Chemical Corp  
Newport Municipal Utility District  
LCY Elastomers, LP

### Woodlands Division

Municipal Utility District 2  
Municipal Utility District 6  
Municipal Utility District 7  
Municipal Utility District 36  
Municipal Utility District 39  
Municipal Utility District 40  
Municipal Utility District 46  
Municipal Utility District 47  
Municipal Utility District 60  
Municipal Utility District 67  
Municipal Utility District 386  
Metro Municipal Utility District

### Lake Conroe Division

Brentwater Yacht & Country  
Walden

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 Eight Fiscal Years

Fiscal Year	Business-Type Activities		Total Primary Government	Debt as a Percentage of Water and Service Revenues (2)	Debt per population (3)
	Water Revenue Bonds	Special Project Revenue Bond			
(1) 2003	\$	\$			
2004	1,570,325	4,238,994	5,809,319	73.71%	\$ 13
2005	1,630,469	3,921,016	5,551,485	57.98%	12
2006	1,790,481	3,939,895	5,730,376	49.88%	12
2007	1,774,456	4,167,541	5,941,997	69.42%	10
2008	1,781,351	4,176,712	5,958,063	44.09%	17
2009	1,781,242	5,521,380	7,302,622	44.88%	16
2010	1,784,101	5,462,120	7,246,221	49.75%	15

(1) Information not available change reporting due to GASB 34.

(2) Water and service revenues found on Principal Revenue by Source.

(3) Based on estimated population that is served by water and wastewater services. Population includes all of Montgomery County.

Note: The requirement for statistical data is ten years; only eight years are available at this time.

# SAN JACINTO RIVER AUTHORITY

## PLEDGE - REVENUE COVERAGE

### Last Seven Fiscal Years

Fiscal Year	Water Revenue Bonds						Cover Ratio
	Revenue	Less Operating Expenses	Net Available for Debt Service	Debt Service			
				Principal	Interest		
2004	\$ 4,685,975	\$ 2,169,820	\$ 2,516,155	\$ 455,000	\$ 1,115,325	1.60	
2005	4,726,418	2,202,848	2,523,570	480,000	1,134,457	1.56	
2006	4,546,244	3,642,025	904,219	510,000	1,105,475	0.56	
2007	6,922,689	3,803,567	3,119,122	700,000	1,074,456	1.76	
2008	9,135,353	5,163,482	3,971,871	740,000	1,041,351	2.23	
2009	9,469,254	7,126,546	2,342,708	775,000	1,006,243	1.32	
2010	10,595,845	5,585,308	5,010,537	815,000	969,101	2.81	

Note: The requirement for statistical data is ten years; only seven years are available at this time.

<b>Special Revenue Bonds</b>						
<b>Revenue</b>	<b>Less Operating Expenses</b>	<b>Net Available for Debt Service</b>	<b>Debt Service</b>		<b>Cover Ratio</b>	
			<b>Principal</b>	<b>Interest</b>		
\$ 4,252,382	\$ 4,882	\$ 4,247,500	\$ 1,375,000	\$ 2,863,994	1.00	
4,171,424	31,751	4,139,673	1,440,000	2,795,138	0.98	
4,202,855	13,697	4,189,158	1,565,000	2,374,895	1.06	
4,212,228	5,738	4,206,490	1,860,000	2,307,542	1.01	
5,149,975	8,468	5,141,507	1,940,000	2,236,712	1.23	
5,522,353	3,725	5,518,628	2,350,000	3,171,379	1.00	
5,205,756	19,638	5,186,118	2,655,000	2,807,120	0.95	

# SAN JACINTO RIVER AUTHORITY

## DISTRICT DEMOGRAPHICS

The SJRA's boundaries include the entire watershed of the San Jacinto River and its tributaries excluding Harris County, Texas. It stretches from Montgomery County through the eastern part of Harris County. The SJRS's service area includes ten counties and more than 30 cities and communities. This geographic diversity in turn provides economic diversity with a great combination of agriculture, oil and gas, high tech and industry.

The SJRA provides a variety of services to municipal utility districts, industries and individuals within this ten-county district. 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 ten counties.

<b><u>County/City</u></b>	<b><u>Population</u></b>
Barrett	2,872
Baytown	66,430
Crosby	7,072
Grimes	23,552
Highlands	7,089
Liberty	75,141
Montgomery	358,964
San Jacinto	24,801
Waller	34,821
Walker	62,735

*Source US Census Bureau, Census 2000*

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

<b><u>County/City</u></b>	<b><u>Educational Attainment</u></b>	
	<b><u>High School</u></b>	<b><u>College</u></b>
Barrett	69%	7%
Baytown	72%	14%
Crosby	62%	11%
Grimes	67%	10%
Highlands	77%	7%
Liberty	71%	9%
Montgomery	85%	28%
San Jacinto	73%	10%
Waller	74%	17%
Walker	73%	18%

*Source US Census Bureau, Census 2000*

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

<b><u>County/City</u></b>	<b><u>Median Age</u></b>
Barrett	34
Baytown	31
Crosby	34
Grimes	38
Highlands	36
Liberty	34
Montgomery	31
San Jacinto	40
Waller	30
Walker	31

*Source US Census Bureau, Census 2000*

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

<b><u>County/City</u></b>	<b><u>Per Capita Income (\$)</u></b>
Barrett	31,343
Baytown	40,559
Crosby	25,769
Grimes	14,368
Highlands	41,288
Liberty	16,564
Montgomery	50,864
San Jacinto	16,144
Waller	16,338
Walker	62,735

*Source US Census Bureau, Census 2000*

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

<b><u>County/City</u></b>	<b><u>Unemployment Rate</u></b>
Barrett	8.3%
Baytown	7.9%
Crosby	6.3%
Grimes	6.2%
Highlands	6.4%
Liberty	9.0%
Montgomery	5.1%
San Jacinto	6.6%
Waller	6.4%
Walker	5.7%

*Source US Census Bureau, Census 2000*

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

# SAN JACINTO RIVER AUTHORITY

## NUMBER OF EMPLOYEES BY DIVISION

### Last Ten Fiscal Years

<u>Division</u>	<u>Number of Full-Time</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Highlands	8	9	7	7	6
Lake Conroe	6	6	7	7	7
Woodlands	41	40	37	35	37
General & Administration	6	7	8	8	8
Groundwater Reduction Plan					
Total	61	62	59	57	58

Note: Full-time employees

**Positions  
Equivalent**

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
7	6	6	6	6
7	8	9	9	11
38	40	43	44	45
9	11	13	17	27
				1
61	65	71	76	90



# SAN JACINTO RIVER AUTHORITY

## OPERATING STATISTICS

### Last Ten Calendar Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b><u>Administration and Highlands Division</u></b>					
Water Delivered (Per Thousand Gallons)	30,961,792	33,921,089	27,735,785	24,874,814	29,486,257
Water Permits	3	3	3	4	5
<b><u>The Woodlands Division</u></b>					
Water Average Pumpage (Per Thousand Gallons)	4,535,007	4,948,191	5,075,982	4,663,533	5,578,435
Wastewater Average Daily Flow (Per Thousand Gallons per Day)	6,304	6,630	6,689	6,852	7,107
Water Permits	1	1	1	1	1
Wastewater Permits	3	3	3	3	3
Storm Water Permits			2	2	2

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
22,379,447	24,192,482	24,583,503	23,474,958	22,956,529
5	5	5	7	7
6,238,117	5,083,736	6,333,984	6,832,883	5,789,840
7,253	7,682	7,624	7,756	7,643
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 Eight Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Administration and Highlands Division</b>				
Water permits and rights	\$ 8,109,069	\$ 316,439	\$ 79,824	\$ 85,669
Construction in progress	449,473			87,918
Furniture, fixtures & equip		7,843		23,805
Other machinery & equip	22,290	80,067	11,515	11,369
Automobiles and trucks	25,926		51,519	93,107
Buildings		39,279	25,822	
Water systems		586,269		
<b>Lake Conroe Division</b>				
Construction in progress	28,130	208,903	29,146	
Furniture, fixtures & equip				2,785
Other machinery & equip		7,330		2,388
Automobiles and trucks	19,683	8,285	8,100	6,457
Buildings				
Dams and appurtenances	15,901	21,497	270,070	2,199
<b>The Woodlands Division</b>				
Land	34,520	265,004	43,085	5,000
Construction in progress	6,428,763	5,204,917	1,294,339	3,097,327
Furniture, fixtures & equip		25,136	10,065	24,797
Other machinery & equip	5,979		16,549	8,850
Automobiles and trucks	53,128	79,389	19,115	118,370
Buildings	622,320	388,186	755,422	5,000
Dams and appurtenances				36,384
Water systems	1,608,171	672,843	3,363,979	1,381,511
Wastewater utility systems	2,836,980	21,098	10,369,113	8,248,477
Capital Improvement Plans		49,505		
<b>Groundwater Reduction Plan Division</b>				
Land				
Construction in Progress				
Furniture, fixtures and equipment				
<b>Total Capital Assets</b>	<u>\$ 20,260,333</u>	<u>\$ 7,981,990</u>	<u>\$ 16,347,663</u>	<u>\$ 13,241,413</u>

Note: SJRA restated capital assets information when GASB Statement 34 was implemented in fiscal year 2003.

Note: The requirement for statistical data is ten years; only eight years are available at this time.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 35,235	\$ 50,330	\$ 42,536	\$ 4,737
879,998	35,412	1,240,832	5,303,395
		59,880	3,761
46,316	5,034	162,469	128,081
52,373	49,568	35,845	55,566
22,535	11,971		3,025
913,252		395,987	716,658
11,966	15,397	69,895	74,266
4,470		3,851	1,254
11,133	17,447	18,446	55,156
	8,741		8,459
2,320		23,933	6,936
2,613		17,676	7,528
29,840		42,394	25,364
6,626,492	16,958,077	7,348,205	5,670,466
	7,313	88,005	81,356
36,657	12,043	46,909	20,822
42,131	129,846	287,450	313,628
			13,293
3,457,408	787,524	21,084,196	2,665,510
446,691	8,586,424	613,969	2,716,115
			1,139,941
			2,265,204
			15,000
<u>\$ 12,621,430</u>	<u>\$ 26,675,127</u>	<u>\$ 31,582,478</u>	<u>\$ 21,295,521</u>