

Application Plan, design, acquire, construct and equip a new groundwater supply project, known generally as the "Gonzales Carrizo Water Supply Project," which primarily consists of the acquisition of groundwater leases for the Carrizo Aquifer water in Gonzales and Caldwell counties, and the construction and equipping of facilities to pump, treat, and convey groundwater in and from Gonzales and Caldwell counties, including but not limited to water treatment plant(s) and associated facilities, and facilities to convey treated water through and to Gonzales, Guadalupe, Caldwell, Hays, and Comal counties, as well as storage and blending facilities, and other facilities necessary or desirable for the supply of treated water to GBRA customers.

**Legal Authority** 

Document - LegalAuthority

**General Information** 

Description

Officers/Members

**Primary Contact** 

Applicant's Contributors

Document - Contract\_0

Document - Contract 1

Document - Contract\_2

A6 & A7

Funding Program(s)

Other Funding Sources

Funding & Project Type

Contractors & Loan/Grant Participation Summary

**Legal Information** 

Document - GoverningBodyResolution

Document - ApplicationAffidavit

Document - CertificateOfSecretary

Bonds, CCN, Enforcement Action

Municipality

**Board Approved WCP** 

**Document - WCPAdditional** 

Document - WCPAdditional

**Retail Water Services** 

**Potable Water Services** 

**Provide Wastewater Services** 

Provide Regional or Wholesale Water Services

Top Ten Customers of Water System

Number of Customers in Past 5 Years

Debt

**Taxing Authority** 

Top Ten Taxpayers

Tax Rate and Sales Tax

Document - OtherC20

Document - ComparativeSystemOperatingStatement

Document - AnnualAudit

Document - AnnualAuditContinued2

Document - AnnualAuditContinued3

Document - AnnualAuditContinued4

Document - AnnualAuditContinued5

Document - ManagementLetter

Document - InterimFinancialInformation

**Outstanding Debt** 

Document - RevenueDebt

Applicant's Ten Largest Employers

**Bond Ratings** 

Receive Water or Sewer

Document - ServiceRelationship

**Project Description** 

Water Made Available

**SWIFT** 

Document - ScheduleClosingDates

Document - ProposedBondOrdinance

Document - PrivatePlacementMemorandum

**Project Location** 

Document - ProjectServiceArea

**Project Schedule** 

Document - ProjectedWaterUse

**Cost Estimates** 

Document - TWDB-1201

Document - WRD-253d

**Property Rights** 

Document - WRD208A

Document - WRD208B

Permits & Easements

**Environmental Determination** 

CE/DNE

Adverse Environmental/Social Impacts

Associated PIF(s)

Additional Attachments

Document - Additional\_Attachments

Document - Additional\_Attachments

Document - Additional\_Attachments

Document - Additional Attachments

Associated PIF PDF

Document - PIF #984252

# **Legal Authority**

The legal authority under which the applicant was created and operates.: OTHER Legal Authority Other Desc: Article 16, Section 59, of the Texas Constitution, and Chapter 75, Acts of the 43rd Legislature, First Called Session, 1933, as amended

#### GUADALUPE-BLANCO RIVER AUTHORITY

ARTICLE 8280-106. Vernon's Civil Statutes, Texas
Acts 1933, 43rd Legislature, First Called Session, Page 198,
Chapter 75, as amended by Acts 1935, 44th Legislature
First Called Session, Page 1615, Chapter 410, as amended by
Acts 1969, 61st Legislature, Regular Session, Page 1465, Chapter 432
and as amended by Acts 1975, 64th Legislature, Page 1149, Chapter 433

Section 1. There is hereby created within the State of Texas, in addition to the Districts into which the State has heretofore been divided, a Conservation and Reclamation District to be known as "Guadalupe-Blanco River Authority" (hereinafter called the District) and consisting of that part of the State of Texas which is included within the boundaries of the Counties of Hays, Comal, Guadalupe, Caldwell, Gonzales, DeWitt, Victoria, Kendall, Refugio, and Calhoun. Such District shall be and is hereby declared to be a governmental agency and body politic and corporate, with such powers of government and with the authority to exercise such rights, privileges, and functions as may be hereinafter specified, and the creation of such District is hereby determined to be essential to the accomplishment of the purposes of Section 59 of Article 16 of the Constitution of the State of Texas, including (to the extent hereinafter authorized) the control, storing, preservation and distribution of storm and flood waters, the waters of rivers and streams, including the Guadalupe and Blanco Rivers and their tributaries for irrigation, power, and all other useful purposes, the reclamation and irrigation of arid, semiarid and other lands needing irrigation, the reclamation and drainage of overflowed lands, and other lands needing drainage (but not to reclaim or drain coastal wetlands or inland marshes), the conservation and development of the forests, water and hydro-electric power of the State of Texas and the navigation of inland waters, and the preservation and conservation of all such natural resources of the State are hereby declared public rights and duties of the District.

Nothing in this Act or in any other Act or law contained, however, shall be construed as authorizing the District to levy or collect taxes or assessments, or to create any indebtedness payable out of taxes or assessments, or in any way to pledge the credit of the State.

Section 2. Except as expressly limited by this Act, the District shall have and is hereby authorized to exercise all powers, rights, privileges, and functions conferred by General Law, now in force or hereafter enacted, upon any District or Districts created pursuant to Section 59 of Article 16, of the Constitution of the State of Texas (excluding underground water conservation districts), and the same are adopted by reference. Without limitation of the generality of the foregoing, the District shall have and is hereby authorized to

exercise the following powers, rights, privileges, and functions;

- (a) to control, store and preserve, within or adjoining the boundaries of the District, the waters of any rivers and streams, including the waters of the Guadalupe and Blanco Rivers and their tributaries, for all useful purposes, and to use, distribute and sell the same, within the boundaries of the District, for any such purposes;
- (b) to conserve, preserve and develop underground waters within the boundaries of the District (subject to any applicable regulation by the State or any political subdivision) for all useful purposes, and to use, distribute and sell the same, within the boundaries of the District for any such purposes;
- (c) to acquire water, water supply facilities and conservation storage capacity within or without the District from any person, including the State or any of its agencies and subdivisions and the United States of America and any of its agencies and subdivisions;
- (d) to use, distribute and sell, without the boundaries of the District, any waters which may be controlled, stored, preserved, conserved, developed or acquired by the District, if the Board hereinafter referred to determines that adequate provision can be made to continue to serve the water requirements within the boundaries of the District, provided the District shall not enter into any agreement which contemplates or results in the removal from the watershed of the Guadalupe and Blanco Rivers and their tributaries of any surface water of the District necessary to supply the reasonably foreseeable future water requirements for municipal uses during the next ensuing fifty-year period within such watershed, except on a temporary, interim basis;
- (e) to develop and generate water power and electric energy within the boundaries of the District and to distribute and sell water power and electric energy, within or without the boundaries of the District;
- (f) to prevent or aid in the prevention of damage to person or property from the waters of the Guadalupe and Blanco Rivers and their tributaries;
- (g) to forest and reforest and to aid in the foresting and reforesting of the watershed area of the Guadalupe and Blanco Rivers and their tributaries and to prevent and to aid in the prevention of soil erosion and floods within said watershed area;
- (h) to develop the navigation of inland waters within the boundaries of the District and any facilities in aid thereof;

- (i) to develop the reclamation and drainage of overflowed lands and other lands needing drainage within the boundaries of the District and any facilities in aid thereof (but not to reclaim or drain coastal wetlands or inland marshes);
- (j) to develop the collection, transportation, treatment, disposal and handling of any waste as such term may be defined by General Law and any facilities in aid thereof (but only with the consent of a city if sanitary sewer facilities for the collection, treatment and disposal of sewage are to be constructed or acquired within its corporate limits);
- (k) to conserve and develop waters and lands for recreation purposes and any facilities in aid thereof;
- (l) to acquire by purchase, lease, gift or in any other manner (otherwise than by condemnation) and to maintain, use and operate any and all property of any kind, real, personal, or mixed, or any interest therein, within or without the boundaries of the District, necessary or convenient to the exercise of the powers, rights, privileges and functions conferred upon it by this Act;
- (m) to acquire by condemnation any and all property of any kind, real, personal or mixed, or any interest therein, within or without the boundaries of the District (other than such property or any interest therein without the boundaries of the District as may at the time be owned by any body politic) necessary or convenient to the exercise of the powers, rights, privileges, and functions conferred upon it by this Act, in the manner provided by General Law with respect to condemnation or, at the option of the District, in the manner provided by the Statutes relative to condemnation by Districts organized under General Law pursuant to Section 59, of Article 16, of the Constitution of the State of Texas;
- (n) subject to the provisions of this Act from time to time sell, lease, or otherwise dispose of any property of any kind, real, personal, or mixed, or any interest therein, which shall not be necessary to the carrying on of the business of the District or the sale, lease, or disposition of which, in the judgment of the Board hereinafter referred to, is necessary or convenient to the exercise of the powers, rights, privileges and functions conferred upon the District by this Act or by General Law;
- (o) to overflow and inundate any public lands and public property and to require the relocation of roads, pipelines, transmission lines, railroads, cemeteries and highways in the manner and to the extent permitted to Districts organized under General Law pursuant to Section 59, of Article 16, of the Con-

stitution of the State of Texas; provided that if the District requires the relocation, raising, lowering, rerouting, or change in grade or alteration in the construction of any railroad, transmission lines, conduits, poles, properties, or facilities, or pipelines in the exercise of the power of eminent domain or any other power, all of the relocation, raising, lowering, rerouting or changes in grade or alteration of construction shall be the sole expense of the District. The term "sole expense" means the actual cost of relocation, raising, lowering, rerouting, or change in grade or alteration of construction to provide comparable replacement without enhancement of facilities, after deducting the net salvage value derived from the old facility;

- (p) to construct, extend, improve, maintain, and reconstruct, to cause to be constructed, extended, improved, maintained, and reconstructed, and to use and operate, any and all facilities of any kind necessary or convenient to the exercise of such powers, rights, privileges and functions;
  - (q) to sue and to be sued in its corporate name;
  - (r) to adopt, use and alter a corporate seal;
  - (s) to invest and re-invest its funds;
  - (t) to make by-laws for the management and regulation of its affairs;
- (u) to appoint officers, agents, and employees, to prescribe their duties and to fix their compensation;
- (v) to make contracts and to execute instruments necessary or convenient to the exercise of the powers, rights, privileges, and functions conferred upon it by this Act or General Law for such term and with such provisions as the Board hereinafter referred to may determine to be in the best interests of the District, including, without in any way limiting the generality of the foregoing, contracts with persons, including the State of Texas, the United States of America and any corporation or agency thereof and districts, cities, towns, persons, organizations, associations, firms, corporations, entities or others, as such Board may deem necessary or proper for, or in connection with, any corporate purpose to provide for the construction, acquisition, ownership, financing, operation, maintenance, sale, leasing to or from, or other use or disposition of any facilities authorized to be developed, preserved, conserved, acquired, or constructed under this Act or General Law, including any improvements, structures, facilities, equipment

and all other property of any kind in connection therewith and any lands, leaseholds, easements and any interests in any of the foregoing;

- (w) to authorize and allow any of such persons, including the State of Texas, the United States of America and any corporation or agency thereof and districts, agencies, cities, towns, persons, organizations, associations, firms, corporations, entities, or others to participate with the District in the joint construction, acquisition, ownership, financing, operation, and maintenance of all of such improvements, structures, facilities, equipment and any other property in connection therewith, and all such lands, leaseholds, easements and interests therein as the Board hereinafter referred to may determine is necessary or proper for, or in connection with, any corporate purpose, and to allow such persons to receive such portion of the revenues derived therefrom as such Board shall deem just, equitable and proper;
- to borrow money for its corporate purposes and, without limitation of the generality of the foregoing, to borrow money and accept grants from persons, including the State of Texas, the United States of America, or from any corporation or agency created or designated by the State of Texas or the United States of America, and, in connection with any such loan or grant, to enter into such agreements as the State of Texas or the United States of America or such corporations or agency may require; and to make and issue its negotiable bonds or notes for moneys borrowed, in the manner and to the extent provided in this Act, and to refund or refinance any outstanding bonds or notes and to make and issue its negotiable bonds or notes therefor in the manner and to the extent provided in this Act. Nothing in this Act shall authorize the issuance of any bonds, notes, or other evidences of indebtedness of the District, except as specifically provided in this Act, and no issuance of bonds, notes, or other evidences of indebtedness of the District shall ever be authorized except by this Act or General Law;
- (y) nothing herein shall be construed as conferring any water rights on the District, or as fixing any priority of rights, but said District shall obtain its water rights by application to and permit from the Texas Water Rights Commission as provided by General Statute; and nothing herein shall be construed as authorizing the District to make any regulation of the withdrawal of underground waters. To the extent the provisions of General Law which are adopted by reference in this Act may be in conflict with the express provisions of this Act, the provisions of this Act shall prevail unless the General Law is made cumulative. The rights, powers, privileges, authority, and functions granted to the District under this Act, and the District itself, are expressly subject to Chapters 5, 6, and 21, Water Code.

Section 3. The powers and duties herein developed upon the said District shall be subject to the continuing rights of supervision by the State, which shall be exercised through the State Board of Water Engineers, and in appropriate instances, by the State Reclamation Engineer, each of which agencies shall be charged with the authority and duty to approve, or to refuse to approve, the adequacy of any plan or plans for flood control or conservation improvement purposes devised by the District for the achievement of the plans and purposes intended in the creation of the District, and which plans contemplate improvements supervised by the respective State authorities under the provisions of the General Law.

Section 4. The powers, rights, privileges and functions of the District shall be exercised by a board of nine (9) directors (herein called the Board), which is a state board of a state agency as contemplated by Section 30a of Article XVI, Constitution of Texas. Each member of the Board shall be a freehold property taxpayer of the State of Texas and shall reside in one of the counties which is included within the boundaries of the District, but only one director shall be appointed from any county. The directors shall be appointed by the Governor from nominations furnished him by the Texas Water Rights Commission and the appointments confirmed by the Senate as in other cases of appointments by the Governor. Of the directors first appointed, three (3) shall hold office for a term expiring February 1, 1937, three (3) for a term expiring February 1, 1939, and three (3) for a term expiring February 1, 1941. Thereafter, directors shall hold office for a term of six (6) years. Each director shall hold office until the expiration of the term for which he was appointed and thereafter, until his successor shall have been appointed and qualified unless sooner removed as in this Act provided. Any director may be removed by the authority which appointed him for inefficiency, neglect of duty or misconductin office, after at least ten (10) days' written notice of the charge against him and an opportunity to be heard in person by counsel at public hearing. A vacancy resulting from the death, resignation or removal of any director shall be filled by the authority which appointed him for the unexpired term. Each director shall qualify by taking the official oath of office prescribed by General Statute.

- (a) Each director shall receive Twenty-five Dollars (\$25) per day, or such amount as may hereafter be prescribed by general law, for each day spent in attending meetings of the Board, and any other business of the District that the Board thinks necessary, plus actual traveling and other expenses.
- (b) Until the adoption of by-laws fixing the time and place of regular meetings and the manner in which special meetings may be called, meetings of the Board shall be held at such times and places as five (5) of the directors

may designate in writing. Five (5) directors shall constitute a quorum at any meeting and, except as otherwise provided, in this Act or in the by-laws, all action may be taken by the affirmative vote of a majority of the directors present at any such meeting, except that no contracts which involve any amount greater than Ten Thousand Dollars (\$10,000) or which is to run for a period longer than a year, and no bonds, notes or other evidence of indebtedness and no amendment of the by-laws shall be valid unless authorized or ratified by the affirmative vote of at least five (5) directors.

Section 5. The Board shall select a Secretary who shall keep true and complete records of all proceedings of the Board. Until the appointment of a Secretary, or in the event of his absence or inability to act, a secretary pro tem shall be selected by the Board. The Board shall also select a General Manager, who shall be the chief executive officer of the District, and a treasurer. All such officers shall have such powers and duties, shall hold office for such term and be subject to removal in such manner as may be provided in the by-laws. The Board shall fix the compensation of such officers. The Board may appoint such officers, agents and employees, fix their compensation and term of office and the method by which they may be removed, and delegate to them such of its power and duties as it may deem proper.

Section 6. The moneys of the District shall be disbursed only on checks, drafts, orders or other instruments signed by such persons as shall be authorized to sign the same by the by-laws or resolution concurred in by not less than five (5) directors. The General Manager, the Treasurer and all other officers, agents and employees of the District who shall be charged with the collection, custody or payment of any funds of the District shall give bond conditioned on the faithful performance of their duties and an accounting for all funds and property of the District coming into their respective hands, each of which bonds shall be in form and amount and with a surety (which shall be a surety company authorized to do business in the State of Texas), approved by the Board, and the premiums on such bonds shall be paid by the District and charged as an operating expense.

Section 7. The domicile of the District shall be in the City of New Braunfels, County of Comal, where the District shall maintain an office, in charge of its General Manager. The District shall cause to be kept complete and accurate accounts conforming to approved methods of bookkeeping. Said accounts and all contracts, documents and records of the District shall be kept at an official office of the District. Said accounts and contracts shall be open to public inspection at all reasonable times. The Board shall cause to be made and completed within ninety (90) days after the end of each calendar year, an audit of the books of account and financial records of the District for such calendar year, such audit to be made by the State

Auditor, an independent Certified Public Accountant or firm of Certified Public Accountants. Copies of a written report of such audit, certified to by said accountant or accountants, shall be placed and kept on file with the Texas Water Rights Commission, with the Treasurer of the State of Texas and at said official office, and shall be open to public inspection at all reasonable times.

Section 8. No director, officer, agent or employee of the District shall be directly or indirectly interested in any contract for the purchase of any property or construction of any work by or for the District, and if any such person shall be or become so interested in any such contract, he shall be guilty of a felony and on conviction thereof shall be subject to a fine in an amount not exceeding Ten Thousand Dollars (\$10,000) or to confinement in the County jail for not less than one (1) year nor more than ten (10) years, or both.

Section 9. The Board shall establish and collect rates and other charges for the sale or use of water, water connection, power, electric energy or all other services sold, furnished, or supplied by the District which fees and charges shall be reasonable and nondiscriminatory and sufficient to produce revenues adequate:

- (a) to pay all expenses necessary to the operation and maintenance and replacements and additions to the properties and facilities of the District;
- (b) to pay the interest on, the principal of and the premium, if any, on all bonds issued under this Act when and as the same shall become due and payable;
- (c) to pay all sinking fund and/or reserve fund payments agreed to be made in respect of any such bonds, and payable out of such revenues, when and as the same shall become due and payable;
- (d) to fulfill the terms of any agreements made with the holders of such bonds and/or with any person in their behalf; and
- (e) to discharge all other lawful obligations of the District as and when the same shall become due.
- (f) Of the revenues which may be received in excess of those required for the purposes specified in subparagraphs (a), (b), (c), and (e) above, the Board may in its discretion establish a reasonable depreciation and emergency fund, or retire (by purchase and cancellation or redemption) bonds issued under this Act, or apply the same to any corporate purpose.

- It is the intention of this Act that the rates and charges of the District shall not be in excess of what may be necessary to fulfill the obligations imposed upon it by this Act. Nothing herein shall be construed as depriving the State of Texas of its power to regulate and control fees and/or charges to be collected for the use of water, water connections, power, electric energy, or other service, provided that the State of Texas does hereby pledge to and agree with the purchasers and successive holders of the bonds issued hereunder that the State will not limit or alter the power hereby vested in the District to establish and collect such fees and charges as will produce revenues sufficient to pay the items specified in subparagraphs (a), (b), (c), (d), and (e) of this Section 9, or in any way to impair the rights or remedies of the holders of the bonds, or of any person in their behalf, until the bonds, together with the interest theron and any premium, withinterest on unpaidinstallments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of the bondholders and all other obligations of the District in connection with such bonds are fully met and discharged.
- (h) In the event the District enters into agreements to lease, sell or otherwise dispose of any property or facilities to any person, such person shall be subject to such regulations and control of fees and/or charges by the State of Texas as may be provided by agreement or General Law, but the Board shall fix payments under such leases or other contracts and agreements for the use or sale of any property in order that such payments, together with any other pledged revenues, will be sufficient to pay the interest on, the principal of and any premium on all bonds to which such payments are pledged when and as the same shall become due and payable; to pay all sinking fund and/or reserve fund payments agreed to be made in respect of any such bonds, and payable out of such payments, when and as the same shall become due and payable; and to fulfill the terms of any agreement made with the holders of such bonds and/or any person in their behalf and to discharge all other obligations of the District in connection with such bonds as and when the same shall become due.

Section 10. Any and every indebtedness, liability or obligation of the District, for the payment of money, however entered into or incurred, and whether arising from contract, implied contract or otherwise, shall be payable (1) out of the revenues received by the District in respect to its properties, subject to any prior lien thereon conferred by any resolution or resolutions theretofore adopted as in this Act provided, authorizing the issuance of bonds or (2), if the Board shall so determine, out of the proceeds of sale by the District of bonds payable solely from such revenues.

Section II. The District shall have power and is hereby authorized to

issue, from time to time, bonds or notes as herein authorized for any corporate purpose. Such bonds or notes (hereinafter called "bonds") may either be (1) sold for cash, at public or private sale, at such price or prices as the Board shall determine, provided that the interest cost of the money received therefor, computed to maturity, shall not exceed ten (10) percent per annum, or (2) may be issued on such terms as the Board shall determine in exchange for property of any kind, real, personal or mixed or any interest therein which the Board shall deem necessary or convenient for any such corporate purpose, or (3) may be issued in exchange for like prinicpal amounts of other obligations of the District, matured or unmatured. The proceeds of sale of such bonds shall be deposited in such bank or banks or trust company or trust companies, and shall be paid out pursuant to such terms and conditions, as may be agreed upon between the District and the purchasers of such bonds. All such bonds shall be authorized by resolution or resolutions of the Board concurred in by at least five (5) of the members thereof, and shall bear such date or dates, mature at such time or times, bear interest at such rate or rates which may be fixed, variable, floating or otherwise (not exceeding ten (10) per centum per annum), payable annually, semiannually or otherwise, be in such denominations, be is such form, either coupon or registered, carry such registration privileges as to principal only or as to both prinicpal and interest, and as to exchange of coupon bonds for registered bonds or vice versa, and exchange of bonds of one denomination for bonds of other denominations, be executed in such manner and be payable at such place or places within or without the State of Texas, as such resolution or resolutions may provide. Any resolution or resolutions authorizing any bonds may contain provisions, which shall be part of the contract between the District and the holders thereof from time to time.

- (a) Reserving the right to redeem such bonds or requiring the redemption of such bonds, at such time or times, in such amounts and at such prices, not exceeding one hundred and five per centum (105%) of the principal amount thereof, plus accrued interest, as may be provided;
- (b) Providing for the setting aside of sinking funds or reserve funds and the regulation and disposition thereof;
- (c) Pledging to secure the payment of the principal of and interest on such bonds and of the sinking fund or reserve fund payments agreed to be made in respect of such bonds all or any part of the gross or net revenues thereafter received by the District in respect of the property, real, personal or mixed, to be acquired and/or constructed with such bonds or the proceeds thereof, or all or any part of the gross or net revenues thereafter, received by the District from whatever source derived;

- (d) Prescribing the purposes to which such bonds or any bonds thereafter to be issued, or the proceeds thereof, may be applied;
- (e) Agreeing to fix and collect rates and charges sufficient to produce revenues adequate to pay the items specified in subdivisions (a), (b), (c), (d), and (e) of Section 9 hereof, and prescribing the use and disposition of all revenues:
- (f) Prescribing limitations upon the issuance of additional bonds and subordinate lien bonds and upon the agreements which may be made with the purchasers and successive holders thereof;
- (g) With regard to the construction, extension, improvement, reconstruction, operation, maintenance and repair of the properties of the District and carrying of insurance upon all or any part of said properties covering loss or damage or loss of use and occupancy resulting from specified risks;
- (h) Fixing the procedure, if any, by which, if the District shall so desire, the terms of any contract with the holders of such bonds may be amended or abrogated, the amount of bonds the holders of which must consent thereto, and the manner in which such consent may be given;
- (i) For the execution and delivery by the District to a bank or trust company authorized by law to accept trusts, or to the United States of America or any officer or agency thereof, or indentures and agreements for the benefit of the holders of such bonds setting forth any or all of the agreements herein authorized to be made with or for the benefit of the holders of such bonds and such other provisions as may be customary in such indentures or agreements; and
- (j) Such other provisions, not inconsistent with the provisions of this Act, as the Board may approve.
- (1) Any such resolution and any indenture or agreement entered into pursuant thereto may provide that in the event that:
- (a) default shall be made in the payment of the interest on any or all bonds when and as the same shall become due and payable, or;
- (b) default shall be made in the payment of the principal of any or all bonds when and as the same shall become due and payable, whether at the maturity thereof, by call for redemption or otherwise, or;
- (c) default shall be made in the performance of any agreement made with the purchasers or successive holders of any bonds;

- (2) And such default shall have continued such period, if any, as may be prescribed by said resolution in respect thereof, the trustee under the indenture or indentures entered into in respect of the bonds authorized thereby, or, if there shall be no such indenture, a trustee appointed in the manner provided in such resolution or resolutions by the holders of twenty-five per centum (25%) in aggregate principal amount of the bonds authorized thereby and at that time outstanding, and upon the written request of the holders of twenty-five per centum (25%) in aggregate principal amount of the bonds authorized by such resolution or resolutions at the time outstanding, shall, in his or its own name, but for the equal and proportionate benefit of the holders of all the such bonds; and with or without having possession thereof;
- (a) by mandamus or other suit, action or proceeding at-law or in equity, enforce all rights of the holders of such bonds;
- (b) bring suit upon such bonds and/or the appurtenant coupons;
- (c) by action or suit in equity, require the District to account as if it were the trustee of an express trust for the bondholders;
- (d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of such bonds, and/or;
- (e) after such notice to the District as such resolution may provide, declare the principal of all such bonds due and payable, and if all defaults shall have been made good, then with the written consent of the holders of twenty-five (25) per centum in aggregate principal amount of such bonds at the time outstanding, annul such declaration and its consequences; provided, however, that the holders of more than a majority in principal amount of the bonds authorized thereby and at the time outstanding shall be instrument or instruments in writing delivered to such trustee have the right to direct and control any and all action taken or to be taken by such trustee under this paragraph. Any such resolution, indenture or agreement may provide that in any such suit, action, or proceeding, any such trustee, whether or not all of such bonds shall have been declared due and payable, and with or without possession of any thereof, shall be entitled as of right to the appointment of a receiver who may enter and take possession of all or any part of the properties of the District, and operate and maintain the same, and fix, collect, and receive rates and charges sufficient to provide revenues adequate to pay the items set forth in subparagraphs (a), (b), (c), (d) and (e) of Section 9 hereof and the costs and disbursements of such suit, action or proceeding, and to apply such revenues in conformity with the provisions of this Act and the resolution or resolutions authorizing such bonds. In any

suit, action or proceeding by any such trustee, the reasonable fees, counsel fees and expenses of such trustee and of the receiver or receivers, if any, shall constitute taxable disbursements and all costs and disbursements allowed by the Court shall be a first charge upon any revenues pledged to secure the payment of such bonds. Subject to the provisions of the Constitution of the State of Texas, the courts of the County of Comal shall have jurisdiction of any suit, action or proceeding by any such trustee on behalf of the bondholders and of all property involved therein. In addition to the powers hereinabove specifically provided for, each such trustee shall have and possess all powers necessary or appropriated for the exercise of any thereof, or incident to the general representation of the bondholders in the enforcement of their rights.

- (3) Pending the issuance of definitive bonds, the District is authorized to make and issue interim bonds. The interim bonds so issued will be taken up with the proceeds of the definitive bonds, or the definitive bonds may be issued and delivered in exchange for and in substitution of such interim bonds. After any such exchange and substitution the District shall file proper certificates with the Comptroller of Public Accounts of the State of Texas as to such exchange, substitution and cancellation and such certificates shall be recorded by the Comptroller of Public Accounts in the same manner as the record of proceedings authorizing the issuance of the bonds. The District is also authorized to make and issue temporary bonds for the purpose of interim financing and to make agreements or other provision to refinance such temporary bonds with bonds to provide permanent financing at such time, in such manner and on such conditions as may be determined by the Board.
- (4) Before any bonds shall be sold by the District, a certified copy of the proceedings for the issuance thereof, including the form of such bonds, together with any other information which the Attorney General of the State of Texas may require, shall be submitted to the Attorney General, and if he shall find that such bonds have been issued in accordance with law, and if he shall approve such bonds, he shall execute a certificate to that effect which shall be filed in the office of the Comptroller of the State of Texas and be recorded in a record kept for that purpose. No bonds shall be issued until the same shall have been registered by the Comptroller, who shall so register the same if the Attorney General shall have filed with the Comptroller his certificate approving the bonds and the proceedings for the issuance thereof as hereinabove provided.
- (5) All bonds approved by the Attorney General as aforesaid, and registered by the Comptroller as aforesaid, and issued in accordance with the proceedings so approved shall be valid and binding obligations of the District and shall be incontestable for any cause from and after the time of such registration.

- (6) If any bonds recite that they are secured by a pledge of the proceeds of a contract, lease, sale or other agreement (herein called "contract"), a copy of such contract and the proceedings of the contracting parties will also be submitted to the Attorney General. If such bonds have been authorized and such contracts made in compliance with law, the Attorney General shall approve the bonds and contracts, and the bonds shall then be registered by the Comptroller of Public Accounts. When so approved, such bonds and the contracts shall be valid and binding and shall be incontestable for any cause from and after the time of such registration.
- (7) The District is authorized to make and issue bonds or notes (herein called "refunding bonds") for the purpose of refunding or refinancing any outstanding bonds or notes authorized and issued by the District pursuant to this Act or other law (herein called "bonds") and the interest and premium , if any, thereon to maturity or on any earlier redemption date specified in the resolution authorizing the issuance of the refunding bonds. Such refunding bonds may be issued to refund more than one series of outstanding bonds, may combine the pledges of the outstanding bonds for the security of the refunding bonds or may be secured by other or additional revenues. All provisions of this Act with reference to the issuance of bonds, the terms and provisions thereof, their approval by the Attorney General, and the remedies of the bondholders shall be applicable to refunding bonds. Refunding bonds shall be registered by the Comptroller upon surrender and cancellation of the bonds to be refunded, but in lieu thereof, the resolution authorizing the issuance of refunding bonds may provide that they shall be sold and the proceeds thereof deposited at the places at which the original bonds are payable, in which case the refunding bonds may be issued in an amount sufficient to pay the interest and premium, if any, on the original bonds to their maturity date or specified earlier redemption date, and the Comptroller will register them without concurrence, surrender and cancellation of the original bonds. The District may also refund any outstanding bonds in the manner provided by any applicable General Law.

Section 12. All bonds issued by the District pursuant to the provisions of this Act shall constitute investment securities within the meaning of the Uniform Commercial Code.

Section 13. The District may, but without intending by this provision to limit any powers of the District as granted to it by this Act, enter into and carry out such contracts, or establish or comply with such rules and regulations concerning labor and materials and other related matters in connection with any project or projects as the District may deem desirable or as may be requested by the State of Texas, the United States of America, or any corporation or agency created, designated or established thereby, which may assist in the financing of any such project or projects.

Section 14. The District shall have power out of any funds available therefor to purchase any bonds issued by it at a price not exceeding the redemption price applicable at the time of such purchase, or if such bonds shall not be redeemable, at a price not exceeding the principal amount thereof plus accrued interest. All bonds so purchased shall be cancelled and no bonds shall ever be issued in lieu thereof.

Section 15. The District shall not prevent free public use of its surplus lands for recreation purposes and for hunting and fishing except at such point where, in the opinion of the Directors, such use would interfere with the proper conduct of the business.

Section 16. All bonds and the interest thereon issued pursuant to the provisions of this Act shall be exempt from taxation (except inheritance taxes) by the State of Texas or by any municipal corporation, county or other political subdivision or taxing district of the State. All bonds of the District shall be and are hereby declared to be legal, eligible and authorized investments for banks, savings and loan associations, insurance companies, fiduciaries, trustees, guardians, and for the sinking funds of cities, towns, villages, counties, school districts, or other political corporations or subdivisions of the State of Texas. Such bonds shall be eligible to secure the deposit of any and all public funds of the State of Texas, cities, towns, villages, counties, school districts, or other political corporations or subdivisions of the State of Texas; and such bonds shall be lawful and sufficient security for said deposits to the extent of their face value, when accompanied by all unmatured coupons appurtenant thereto.

Section 17. This Act without reference to other Statutes of the State of Texas, shall constitute full authority for the authorization and issuance of bonds hereunder and no other Act or law with regard to the authorization or issuance of obligations or the deposit of the proceeds thereof, or in any way impeding or restricting the carrying out of the Acts herein authorized to be done shall be construed as applying to any proceedings taken hereunder or Acts done pursuant hereto.

Section 18. This Act and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein.

Section 19. There is hereby appropriated for the use of the District out of any funds in the State Treasury not heretofore otherwise appropriated the sum of Five Thousand Dollars (\$5,000) which may be withdrawn from time to time on warrant signed by the General Manager and Treasurer of the District. Provided however, that this money shall be repaid the State of Texas.

Section 20. If any provision of this Act or the application thereof to

any person or circumstance shall be held to be invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

Section 21. This Act shall not have the effect of repealing the Act passed by the Forty-third Legislature at its First Called Session, being Chapter 75 of said Acts, but the Guadalupe River Authority, a conservation and reclamation district created by virtue thereof, shall continue with all the powers, rights and duties conferred by said Act provided, however, that said Guadalupe River Authority may, by resolution of its board of directors, dissolve and merge with the district hereby created.

Section 22. This Act may be cited as the Guadalupe-Blanco River Authority Act. Acts 1933, 43rd Legislature, 1st C. S., p. 198, ch. 75; Acts 1935; 44th Legislature, 1st C. S., p. 1615, ch. 410; Acts 1969, 61st Legislature, Regular Session, p. 1465, ch. 432; Acts 1975, 64th Legislature, p. 1149, ch. 433.

### **General Information**

County: Kendall
County: Comal
County: Hays
County: Caldwell
County: Guadalupe
County: Gonzales
County: De Witt
County: Victoria
County: Calhoun
County: Refugio

Name of Entity: Guadalupe Blanco RA

System Contact Physical Address

Address 1: 933 E Court St

Address 2: City: Seguin State: TX

Zip: 78155-5819

Phone: (830) 379-5822 Fax: (830) 379-9718

Website: https://www.gbra.org/

System Contact Mailing Address

Address 1: 933 E Court St

Address 2: City: Seguin State: TX Zip: 78155

## **Description**

Brief description of the project: Plan, design, acquire, construct and equip a new groundwater supply project, known generally as the "Gonzales Carrizo Water Supply Project," which primarily consists of the acquisition of groundwater leases for the Carrizo Aquifer water in Gonzales and Caldwell counties, and the construction and equipping of facilities to pump, treat, and convey groundwater in and from Gonzales and Caldwell counties, including but not limited to water treatment plant(s) and associated facilities, and facilities to convey treated water through and to Gonzales, Guadalupe, Caldwell, Hays, and Comal counties, as well as storage and blending facilities, and other facilities necessary or desirable for the supply of treated water to GBRA

### Officers/Members

Applicant's Officers and Members

Rusty Brockman Chair

Dennis L. Patillo Vice Chair

Don Meador Secretary/Treasurer

William Carbonara
Director

Oscar H. Fogle Director

Ronald J. Hermes Director

Thomas Mathews II Director

Kenneth A. Motl, DVM Director

# **Primary Contact**

Name: Darrell Nichols

Title: Sr. Deputy General Manager Address 1: 933 E Court Street

Address 2: City: Seguin State: TX

Zip: 78155-5189

Phone: (830) 379-5822 Fax: (830) 379-9718 Email: dnichols@gbra.org

# Applicant's Contributors

Contributor Type	Firm Name	Contact Name	Address	Phone	Fax	Email
Applicant Engineer	HDR Engineer ing, Inc	Sam Vaugh	4401 West Gate Blvd, Ste 400 Austin TX 78745-1469	512-912- 5142	512-912- 5158	sam.vaugh@hdrin c.com
Bond Counsel	McCall, Parkhurs t & Horton L.L.P.	Thomas Spurgeo n	700 N. St. Mary's, Suite 1525 San Antonio TX 78205-3513	210-225- 2800	210-225- 2984	tspurgeon@mphle gal.com
Financial Advisor	Hilltop Securitie s Inc	Anne Burger Entrekin	70 N.E. Loop 410, Suite 710 San Antonio TX 78216-5849	210-308- 2200	210-349- 7585	anne.burgerentrek in@hilltopsecuritie s.com
Certified Public Accountant (or other appropriate rep						
Legal Counsel						
Any other Contributor representing the Applicant before the board						

Contributor Contracts (documents follow this page)

985620 Financial Advisory Contract 985619 Bond Counsel

985618

Engineering / Program Management



### MUNICIPAL ADVISORY AGREEMENT

This Municipal Advisory Agreement (the "Agreement") is made and entered into by and between **Guadalupe-Blanco River Authority** (the "Issuer") and FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"), and is dated, and shall be effective as of, the date executed by the Issuer as set forth on the signature page hereof (the "Effective Date").

#### WITNESSETH:

WHEREAS, the Issuer will have under consideration from time to time the authorization and issuance of municipal securities, including but not limited to the issuance and sale of evidences of indebtedness or debt obligations that may currently or in the future be authorized and issued or otherwise created or assumed by the Issuer, in amounts and forms which cannot presently be determined; and

WHEREAS, in connection with the authorization, sale, issuance and delivery of such municipal securities, as well as in connection with any matters relating to municipal financial products of the Issuer, the Issuer desires to retain a municipal advisor; and

WHEREAS, the Issuer desires to obtain the professional services of FirstSouthwest as a municipal advisor to advise the Issuer regarding the issuance of municipal securities and any municipal financial products, all as more fully described herein, during the period in which this Agreement shall be effective; and

WHEREAS, FirstSouthwest is willing to provide its professional services and its facilities as a municipal advisor in connection with the Issuer's issuances of municipal securities and any municipal financial products, all as more fully described herein, during the period in which this Agreement shall be effective.

**NOW, THEREFORE**, the Issuer and FirstSouthwest, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, do hereby agree as follows:

#### SECTION I SCOPE OF SERVICES

#### A. Scope of Services and Discharge of Responsibilities.

- 1. Scope of Services.
- (a) FirstSouthwest is engaged by the Issuer as its municipal advisor to provide the services set forth in <u>Appendix A</u> hereto (the "Municipal Advisory Services"). The Municipal Advisory Services, together with any services to be provided by FirstSouthwest as the Issuer's independent registered municipal advisor ("IRMA") pursuant to subparagraph B.1 of this Section I, are hereinafter collectively referred to as the "Scope of Services" hereunder. The Scope of Services to be provided by FirstSouthwest may be changed only as provided in paragraph D of this Section I.
- (b) If the Issuer engages FirstSouthwest or any of its affiliates, in a capacity other than as municipal advisor, to provide additional services that are not municipal advisory activities ("Non-Municipal Advisor Services"), such engagement for Non-Municipal Advisor Services shall be evidenced by a separate agreement between the Issuer and such party. The parties hereto acknowledge that such Non-Municipal Advisor Services shall not be governed by this Agreement and are intended to consist of activities not requiring registration as a municipal advisor under the Securities Exchange Act.
- (c) The Issuer shall provide written notice to FirstSouthwest of any other municipal advisor engaged by the Issuer, whether in regard to all or any portion of the Municipal Advisory Services or for

any other aspects of the issuance of municipal securities or municipal financial products outside the scope of the Municipal Advisory Services, as described in clause (c) of subparagraph B.1 of this Section I.

Inquiries and Information in Connection with FirstSouthwest's Duties. If and to the extent provided in the Scope of Services, FirstSouthwest is called upon to make recommendations to the Issuer or to review recommendations made by others to the Issuer, and in connection therewith to determine whether such recommendations are suitable for the Issuer, in order to fulfill its duties with respect to such recommendations and any associated suitability determinations, FirstSouthwest is required under applicable regulations to make reasonable inquiries of the Issuer as to the relevant facts. Such facts include, at a minimum, information regarding the Issuer's financial situation and needs, objectives, tax status, risk tolerance, liquidity needs, experience with municipal securities transactions or municipal financial products generally or of the type and complexity being recommended, financial capacity to withstand changes in market conditions during the term of the municipal financial product or the period that municipal securities to be issued in the municipal securities transaction are reasonably expected to be outstanding, and any other material information known by FirstSouthwest about the Issuer and the municipal securities transaction or municipal financial product. In addition, FirstSouthwest is required under applicable regulations to use reasonable diligence to know the essential facts about the Issuer and the authority of each person acting on behalf of the Issuer so as to effectively service FirstSouthwest's municipal advisory relationship with the Issuer, to act in accordance with any special directions from the Issuer, to understand the authority of each person acting on behalf of the Issuer, and to comply with applicable laws, regulations and rules.

Accordingly, the Issuer hereby agrees to provide accurate and complete information reasonably designed to permit FirstSouthwest to fulfill its responsibilities in connection with any such recommendations and suitability determinations and to provide to FirstSouthwest reasonable access to relevant documents and personnel in connection with its required investigation to determine that any recommendations are not based on materially inaccurate or incomplete information. The Issuer acknowledges that FirstSouthwest may not be able to make requested recommendations or suitability determinations if it is not provided access to such information and that the Issuer shall be estopped from claiming a violation of FirstSouthwest's fiduciary duty to the Issuer in connection with a recommendation or suitability determination made by FirstSouthwest based on materially inaccurate or incomplete information provided by the Issuer.

- 3. Actions Independent of or Contrary to Advice. The parties hereto acknowledge that the Issuer shall not be required to act in accordance with any advice or recommendation provided by FirstSouthwest to the Issuer. Upon providing such advice or recommendation to the Issuer, together with the basis for such advice or recommendation, FirstSouthwest shall have discharged its duties with regard to such advice or recommendation and shall not be liable for any financial or other damages resulting from the Issuer's election not to act in accordance with such advice or recommendation. Furthermore, the Issuer shall be estopped from claiming a violation of FirstSouthwest's fiduciary duty to the Issuer as a result of its election not to act in accordance with any advice or recommendation by FirstSouthwest, including but not limited to any claim that FirstSouthwest should have taken steps, in addition to providing its advice or recommendation together with the basis therefor, to cause the Issuer to follow its advice or recommendation.
- 4. **Preparation of Official Statement in Connection with Issuance of Municipal Securities**. If and to the extent provided in the Scope of Services, FirstSouthwest is called upon to assist the Issuer in the preparation of its official statement in connection with the issuance of municipal securities, the Issuer hereby agrees to provide accurate and complete information to FirstSouthwest reasonably designed to permit FirstSouthwest to fulfill its responsibility to have a reasonable basis for any information

FirstSouthwest provides about the Issuer, its financial condition, its operational status and its municipal securities in connection with the preparation of the official statement. While FirstSouthwest may participate in the due diligence process in connection with the preparation of the official statement, if such participation is within the Scope of Services, FirstSouthwest shall not be obligated to undertake any inquiry or investigation in connection with such due diligence beyond any inquiries or investigations otherwise required by this Agreement. Furthermore, FirstSouthwest shall not be responsible for certifying the accuracy or completeness of the official statement, other than with respect to information about FirstSouthwest provided for inclusion in the official statement, if applicable. The Issuer agrees that FirstSouthwest may rely on any information provided to it by the Issuer for purposes of this paragraph.

5. Representations and Certifications. If and to the extent provided in the Scope of Services, FirstSouthwest is called upon to make representations and certifications with regard to certain aspects of matters pertaining to the Issuer, its municipal securities or municipal financial products arising as part of the Municipal Advisory Services to be provided pursuant to this Agreement, the Issuer hereby agrees to provide accurate and complete information to FirstSouthwest as may be reasonably necessary or otherwise helpful to FirstSouthwest in fulfilling its responsibility to have a reasonable basis for any representations, other than representations by FirstSouthwest regarding itself, made in a certificate signed by FirstSouthwest that may be relied upon by the Issuer, any other party involved in any matter arising as part of the Municipal Advisory Services, or investors in the Issuer's municipal securities. The Issuer agrees that FirstSouthwest may rely on any information provided to it by the Issuer for purposes of this paragraph.

### B. Services as Independent Registered Municipal Advisor.

#### 1. Designation as IRMA and Scope of Designation.

(a) Subject to clause (b) of this subparagraph B.1, if the Issuer elects to designate FirstSouthwest, and FirstSouthwest agrees to represent the Issuer, as the Issuer's IRMA for purposes of Securities Exchange Commission ("SEC") Rule 15Ba1-1(d)(3)(vi) (the "IRMA exemption") with respect to the Municipal Advisory Services, FirstSouthwest will treat such role as IRMA as within the scope of Municipal Advisory Services. Any reference to FirstSouthwest, its personnel and its role as IRMA in the written representation of the Issuer contemplated under SEC Rule 15Ba1-1(d)(3)(vi)(B) shall be subject to prior approval by FirstSouthwest.

If there are any other aspects of the issuance of municipal securities or municipal financial products outside the scope of the Municipal Advisory Services with respect to which the Issuer seeks to have FirstSouthwest serve as its IRMA, such aspects, which are separate and distinct from Municipal Advisory Services for purposes of this Agreement, shall be included in Appendix A hereto and may be changed only as provided in paragraph D of this Section I. FirstSouthwest's duties as IRMA shall be strictly limited to the provision of advice to the Issuer with regard to third-party recommendations on any aspects of the issuance of municipal securities or municipal financial products outside the scope of the Municipal Advisory Services, subject to subparagraph B.3 of this Section I, and the provision of advice by FirstSouthwest to the Issuer with respect to such matters shall not result in a change in scope of the Municipal Advisory Services. By way of example, if FirstSouthwest serves as municipal advisor for an issuance of municipal securities within the scope of Municipal Advisory Services, but is asked to review a recommendation made by a third party with respect to a different issuance of municipal securities not within the scope of Municipal Advisory Services, any advice with respect to such review would not, by itself, cause such other issuance to come within the scope of Municipal Advisory Services, and FirstSouthwest would not be obligated to undertake any of the services set forth in Appendix A with regard to such issuance unless the scope of Municipal Advisory Services hereunder is amended to include such issuance.

- (b) If the Issuer elects not to designate FirstSouthwest to serve as an IRMA for purposes of the IRMA exemption with respect to the Municipal Advisory Services, or if the Issuer elects to designate FirstSouthwest to serve as IRMA for less than the full range of Municipal Advisory Services, such election shall be set forth in Appendix A.
- engaged by the Issuer, whether such other municipal advisor has been designated as an IRMA, and such notice shall include the scope of services of such municipal advisor. If the Issuer has engaged, or has caused FirstSouthwest to engage through subcontract, any other party to serve as municipal advisor to the Issuer with regard to all or any portion of the Municipal Advisory Services ("Joint Municipal Advisory Services"), whether engaged jointly with or separately from FirstSouthwest (a "Co-Municipal Advisor"), the Issuer agrees that such Co-Municipal Advisor shall not be entitled to treat FirstSouthwest as an IRMA with respect to the Joint Municipal Advisory Services. Notwithstanding the preceding sentence, the Issuer may seek to have FirstSouthwest provide advice on any recommendation made by a Co-Municipal Advisor with regard to matters within the scope of Joint Municipal Advisory Services on the same terms as set forth in subparagraph B.3 of this Section I, provided that any such advice provided by FirstSouthwest shall not serve to eliminate or reduce such Co-Municipal Advisor's fiduciary or other duties as municipal advisor to the Issuer.
- FirstSouthwest Not Responsible for Independence from Third Parties. Notwithstanding FirstSouthwest's status as an IRMA, FirstSouthwest shall not be responsible for ensuring that it is independent, within the meaning of the IRMA exemption as interpreted by the SEC, from another party wishing to rely on the exemption from the definition of municipal advisor afforded under the IRMA exemption or for otherwise ensuring that any such party not be treated as a municipal advisor for purposes of Section 15B of the Securities Exchange Act or any SEC or Municipal Securities Rulemaking Board ("MSRB") rule thereunder. The Issuer expressly acknowledges that it is the responsibility of such other party to make its own determination of independence and that such other party shall not be entitled to cause FirstSouthwest to make any personnel changes to allow such party to qualify for the IRMA exemption.
- 3. Recommendations Provided by Third Parties Relying on IRMA Exemption. The Issuer agrees that, to the extent the Issuer seeks to have FirstSouthwest provide advice with regard to any recommendation made by a third party relying on the IRMA exemption, the Issuer shall provide to FirstSouthwest written direction to provide advice with regard to such third party recommendation as well as any information it has received from such third party. In connection therewith, FirstSouthwest shall be authorized to communicate with such third party as necessary or appropriate in order for FirstSouthwest to have the information it needs to provide informed advice to the Issuer with regard to such recommendation. FirstSouthwest shall provide to the Issuer recommendations it receives directly from any third party but shall not be required to provide advice to the Issuer with regard to any such recommendation unless the Issuer has provided to FirstSouthwest the written direction as described above in this subparagraph B.3.

Except as may be otherwise expressly provided in writing by FirstSouthwest, no recommendation by a third-party (including but not limited to a Co-Municipal Advisor) shall be deemed to be a recommendation by FirstSouthwest, and the failure by FirstSouthwest to specifically address any aspect of a third-party recommendation shall not be viewed as FirstSouthwest having implicitly accepted or approved such aspect of the recommendation or otherwise having adopted the recommendation or any aspect thereof as its own recommendation. Furthermore, the Issuer agrees that, to the extent the Issuer does not seek to have FirstSouthwest provide advice with regard to any recommendation made by a third party relying on the IRMA exemption, FirstSouthwest shall not be required to provide any advice with regard to such recommendation notwithstanding any information it may have received from such third party.

FirstSouthwest may rely on the absence of the Issuer's written direction to provide advice with regard to a third party recommendation as indicative that the Issuer does not seek to have FirstSouthwest provide such advice.

#### C. Limitations on Scope of Engagement.

- 1. **Express Limitations.** The Scope of Services with respect to FirstSouthwest's engagement as municipal advisor shall be solely as provided in paragraphs A and B of this Section I and Appendix A of this Agreement, subject to the express limitations set forth in this paragraph C. The failure of the parties hereto to set out any particular service or responsibility, or any particular type or aspect of the issuance of municipal securities or municipal financial products, within the express limitations in this paragraph C shall not, by its omission, cause such service, responsibility or product to be within the scope of this engagement if not contemplated by the mutual agreement of the parties hereto or if not reasonably viewed as encompassed by the description of the Municipal Advisory Services set forth in this Agreement.
- Limitation as to Matters Within Then-Current Scope of Engagement. It is expressly understood that FirstSouthwest serves as municipal advisor to the Issuer only with respect to the matters, and with respect to specific aspects of matters, within the then-current Scope of Services. The Issuer acknowledges that FirstSouthwest is not a municipal advisor to the Issuer with respect to matters expressly excluded from such Scope of Services as set forth in this paragraph C or matters otherwise not within the Scope of Services as set forth in paragraphs A and B of this Section I and Appendix A hereto. Without limiting the generality of the preceding sentence, the parties hereto agree that FirstSouthwest's service as municipal advisor for one issuance of municipal securities would not result in FirstSouthwest being a municipal advisor to the Issuer for any other issuances of municipal securities if such other issuances are not within the Scope of Services. It is expressly understood that FirstSouthwest shall be municipal advisor with respect to a particular issuance of municipal securities or a particular municipal financial product beginning on the earlier of (a) the date on which FirstSouthwest is assigned to serve or is otherwise put on notice by the Issuer that it will serve as municipal advisor for such particular matter or (b) the date on which FirstSouthwest first provides advice to the Issuer with respect to such particular matter, and it is further understood that FirstSouthwest shall not be deemed to be a municipal advisor to the Issuer with respect to any such particular matter prior to such date merely due to the fact that the matter falls within the general description of the Scope of Services.
- 3. Transactions and Services Outside Scope of Engagement. To the extent that the Issuer engages in any transaction with FirstSouthwest, or any affiliate of FirstSouthwest, as principal relating to municipal securities (including but not limited to as underwriter for the issuance of municipal securities) or municipal financial products that are not within the Scope of Services and with respect to which FirstSouthwest does not in fact provide advice other than as permitted within the exceptions and exclusions of SEC Rule 15Ba1-1, the Issuer agrees that it would not view FirstSouthwest as serving as its municipal advisor with respect to such transaction or any related issuance of municipal securities or municipal financial product. In addition, as noted in clause (b) of subparagraph A.1 of this Section I, the Issuer understands that Non-Municipal Advisor Services are outside the scope of this engagement.
- 4. *Issuer Consent to Limitation in Scope.* The Issuer expressly consents to the limitations in scope of the engagement as described in this paragraph C.
- **D.** <u>Change in Scope of Services</u>. The scope of services to be provided by FirstSouthwest, whether within or outside of the scope of the Municipal Advisory Services, may be changed only by written amendment to Appendix A, and the parties hereto agree to amend such appendix promptly to reflect any

material changes or additions to the scope of such services, as applicable. Furthermore, the parties hereto agree to amend paragraph C of this Section I to reflect any material changes or additions to the limitations on the overall Scope of Services.

The parties hereto agree that if, on an infrequent or inadvertent basis, FirstSouthwest takes any actions for or on behalf of the Issuer that constitute municipal advisory activities within the meaning of MSRB Rule G-42(f)(iv) but which are not within the Scope of Services under this Agreement, such actions shall not, by themselves, serve to change the Scope of Services under this Agreement without a written amendment as provided in this paragraph. Furthermore, to the extent that any such activities not within the Scope of Services under this Agreement consists of inadvertent advice provided with respect to the issuance of municipal securities or municipal financial products that are not within the Scope of Services under this Agreement, FirstSouthwest may take such action, if any, as it deems appropriate pursuant to Supplementary Material .07 of MSRB Rule G-42 with respect to such inadvertent advice, to maintain the Scope of Services under this Agreement consistent with the intent of the parties hereto.

Amendments to Appendix A may be effected by replacement of the prior version of the appendix with a new version or by the addition of an addendum to such appendix, provided that any such amended appendix shall be dated as of its effective date and shall cause Appendix A, taken together with the provisions of this Section I, to clearly set forth the then-current scope of FirstSouthwest's engagement hereunder and any limitations to such scope.

E. Non-Municipal Advisory Activities Related to Scope of Services. The Scope of Services under this Agreement is intended to encompass activities subject to the provisions of Securities Exchange Act Section 15B and the rules of the SEC and MSRB thereunder relating to municipal advisory activities. However, the Issuer and FirstSouthwest acknowledge that in some cases the range of activities necessary or appropriate to provide the intended services hereunder in a fair, effective and efficient manner for the benefit of the Issuer may involve a combination of actions that consist of municipal advisory activities and actions that may not qualify as municipal advisory activities. Unless otherwise prohibited by Securities Exchange Act Section 15B or any rule of the SEC or MSRB thereunder, the fact that FirstSouthwest serves as municipal advisor to the Issuer in connection with a particular matter shall not prohibit FirstSouthwest from undertaking such necessary or appropriate non-municipal advisory activities in connection therewith, and the fact that FirstSouthwest undertakes such non-municipal advisory activities within the Scope of Services under this Agreement would not, by itself, cause such activities to become municipal advisory activities for purposes Securities Exchange Act Section 15B or any rule of the SEC or MSRB thereunder.

#### SECTION II TERM AND TERMINATION

A. Term of this Engagement. The term of this Agreement begins on the Effective Date and ends, unless terminated pursuant to paragraph B of this Section II, on the last day of the month in which the fifth anniversary date of the Effective Date shall occur (the "Original Termination Date"). Unless FirstSouthwest or the Issuer shall notify the other party in writing at least thirty (30) days in advance of the Original Termination Date that this Agreement will not be renewed, this Agreement will be automatically renewed on the Original Termination Date for an additional one (1) year period and thereafter will be automatically renewed on each anniversary date of the Original Termination Date for successive one (1) year periods unless FirstSouthwest or the Issuer shall notify the other party in writing at least thirty (30) days in advance of such successive anniversary date.

**B.** Termination of this Engagement. This Agreement may be terminated with or without cause by the Issuer or FirstSouthwest upon the giving of at least thirty (30) days' prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. In the event of such termination, it is understood and agreed that only the amounts due FirstSouthwest for services provided and expenses incurred to the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement.

### SECTION III COMPENSATION, EXPENSES, LIABILITY AND OTHER FINANCIAL MATTERS

- A. <u>Compensation</u>. The fees due to FirstSouthwest for the Municipal Advisory Services and any other services set forth in Appendix A hereto shall be as provided in <u>Appendix B</u> hereto. The Issuer has agreed to the compensation arrangements set forth in Appendix B and believes that they are reasonable and not excessive. If at any time the Issuer becomes concerned that, notwithstanding its initial belief that the compensation arrangements set forth in this Agreement are reasonable, the actual amount of compensation to be paid in accordance with such arrangements for any particular matter during the course of this engagement may potentially become excessive, the Issuer shall immediately notify FirstSouthwest in writing of its concern in that regard.
- B. <u>Expenses</u>. FirstSouthwest shall be entitled to reimbursement of expenses incurred in connection with any services provided hereunder as set forth in Appendix B. All direct non-labor expenses related to mileage, travel and lodging expenses for FirstSouthwest shall be limited, to travel expenses authorized for state employees by the General Appropriations Act, Tex. Leg. Regular Session, 2015, Article IX, Part 5, as amended or as superseded by a subsequent General Appropriations Act in effect at the time of the travel. Receipts, airline or public carrier tickets, or paid-stamped invoices will be required for transportation, lodging, meals and other travel expenses.
- C. <u>Third-Party Payments</u>. The Issuer agrees that any request it makes to FirstSouthwest to make payments to any third party on its behalf (other than with any underwriter), whether pursuant to a feesplitting arrangement or otherwise, shall be in writing and shall set forth the name of the recipient, the amount of payment, and a brief statement of the purpose of such payment. The Issuer agrees that the counter signature by FirstSouthwest of any such written request shall be satisfactory disclosure of such third-party payment or fee-splitting arrangement for purposes of MSRB Rule G-42(e)(i)(D) and shall, in the case of any such arrangements made after the Effective Date, serve as satisfactory written disclosure of any conflict of interest arising from such third-party payment or fee-splitting arrangement for purposes of MSRB Rule G-42(b)(i)(D) and (c)(ii).
- D. <u>No Custody of Issuer Funds</u>. This engagement does not contemplate that FirstSouthwest receive deposit of or maintain custody of the Issuer's funds unless otherwise provided in Appendix A hereto.
- E. <u>Limitation on Liability</u>. In the absence of willful misconduct, bad faith, negligence or reckless disregard of obligations or duties hereunder on the part of FirstSouthwest or any of its associated persons, FirstSouthwest and its associated persons shall have no liability to the Issuer for any act or omission in the course of, or connected with, rendering services hereunder or for any error of judgment, or any loss arising out of any issuance of municipal securities, any municipal financial product or any other investment.

## SECTION IV REQUIRED DISCLOSURES

- A. <u>Disclosure of Conflicts of Interest and Information Regarding Legal or Disciplinary Events.</u> The Issuer hereby acknowledges receipt of, and has read and understands the content of, the Municipal Advisor Disclosure Statement, attached hereto as <u>Appendix C</u>, current as of the date of this Agreement, setting forth disclosures by FirstSouthwest of material conflicts of interest (the "Conflict Disclosures"), if any, and of any legal or disciplinary events required to be disclosed pursuant to MSRB Rule G-42(b) and (c)(ii). The Conflict Disclosures also describe how FirstSouthwest addresses or intends to manage or mitigate any disclosed conflicts of interest, as well as the specific type of information regarding, and the date of the last material change, if any, to the legal and disciplinary events required to be disclosed on Forms MA and MA-I filed by FirstSouthwest with the SEC.
- **B.** <u>Waiver of Disclosed Conflicts of Interest</u>. By executing this Agreement, the Issuer hereby waives any conflicts of interest disclosed by FirstSouthwest in the Conflict Disclosures as of the date of this Agreement.
- Consent to Electronic Delivery of Disclosures. By executing this Agreement, the Issuer consents, for the full term of this Agreement, to the electronic delivery of the Conflict Disclosures at no cost to the Issuer, in lieu of delivery of hard copy. The Conflict Disclosures may be delivered by email to the Issuer at cdemers@gbra.org, or at such other email address as the Issuer may hereafter provide in writing to FirstSouthwest.

#### SECTION V MISCELLANEOUS

- **A.** <u>Choice of Law.</u> This Agreement shall be construed and given effect in accordance with the laws of the State of Texas.
- B. The obligations of either party to perform under this Agreement will be excused during each period of delay caused by acts of God, war or terrorism, or by shortages of power or materials or government orders which are beyond the reasonable control of the party obligated to perform and prevents the party from being able to perform ("Force Majeure Event"). In the event that either party ceases to perform its obligations under this Agreement due to the occurrence of a Force Majeure Event, such party shall: (a) promptly notify the other party in writing of such Force Majeure Event and its expected duration; (b) take all reasonable steps to recommence performance of its obligations under this Agreement as soon as possible. In the event that any Force Majeure Event delays a party's performance for more than thirty (30) days following notice by such party pursuant to this Agreement, the other party may terminate this Agreement immediately upon written notice to such party.
- C. FirstSouthwest acknowledges that for contracts needing board of director approval, Issuer may not accept or enter into a contract until they have received a completed, signed, and notarized TEC Form 1295 complete with a certificate number assigned by the Texas Ethics Commission ("TEC") from FirstSouthwest, pursuant to Texas Government Code § 2252.908. FirstSouthwest understands that failure to provide said form complete with a certificate number assigned by the TEC may prohibit the remainder of the parties hereto from entering into this Agreement. Pursuant to the rules prescribed by the TEC, the TEC Form 1295 must be completed online through the TEC's website, assigned a certificate number, printed, signed and notarized, and provided to Issuer.

- **B.** Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Issuer and FirstSouthwest, their respective successors and assigns; provided however, neither party hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party. Such consent shall not be unreasonably withheld.
- C. <u>Entire Agreement</u>. This instrument, including all appendices hereto, contains the entire agreement between the parties relating to the rights herein granted and obligations herein assumed. Any oral or written representations or modifications concerning this Agreement shall be of no force or effect except for a subsequent modification in writing signed by all parties hereto, subject to the provisions of paragraph D of Section I hereof.

FIRSTSOUTHWEST,	
a Division of Hilltop Securities Inc.	

Hill A. Feinberg
Chairman and Chief Executive Officer

By: Anne Burger Entrekin

Title: Regional Managing Director

GUADALUPE-BLANCO RIVER AUTHORITY

Van PHOG

Title: 63/66

Date: /2//2//7

Approved Legal

## APPENDIX A MUNICIPAL ADVISORY SERVICES

This Appendix A sets out the scope of the Municipal Advisory Services to be performed by FirstSouthwest pursuant to the Agreement, subject to the limitations in scope set out in paragraph C of Section I of the Agreement, and with the understanding that:

- (a) Individual actions taken within this scope shall be consistent with any request or direction provided by an authorized representative of the Issuer or as FirstSouthwest determines to be necessary or appropriate in furtherance of any matter for which it serves as municipal advisor. However, not all listed activities will be appropriate, necessary or applicable to any particular matter subject to this Agreement.
- (b) For purposes of this Agreement, an issuance of municipal securities (an "issuance") shall encompass any and all stages in the life of an issuance, from the pre-issuance planning stage to the repayment stage.
- I. New Issuances of Municipal Securities. At the direction of or upon the request of the Issuer, FirstSouthwest shall provide advice to the Issuer on any new issuances, including reofferings of outstanding issuances that are treated for purposes of the federal securities laws and/or federal tax laws as new issuances, throughout the term of this Agreement. The activities to be performed by FirstSouthwest may include, depending on the specific circumstances of an issuance and any request or direction of the Issuer, one or more of the following:

#### **Planning for New Issuance**

- 1. Survey and Analysis. Surveying the financial resources of the Issuer in connection with its capacity to authorize, issue and service the contemplated issuance. This survey would be expected to include an analysis of any existing debt structure as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service and, where appropriate, would include a study of the trend of the assessed valuation, taxing power and present and future taxing requirements of the Issuer. In the event revenues of existing or projected facilities operated by the Issuer are to be pledged to repayment of the contemplated issuance, the survey would be expected to take into account any outstanding indebtedness payable from such revenues, additional revenues to be available from any proposed rate increases, and additional revenues resulting from improvements to be financed by the contemplated issuance, as projected by consulting engineers engaged by the Issuer.
- 2. **Future Financings**. In connection with the contemplated issuance, considering and analyzing future financing needs as projected by the Issuer's staff and consulting engineers or other experts, if any, engaged by the Issuer.
- 3. **Recommendations.** Making recommendations to the Issuer on the contemplated issuance, including such elements as the date of issue, interest payment dates, schedule of principal maturities, options for prepayment, security provisions, and such other provisions as may be appropriate.
- 4. *Market Information*. Advising the Issuer of FirstSouthwest's view of current bond market conditions, other related forthcoming bond issues and general information (including

applicable economic data) which might normally be expected to influence interest rates or bidding conditions relevant to setting an appropriate date and time for the sale of the issuance.

5. *Elections*. In the event it is necessary to hold an election to authorize the contemplated issuance, assisting in coordinating the assembly of such data as may be required for the preparation of necessary petitions, orders, resolutions, ordinances, notices and certificates in connection with the election, including assistance in the transmission of such data to the Issuer's bond counsel.

#### Debt Management and Financial Implementation for New Issuance

- 6. **Method of Sale**. Evaluating the particular financing being contemplated, giving consideration to the complexity, market acceptance, rating, size and structure in order to make a recommendation as to an appropriate method of sale, and:
  - a. If the issuance is to be sold by a competitive sale:
    - (1) Supervising the sale of the municipal securities;
    - (2) Disseminating information to prospective bidders, organizing such informational meetings as may be necessary, and facilitating prospective bidders' efforts in making timely submission of proper bids;
    - (3) Assisting the staff of the Issuer in coordinating the receipt of bids, the safekeeping of good faith checks and the tabulation and comparison of submitted bids;
    - (4) Advising the Issuer regarding the best bid and provide advice regarding acceptance or rejection of the bids; and
    - (5) Obtaining CUSIP numbers on behalf of the Issuer.
  - b. If the issuance is to be sold by negotiated sale:
    - (1) Recommending for the Issuer's final approval and acceptance one or more investment banking firms, as sole underwriter or as managers of an underwriting syndicate, for the purpose of negotiating the purchase of the municipal securities;
    - (2) Cooperating with and assisting any selected sole or managing underwriter and its counsel, as well as any disclosure counsel retained by the Issuer, in connection with the preparation of any preliminary or final official statement or offering memorandum. FirstSouthwest will cooperate with and assist the underwriters in the preparation of a bond purchase contract, an underwriters' agreement and other related documents;
    - (3) Assisting the staff of the Issuer in the safekeeping of any good faith checks and providing a cost comparison to the then-current market of expenses, interest rates and prices which are proposed by the underwriters;
    - (4) Advising the Issuer on the fairness of the price offered by the underwriters;

- (5) Advising the Issuer in connection with any terms and conditions it may wish to establish with respect to order priorities and other similar matters relating to the underwriting of the new issuance;
- (6) If the new issuance will have a retail order period, advising the Issuer on retail eligibility criteria and other features of the retail order period and reviewing information provided by the underwriters to the Issuer in connection with retail orders received; and
- (7) At the request of the Issuer, reviewing required disclosures by underwriters to the Issuer relating to their role as underwriter, conflicts of interests, material terms and risks of the issuance, and any other matters, and providing any appropriate advice to the Issuer in connection with such disclosures.
- 7. Offering Documents for Competitive Offerings. Coordinating the preparation of the notice of sale and bidding instructions, preliminary official statement (including cooperating with and assisting any disclosure counsel retained by the Issuer), official bid form and such other documents as may be required and submitting all such documents to the Issuer for examination, approval and certification. After such examination, approval and certification, FirstSouthwest shall provide the Issuer with a supply of all such documents sufficient to its needs and distribute sets of the same to prospective bidders for the municipal securities. FirstSouthwest also shall provide copies of the final official statement to the winning bidder purchasing the municipal securities in the MSRB-designated electronic format and in accordance with the notice of sale and bidding instructions promptly after the Issuer approves the final official statement for distribution.
- 8. *Credit Ratings*. Making recommendations to the Issuer on the advisability of obtaining one or more credit ratings for the issuance and, when directed by the Issuer, coordinating the preparation of such information as may be appropriate for submission to any rating agency. In those cases where the advisability of personal presentation of information to a rating agency may be indicated, FirstSouthwest will arrange for such personal presentations, utilizing such composition of representatives from the Issuer as may be approved or directed by the Issuer.
- 9. Trustee, Paying Agent, Registrar, Professionals and Other Transaction Participants. Upon request, providing advice to the Issuer in the selection of a trustee and/or paying agent/registrar, legal, accounting or other professionals, and other transaction participants relating to any issuance, and assisting in the negotiation of agreements pertinent to these services and the fees incident thereto.
- 10. *Financial Publications*. When appropriate, advising financial publications of the forthcoming sale of the municipal securities and providing them with all pertinent information.
- 11. **Consultants**. After consulting with and receiving directions from the Issuer, arranging for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the issuance.
- 12. *Auditors*. In the event formal verification by an independent auditor of any calculations incident to the issuance is required, making arrangements for such services.

- 13. **Issuer Meetings**. Attending meetings of the governing body of the Issuer, its staff, representatives or committees as requested when FirstSouthwest may be of assistance or service and matters within the scope of this engagement are to be discussed.
- 14. **Printing**. To the extent authorized by the Issuer, coordinating all work incident to printing or final production, physical or electronic, of the offering documents.
- 15. **Bond Counsel.** Maintaining liaison with bond counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the municipal securities.
- 16. **Changes in Laws**. Providing to the Issuer copies of proposed or enacted changes in federal and state laws, rules and regulations having, or expected to have, a significant effect on the municipal bond market of which FirstSouthwest becomes aware in the ordinary course of its business, it being understood that FirstSouthwest does not and may not act as an attorney for, or provide legal advice or services to, the Issuer.
- 17. **Delivery of the Municipal Securities**. As soon as a bid for the purchase of a competitive issuance is accepted by the Issuer or the bond purchase contract for a negotiated issuance is signed by the Issuer, coordinating the efforts of all concerned to the end that the municipal securities may be delivered and paid for as expeditiously as possible and assisting the Issuer in the preparation or verification of final closing figures incident to the delivery of the municipal securities.
- 18. **Debt Service Schedule; Authorizing Resolution.** After the closing of the sale and delivery of the issuance, delivering to the Issuer a schedule of annual debt service requirements for the issuance and, in coordination with bond counsel, assuring that the paying agent/registrar and/or trustee has been provided with a copy of the authorizing ordinance, order or resolution.
- 19. **Continuing Disclosure**. Providing advice to the Issuer with regard to its continuing disclosure undertakings for its new issuances and its selection of a dissemination agent under its continuing disclosure undertakings; provided that, upon the mutual agreement of the Issuer and FirstSouthwest, FirstSouthwest may serve as dissemination agent under one or more of the Issuer's continuing disclosure undertakings upon such terms as the parties shall agree, with such service as dissemination agent being expressly excluded from the scope of this Agreement.
- **II.** <u>Baseline Advice on Outstanding Issuances of Municipal Securities.</u> FirstSouthwest shall provide baseline on-going advice to the Issuer on any outstanding issuances throughout the term of this Agreement, which may include, depending on the specific circumstances of such issuance and any request or direction of the Issuer:
  - 1. *Exercising Calls*. Providing advice and assistance to the Issuer with regard to exercising any calls of outstanding municipal securities unrelated to a refunding of such securities.
  - 2. **Refundings and Tender Offers.** Providing advice to the Issuer with regard to opportunities for refundings of outstanding issuances or to make tender offers for outstanding issuances, whether by means of a new issuance, bank loans, or other funds of the Issuer, but not including serving as advisor in connection with the specific transaction through which such refunding or tender offer is effected. Transaction-based advice in connection with a specific new issuance of bonds to effectuate any such refunding or tender offer would be provided within the scope of Municipal Advisory Services for new issuances described in Section I above. Transaction-based advice in

connection with a specific bank loan or other transaction to effectuate any such refunding or tender offer, other than by means of a new issuance of bonds would be provided pursuant to a separate agreement as described in Section IV below.

- 3. Continuing Disclosure. Providing advice to the Issuer with regard to continuing disclosure undertakings for outstanding issuances; processes, policies and procedures to comply with continuing disclosure undertakings; and coordination of continuing disclosure obligations arising from different continuing disclosure undertakings for its various issuances. However, the preparation of continuing disclosure documents, other than in the capacity of dissemination agent under a continuing disclosure undertaking, would be provided within the scope of other services described in Section V. below.
- III. <u>Particularized Services on Outstanding Issuances of Municipal Securities</u>. FirstSouthwest may provide to the Issuer certain additional advisory or related services in connection with particular outstanding issuances or matters affecting multiple outstanding issuances throughout the term of this Agreement, which may include, depending on the specific circumstances of such issuance and any request or direction of the Issuer:
  - 1. Other Post-Sale Services. Reviewing the transaction features and documentation of outstanding issuances with legal counsel for the Issuer, bond counsel, auditors and other experts and consultants retained by the Issuer and assisting in developing appropriate responses to legal processes, audit procedures, inquiries, internal reviews and similar matters, or other services related to one or more outstanding issuances as may be agreed to by the Issuer and FirstSouthwest.
  - 2. **Brokerage of Municipal Escrow Investments.** At the request of the Issuer, brokering the purchase of municipal escrow investments in connection with a refunding of an outstanding issuance, together with any recommendations by FirstSouthwest (but not by First Southwest Asset Management, LLC as an investment adviser) with respect to such brokerage.
- IV. <u>Services as Independent Registered Municipal Advisor ("IRMA")</u>. At the written request of the Issuer, FirstSouthwest shall, as the Issuer's IRMA, review and provide advice to the Issuer in connection with any recommendations, proposals, ideas or matters suggested or otherwise communicated by a third party to the Issuer with respect to the same aspects of the issuance of municipal securities or municipal financial products that are within the scope of Municipal Advisory Services. There are no aspects of the issuance of municipal securities or municipal financial products that are outside the scope of Municipal Advisory Services set forth in this Appendix.
- V. Other Services Relating to Municipal Securities. FirstSouthwest agrees to make available to the Issuer other services relating to municipal securities, when so requested by the Issuer and subject to the agreement by Issuer and FirstSouthwest regarding the specific requirements with respect to such services, which requirements shall be made part of the scope of Municipal Advisory Services and included in this Appendix as an amendment or addendum, which services may include, without limitation:
  - 1. Capital Improvement Programs. Providing advice and assistance in the development of any capital improvement programs of the Issuer.
  - 2. Long-Range Planning. Providing advice and assistance in the development of other long-range financing plans of the Issuer.

- 3. **Refundings and Tender Offers.** Providing advice and assistance in executing a refunding or tender offer of an outstanding issuance other than by means of refunding bonds, such as by means of a bank loan or other funds of the Issuer.
- 4. *Continuing Disclosure Documents*. Preparing and providing advice with regard to the content of continuing disclosure documents in compliance with the Issuer's continuing disclosure undertakings for its outstanding issuances, other than in the capacity of dissemination agent under a continuing disclosure undertaking.

\* \* \* \* \*

As provided in paragraph D of Section I of the Agreement, amendments to this Appendix A may be effected by replacement of this Appendix A with a new version hereof or by the addition of an addendum to this Appendix A, and this Appendix A, as it may have been amended, shall be dated and effective as of the most recent of the date set forth in any such amendment or the date set forth in any addendum to this Appendix A.

### APPENDIX B FORM AND BASIS OF COMPENSATION

This Appendix B sets out the form and basis of compensation to FirstSouthwest for the Municipal Advisory Services provided under this Agreement as set forth in Appendix A; provided that the compensation arrangements set forth in this Appendix B shall also apply to any additional services hereafter added to the scope of the Municipal Advisory Services, unless otherwise provided in the amendment to the Agreement relating to such change in scope of Municipal Advisory Services as provided in paragraph D of Section I of the Agreement.

I. <u>New Issuances of Municipal Securities</u>. The fees due FirstSouthwest in connection with the Municipal Advisory Services set forth in Section I of Appendix A hereto for each new issuance of municipal securities will not exceed those contained in our fee schedule as listed below:

Financial Advisory (F/A) Fee (Dollars per \$1,000 bond)

Base Fo	ee – Any I	ssue							\$3,000
Plus	\$12.50	per	\$1,000	up to	\$250,000	or	\$6,125	for	\$250,000 Bonds
Plus	\$11.50	per	\$1,000	up to	\$250,000	or	\$9,000	for	\$500,000 Bonds
Plus	\$7.00	per	\$1,000	up to	\$500,000	or	\$12,500	for	\$1,000,000 Bonds
Plus	\$4.75	per	\$1,000	up to	\$1,500,000	or	\$19,625	for	\$2,500,000 Bonds
Plus	\$2.75	per	\$1,000	up to	\$2,500,000	or	\$26,500	for	\$5,000,000 Bonds
Plus	\$1.00	per	\$1,000	over	\$5,000,000				

Fees for Advance Refunding Bond Issues or any Refunding transactions involving Escrow Agreements shall be the amount shown plus a 10% additional charge.

For any issue with complexity of structure, it is understood and agrees that we will charge, in addition to our Financial Advisory fee, a structuring fee to be negotiated on a case by case basis.

The charges for out-of-pocket services shall be levied only for those services that are reasonably necessary and that are reasonable in amount, and such charges were incurred at the specific direction of GBRA. FirstSouthwest is pleased to negotiate a not-to-exceed amount for all other expenses once a specific transaction is defined. However, pending unusual circumstances, we would not expect that the out-of-pocket expenses would exceed \$25,000.

II. <u>Baseline Advice on Outstanding Issuances of Municipal Securities</u>. There shall be no additional fees due FirstSouthwest in connection with the Municipal Advisory Services set forth in Section II of Appendix A hereto, with the understanding that such services are integral to FirstSouthwest's engagement as municipal advisor to the Issuer and FirstSouthwest shall be compensated for such services through and as part of the fees paid for the other services provided by FirstSouthwest hereunder.

III. <u>Particularized Services on Outstanding Issuances of Municipal Securities</u>. In connection with Other Post-Sale Services described in Section III of Appendix A hereto, FirstSouthwest shall charge a fee based on an hourly rate for services rendered in accordance with the following schedule:

**Hourly Billing Rates** 

Title	Standard Hourly Billing Rate	GBRA Discounted Hourly Billing Rate
Managing Director	\$350	\$310
Director	\$315	\$260
Vice President	\$275	\$230
Assistant Vice President	\$225	\$150
Analyst and Associate	\$190	\$100
Clerical/Support	\$90	\$55

In connection with the brokerage of municipal escrow investments described in Section III of Appendix A hereto, FirstSouthwest shall charge a commission that is normal and customary for investments of that type under then-current market conditions and shall disclose such commission to the Issuer so that the Issuer may consider the information in making its investment decision.

- IV. <u>Third-Party Recommendations, Proposals, Ideas or Other Matters as IRMA</u>. In connection with its review of and advice on third-party recommendations to Issuers as an IRMA as described in Section IV of Appendix A hereto, FirstSouthwest shall charge a fee based on an hourly rate for services rendered in accordance with the schedule included above in Section III of this Appendix.
- V. Other Services Relating to Municipal Securities. In connection with any services described in Section V of Appendix A hereto requested by the Issuer and agreed to by FirstSouthwest, the fees due with respect to any such services shall be as agreed to by the parties hereto, which terms shall be made part of the compensation provided under this Agreement and shall be included in this Appendix as an amendment or addendum hereto.
- VI. Expenses. The Issuer shall be responsible for the following expenses in connection with the Municipal Advisory Services (including any additional services hereafter added to the scope of the Municipal Advisory Services), if and when applicable, whether they are charged to the Issuer directly as expenses or charged to the Issuer by FirstSouthwest as reimbursable expenses: bond counsel fees and expenses, bond printing costs, bond ratings fees and expenses, computer structuring costs, credit enhancement fees and expenses, accountant fees for verifications and related activities in connection with refundings, official statement preparation and printing, paying agent/registrar/trustee fees and expenses, travel expenses, underwriter and underwriter's counsel fees and expenses, and other miscellaneous expenses incurred by FirstSouthwest in the furtherance of any matter for which it serves as municipal advisor, including copy, delivery, phone and other charges normally incurred in connection with engagements of this type.

The Issuer agrees that any expense that it requests that FirstSouthwest pay to any third party on the Issuer's behalf shall be made in writing and shall be in accordance with paragraph C of Section III of the Agreement.

The payment of reimbursable expenses that FirstSouthwest has assumed on behalf of the Issuer shall NOT be contingent upon the delivery of a new issuance of municipal securities or the completion of any other transactions for which such expenses have been assumed and shall be due at the time that services are rendered and payable upon receipt of an invoice therefor submitted by FirstSouthwest, unless otherwise provided for in any amendment or addendum hereto in connection with the compensation arrangements for any services provided under the Agreement for which such amendment or addendum is required.

## APPENDIX C MUNICIPAL ADVISOR DISCLOSURE STATEMENT

This disclosure statement (the "Conflict Disclosures") is provided by **FirstSouthwest**, a **Division of Hilltop Securities Inc.** ("the Firm") to you (the "Client") in connection with our current municipal advisory agreement, ("the Agreement"). These Conflict Disclosures provide information regarding conflicts of interest and legal or disciplinary events of the Firm that are required to be disclosed to the Client pursuant to MSRB Rule G-42(b) and (c)(ii).

#### PART A - Disclosures of Conflicts of Interest

MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable.

*Material Conflicts of Interest* – The Firm makes the disclosures set forth below with respect to material conflicts of interest in connection with the Scope of Services under the Agreement with the Firm, together with explanations of how the Firm addresses or intends to manage or mitigate each conflict.

General Mitigations – As general mitigations of the Firm's conflicts, with respect to all of the conflicts disclosed below, the Firm mitigates such conflicts through its adherence to its fiduciary duty to Client, which includes a duty of loyalty to Client in performing all municipal advisory activities for Client. This duty of loyalty obligates the Firm to deal honestly and with the utmost good faith with Client and to act in Client's best interests without regard to the Firm's financial or other interests. In addition, because the Firm is a broker-dealer with significant capital due to the nature of its overall business, the success and profitability of the Firm is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitability built on a foundation of integrity, quality of service and strict adherence to its fiduciary duty. Furthermore, the Firm's municipal advisory supervisory structure, leveraging our long-standing and comprehensive broker-dealer supervisory processes and practices, provides strong safeguards against individual representatives of the Firm potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

I. Affiliate Conflict. The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm's advisory activities within the Scope of Services outlined in the Agreement. First Southwest Asset Management (FSAM), a SEC-registered affiliate of the Firm, provides post issuance services including arbitrage rebate and treasury management. The Firm's arbitrage team verifies rebate and yield restrictions on the investments of bond proceeds on behalf of clients in order to meet IRS restrictions. The treasury management division performs portfolio management/advisor services on behalf of public sector clients. The Firm, through affiliate First Southwest Advisory, provides a multi-employer trust tailor-made for public entities which allows them to prefund Other Post-Employment Benefit liabilities. The Firm has a structured products desk that provides advice to help clients mitigate risk though investment management, debt management and commodity price risk management products. These products consist of but are not limited to swaps (interest rate, currency, commodity), options, repos, escrow structuring and other securities. Continuing Disclosure services provided by the Firm work with issuers to assist them in meeting disclosure requirements set forth in SEC rule 15c2-12. Services include but are not limited to ongoing maintenance of issuer compliance, automatic tracking of issuer's annual filings and public notification of material events. The Firm administers two

government investment pools for Texas governments; the Short-Term Asset Reserve Fund (TexSTAR) and the Local Government Investment Cooperative (LOGIC). These programs offer Texas government entities investment options for their cash management programs based on the entities specific needs. The Firm and the aforementioned affiliate's business with a client could create an incentive for the Firm to recommend to a client a course of action designed to increase the level of a client's business activities with the affiliates or to recommend against a course of action that would reduce or eliminate a client's business activities with the affiliates. Furthermore, this potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regime as a member of multiple self-regulatory organizations in which compliance is verified by not only internal tests but annual external examinations.

- II. Other Municipal Advisor or Underwriting Relationships. The Firm serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of Client. For example, the Firm serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to Client. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, the Firm could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of the Firm to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest if, as in the example above, the municipal entities that the Firm serves as underwriter or municipal advisor have competing interests in seeking to access the new issue market with the most advantageous timing and with limited competition at the time of the offering. None of these other engagements or relationships would impair the Firm's ability to fulfill its regulatory duties to Client.
- III. Secondary Market Transactions in Client's Securities. The Firm, in connection with its sales and trading activities, may take a principal position in securities, including securities of Client, and therefore the Firm could have interests in conflict with those of Client with respect to the value of Client's securities while held in inventory and the levels of mark-up or mark-down that may be available in connection with purchases and sales thereof. In particular, the Firm or its affiliates may submit orders for and acquire Client's securities issued in an Issue under the Agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with Client in that it could create the incentive for the Firm to make recommendations to Client that could result in more advantageous pricing of Client's bond in the marketplace. Any such conflict is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that such investment activities would have an impact on the services provided by the Firm to Client under this Agreement.
- IV. Broker-Dealer and Investment Advisory Business. The Firm is dually registered as a broker-dealer and an investment advisor that engages in a broad range of securities-related activities to service its clients, in addition to serving as a municipal advisor or underwriter. Such securities-related activities, which may include but are not limited to the buying and selling of new issue and outstanding securities and investment advice in connection with such securities, including securities of Client, may be undertaken on behalf of, or as counterparty to, Client, personnel of Client, and current or potential investors in the securities of Client. These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with those of Client, such as when their buying or selling of Client's securities may have an adverse effect on the market for Client's securities, and the interests of such other clients could create the incentive for the Firm to make recommendations to Client that could result in more advantageous

pricing for the other clients. Furthermore, any potential conflict arising from the firm effecting or otherwise assisting such other clients in connection with such transactions is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that the interests of such other clients would have an impact on the services provided by the Firm to Client.

V. <u>Compensation-Based Conflicts</u>. Fees that are based on the size of the issue are contingent upon the delivery of the Issue. While this form of compensation is customary in the municipal securities market, this may present a conflict because it could create an incentive for the Firm to recommend unnecessary financings or financings that are disadvantageous to Client, or to advise Client to increase the size of the issue. This conflict of interest is mitigated by the general mitigations described above.

Fees based on a fixed amount are usually based upon an analysis by Client and the Firm of, among other things, the expected duration and complexity of the transaction and the Scope of Services to be performed by the Firm. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the Firm may suffer a loss. Thus, the Firm may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest is mitigated by the general mitigations described above.

Hourly fees are calculated with, the aggregate amount equaling the number of hours worked by Firm personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if Client and the Firm do not agree on a reasonable maximum amount at the outset of the engagement, because the Firm does not have a financial incentive to recommend alternatives that would result in fewer hours worked. This conflict of interest is mitigated by the general mitigations described above.

## PART B - Disclosures of Information Regarding Legal Events and Disciplinary History

MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel.

Accordingly, the Firm sets out below required disclosures and related information in connection with such disclosures.

- **I.** <u>Material Legal or Disciplinary Event</u>. The Firm discloses the following legal or disciplinary events that may be material to Client's evaluation of the Firm or the integrity of the Firm's management or advisory personnel:
  - For related disciplinary actions please refer to the Firm's <u>BrokerCheck</u> webpage.
  - The Firm self-reported violations of SEC Rule 15c2-12: Continuing Disclosure. The Firm settled with the SEC on February 2, 2016. The firm agreed to retain independent consultant and adopt the consultant's finding. Firm paid a fine of \$360,000.

- The Firm settled with the SEC in matters related to violations of MSRB Rules G-23(c), G-17 and SEC rule 15B(c) (1). The Firm disgorged fees of \$120,000 received as financial advisor on the deal, paid prejudgment interest of \$22,400.00 and a penalty of \$50,000.00.
- The Firm entered into a Settlement Agreement with Rhode Island Commerce Corporation. Under the Settlement Agreement, the firm agreed to pay \$16.0 million to settle any and all claims in connection with The Rhode Island Economic Development Corporation Job Creation Guaranty Program Taxable Revenue Bond (38 Studios, LLC Project) Series 2010, including the litigation thereto. The case, filed in 2012, arose out of a failed loan by Rhode Island Economic Development Corporation. The firm's predecessor company, First Southwest Company, LLC, was one of 14 defendants. FirstSouthwest's engagement was limited to advising on the structure, terms, and rating of the underlying bonds. Hilltop settled with no admission of liability or wrongdoing.
- II. How to Access Form MA and Form MA-I Filings. The Firm's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at Forms MA and MA-I. The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by the Firms in its capacity as a broker-dealer on Form BD or Form U4 or as an investment adviser on Form ADV, as applicable. Information provided by the Firm on Form BD or Form U4 is publicly accessible through reports generated by BrokerCheck at <a href="http://brokercheck.finra.org/">http://brokercheck.finra.org/</a>, and the Firm's most recent Form ADV is publicly accessible at the Investment Adviser Public Disclosure website at <a href="http://www.adviserinfo.sec.gov/">http://www.adviserinfo.sec.gov/</a>. For purposes of accessing such BrokerCheck reports or Form ADV, click previous hyperlinks.

### PART C - Future Supplemental Disclosures

As required by MSRB Rule G-42, this Municipal Advisor Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of the Firm. The Firm will provide Client with any such supplement or amendment as it becomes available throughout the term of the Agreement.

CERTIFICATE OF INTERESTED PAR	TIES	FORM <b>1295</b>		
			1 of 1	
Complete Nos. 1 - 4 and 6 if there are interested parties. Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.		OFFICE U	SALESCON BANKSHARANAN	
<ol> <li>Name of business entity filing form, and the city, state and coun of business.</li> </ol>	try of the business entity's place	Certificate Number: 2017-289881		
FirstSouthwest, a Division of Hilltop Securities Inc. Dallas, TX United States		Date Filed:		
<ol><li>Name of governmental entity or state agency that is a party to the being filed.</li></ol>	e contract for which the form is	12/04/2017		
Guadalupe-Blanco River Authority		Date Acknowledge	ed:	
Provide the identification number used by the governmental ent description of the services, goods, or other property to be provided 2017 GBRA FSW FA Agreement Financial Advisory Services		the contract, and p	rovide a	
4		Nature	e of interest	
Name of Interested Party	City, State, Country (place of busin		applicable)	
		Controlling	Intermediary	
Feinberg , Hill A	Dallas, TX United States	X		
Peterson , Robert W	Dallas, TX United States	X		
Muschalek, John R	Dallas, TX United States	X		
Edge , J Michael	Dallas, TX United States	X		
Leventhal, Laura	Dallas, TX United States	X		
Marz, Michael J	Dallas, TX United States	X		
Medanich, David K	Dallas, TX United States	X		
Alexander, Laura	Dallas, TX United States	X		
Hilltop Securities Holdings LLC	Dallas, TX United States	X		
5 Check only if there is NO Interested Party.		TO THE SHARE STATE OF THE SHARE		
KELLY BRAGG	affirm, under penalty of perjury, that the			
Sworn to and subscribed before me, by the said	Dilliams, this the 2	th day of L	ecember,	
Signature of officer administering oath Printed name of	officer administering oath T	itle of officer adminis	tering oath	

## CONFLICT OF INTEREST QUESTIONNAIRE

FORM CIQ

For vendor doing business with local governmental entity

•	
This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.	OFFICE USE ONLY
This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).	Date Received
By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.	
A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.	
Name of vendor who has a business relationship with local governmental entity.	
FirstSouthwest, a Division of Hilltop Securities Inc.	
Check this box if you are filing an update to a previously filed questionnaire. (The law re completed questionnaire with the appropriate filing authority not later than the 7th busines you became aware that the originally filed questionnaire was incomplete or inaccurate.)	s day after the date on which
Name of local government officer about whom the information is being disclosed.	
Not Applicable	
Name of Officer	
Describe each employment or other business relationship with the local government officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with Complete subparts A and B for each employment or business relationship described. Attack CIQ as necessary.  A. Is the local government officer or a family member of the officer receiving or likely to the receive the than investment of the vendor?  Yes No  B. Is the vendor receiving or likely to receive taxable income, other than investment of the local government officer or a family member of the officer AND the taxable is local governmental entity?  Yes No  Pescribe each employment or business relationship that the vendor named in Section I medical contents are proportional to the proportion of the section of the sec	h the local government officer. h additional pages to this Form  kely to receive taxable income, income, from or at the direction ncome is not received from the
Describe each employment or business relationship that the vendor named in Section 1 m other business entity with respect to which the local government officer serves as an o ownership interest of one percent or more.  Not Applicable	aintains with a corporation or fficer or director, or holds an
Check this box if the vendor has given the local government officer or a family member of as described in Section 176.003(a)(2)(B), excluding gifts described in Section 176.003(a)(b) as described in Section 176.003(a)(b).	
FirstSouthwest, a Division of Hilltop Securities Inc.  By South Mullians  Signature of vendor doing business with the governmental entity	/2017 late

## CERTIFICATE OF INTERESTED PARTIES

FORM **1295** 

					1 of 1
	Complete Nos. 1 - 4 and 6 if there are interested parties. Complete Nos. 1, 2, 3, 5, and 6 if there are no interested parties.		CEI	OFFICE USE	
1	Name of business entity filing form, and the city, state and count of business.  FirstSouthwest, a Division of Hilltop Securities Inc.  Dallas, TX United States	try of the business entity's place	2017	ificate Number: 7-289881 Filed:	
2	Name of governmental entity or state agency that is a party to the being filed.	e contract for which the form is	12/0	4/2017	
	Guadalupe-Blanco River Authority			Acknowledged: 6/2017	
3	Provide the identification number used by the governmental enti- description of the services, goods, or other property to be provided 2017 GBRA FSW FA Agreement Financial Advisory Services		the co		
4	Name of Interested Party	City, State, Country (place of busin	ess)	Nature of (check ap	f interest pplicable)
_				Controlling	Intermediary
Fe	einberg , Hill A	Dallas, TX United States		Х	
Pe	eterson , Robert W	Dallas, TX United States		×	
М	uschalek, John R	Dallas, TX United States		Х	
Ed	dge , J Michael	Dallas, TX United States		Х	
Le	eventhal, Laura	Dallas, TX United States		×	
M	arz, Michael J	Dallas, TX United States		Х	
Medanich, David K Dallas, TX United States				×	
Al	exander, Laura	Dallas, TX United States		Х	
	illtop Securities Holdings LLC	Dallas, TX United States		Х	
5	Check only if there is NO Interested Party.				
6	AFFIDAVIT I swear, or a	affirm, under penalty of perjury, that the	above	disclosure is true	and correct.
	AFFIX NOTARY STAMP / SEAL ABOVE	Signature of authorized agent of con	tracting	g business entity	
	Sworn to and subscribed before me, by the said	, this the		day of	
	Signature of officer administering oath Printed name of o	officer administering oath T	itle of	officer administeri	ing oath

## M°CALL, PARKHURST & HORTON L.L.P.

717 NORTH HARWOOD NINTH FLOOR DALLAS, TEXAS 75201-6587 TELEPHONE: 214 754-9200 FACSIMILE: 214 754-9250 700 N. ST. MARY'S STREET
1525 ONE RIVERWALK PLACE
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

600 CONGRESS AVENUE 1800 ONE AMERICAN CENTER AUSTIN, TEXAS 78701-3248 TELEPHONE: 512 478-3805 FACSIMILE: 512 472-0871

May 13, 2015

Guadalupe-Blanco River Authority c/o William E. West, Jr., General Manager 933 E. Court Street Seguin, Texas 78156

RE: AGREEMENT TO PROVIDE BOND COUNSEL SERVICES TO THE GUADALUPE-BLANCO RIVER AUTHORITY

#### Ladies and Gentlemen:

Thank you for the opportunity to submit this letter which will outline our agreement to provide services as Bond Counsel to the GUADALUPE-BLANCO RIVER AUTHORITY ("GBRA") in connection with the issuance of revenue bonds to finance or refinance various public improvements by GBRA (hereinafter generally referred to as the "Bonds"). It has been a privilege for our firm to have served as Bond Counsel for GBRA for many years, and we look forward to the opportunity to continue to do so in the future.

### SERVICES

In connection with the issuance of a series of Bonds, at the request of GBRA, we will perform all usual and necessary legal services as Bond Counsel. Specifically, we will prepare and direct legal proceedings and perform other necessary legal services with reference to the authorization, sale, and delivery of the Bonds, including the following as they apply:

- 1. Provide preliminary advice concerning financing structures, potential sources for revenue pledges, and other legal matters related to public finance.
- 2. Prepare all instruments pursuant to which the Bonds will be authorized, secured, sold, and delivered in consultation with GBRA's staff, the Board of Directors, GBRA's Financial Advisor, and other officials and consultants of GBRA.
- 3. Attend meetings of the Board of Directors and meetings with GBRA's staff to the extent required or requested.
- 4. Attend meetings and/or conference calls with the representatives of GBRA and meetings and/or conference calls with the underwriters, rating agencies or bond insurers relating to the Bonds to the extent requested or required.

- 5. Cooperate with GBRA and its consultants in the preparation of an Official Statement or other offering materials, including review of the information therein describing the Bonds, the security therefor, and the federal income tax status thereof.
- 6. Submit the documents related to the issuance of the Bonds to the Attorney General of the State of Texas for approval and obtaining the registration of the Bonds by the Comptroller of Public Accounts of the State of Texas, as required by law.
- 7. Supervise the printing, execution, and delivery of the Bonds to the initial purchasers thereof, or coordinate the preparation of initial Bonds to be delivered to the Depository Trust Company ("*DTC*") in connection with DTC's book-entry-only system, as applicable.
- 8. When so delivered, render an opinion regarding the validity of the Bonds under Texas law and the tax exempt status of the interest thereon under federal income tax laws.
- Provide post-issuance advice, as may be requested by GBRA, concerning such subjects as arbitrage and rebate matters relating to the Bonds and the application of Bond proceeds.

## COMPENSATION

Except as noted in the following paragraph, we would propose charging fees for performing services as Bond Counsel for GBRA equal to \$7,500 plus \$1.25 per \$1,000 in principal amount of Bonds issued by GBRA over \$1,000,000 whether sold through a negotiated underwriting, a competitive sale or a private placement and whether the Bonds are issued for "new money" or refunding purposes. For example, based on that proposed fee schedule, our fees as Bond Counsel for a \$10,000,000 bond issue would be \$18,750.

If Bonds issued by GBRA are purchased by the Texas Water Development Board, the United States Department of Agriculture (USDA), or another state or federal agency, we would propose a fee equal to \$10,000 for first \$1,000,000 in principal amount, 1/2 of 1% of the principal amount of the Bonds for next \$4,000,000, and 1/5th of 1% of the principal amount of the Bonds for amounts over \$5,000,000, subject to a minimum fee of \$12,500 for transactions under \$1,000,000, and a minimum fee of \$15,000 for transactions over \$1,000,000.

Our fees are contingent upon the actual delivery of a series of Bonds. No fees will be due the firm in connection with the issuance of a series of Bonds if GBRA does not issue and deliver such Bonds.

We would also request to be reimbursed for reasonable out-of-pocket expenses (i.e., costs for photocopies, telecopies, long distance telephone, overnight courier and delivery services, transcript binding, travel, and publication of required notices, if any) related to the issuance of a series of Bonds, which generally do not exceed \$2,000. In addition, state law requires GBRA to pay a nonrefundable examination fee to the Attorney General in connection with the issuance of a series of Bonds (see Section 1202.004, Texas Government Code, as amended) equal to 1/10th of 1% of the principal amount of the Bonds, subject to a minimum fee of \$750 and a maximum fee of \$9,500. At the appropriate time we will request that GBRA provide a check payable to the Attorney General for such amount, but in the event that our firm pays such statutory filing fee on GBRA's behalf, we will request to be reimbursed for such payment. In any event, GBRA will be able to reimburse itself with proceeds of the Bonds for such payment to the Attorney General.

#### RECORDS

At your request, papers and property furnished by you will be returned promptly. All complete and final drafts of agreement(s), documents, legal memoranda, correspondence, reports, information and other data given to, prepared or assembled by us in furtherance of work performed on behalf of GBRA, and any other related documents or items, shall become the sole property of GBRA and shall be delivered to GBRA upon request without restriction on future use. We may make copies of any and all documents for our files, at our sole cost and expenses.

#### CONFLICTS

Our firm represents many political subdivisions and others who do business with political subdivisions. It is possible that during the time that we are representing GBRA, one or more of our present or future clients will have transactions with GBRA. It is also possible that we may be asked to represent, in an unrelated matter, one or more of the entities involved in other matters with GBRA. We do not believe such representation, if it occurs, will adversely affect our ability to represent GBRA as provided in this correspondence, either because such matters will be sufficiently different from the matter which is the subject of this letter agreement so as to make such representations not adverse to our representation of GBRA, or because the potential for such adversity is remote or minor and outweighed by the consideration that it is unlikely that advice given to the other client will be relevant to any aspect of this matter. However, in the event we determine there is a conflict of interest or potential conflict of interest after the representation commences, we will immediately notify GBRA in writing.

## CONCLUSION

We greatly appreciate the opportunity to serve GBRA as Bond Counsel and to submit this agreement for services. If you have any questions regarding this agreement or if we can provide you with any additional information regarding our firm, please feel free to contact the undersigned.

Guadalupe-Blanco River Authority Agreement to Provide Bond Counsel Services May 13, 2015 Page 4

#### **ACCEPTANCE**

If the Board of Directors finds the terms in this letter acceptable, please indicate your acceptance and agreement of this engagement letter by signing on the line provided below.

Cordially yours,

McCALL, PARKHURST & HORTON L.L.P.

By: Thomas K. Spurgeon

W. E. West, Jr.

Partner

ACCEPTED AND AGREED TO:

**GUADALUPE-BLANCO RIVER AUTHORITY** 

By: General Manager

Date: May 20, 2015

# ADOPTED BY THE BOARD OF DIRECTORS OF THE GUADALUPE-BLANCO RIVER AUTHORITY AT A REGULAR MEETING HELD ON THE 15<sup>TH</sup> DAY OF APRIL, 2015

APPROVED:

Chair, Board of Directors

ATTEST:

Secretary/Treasurer, Board of Directors

# ADOPTED BY THE BOARD OF DIRECTORS OF THE GUADALUPE-BLANCO RIVER AUTHORITY AT A REGULAR MEETING HELD ON THE 15<sup>TH</sup> DAY OF APRIL, 2015

APPROVED:

Chair, Board of Directors

ATTEST:

Secretary/Treasurer, Board of Directors

## **WORK AUTHORIZATION**

This Work Authorization pertains to an Engineering Services Agreement between the Guadalupe-Blanco River Authority ("AUTHORITY") and HDR Engineering, Inc. ("ENGINEER"), dated February 6, 2018 ("AGREEMENT"). ENGINEER shall perform services on the project described below as provided herein and in the AGREEMENT. This Work Authorization shall not be binding until it has been properly signed by both parties. Upon execution, this Work Authorization shall supplement the AGREEMENT as it pertains to the Work described below.

WORK AUTHO	ORIZATION NUMBER:	1	
ACTIVITY NA	ME:	Carrizo Ground Engineering Se Program Manag	
PART 1.0	ACTIVITY DESCRIPTION:	Per Attachment	1.
PART 2.0	SCOPE OF SERVICES TO BE PER	FORMED BY ENC Per Attachment	
PART 3.0	AUTHORITY'S RESPONSIBILITII		and Attachment 1.
PART 4.0	PERIODS OF SERVICE:	Per Agreement	and Attachment 1.
PART 5.0	PAYMENTS TO ENGINEER:	Per Agreement	and Attachment 1.
PART 6.0 This Work Auth	OTHER: norization is executed this	_day of _Apri/	
"OWNER"	-BLANCO RIVER AUTH.	HDR ENGINEER "ENGINEER"	ING, INC.
BY:		BY:	Melly J. Mark)
NAME:	Kevin Patteson	NAME:	Kelly J. Kaatz
TITLE:	General Manager / CEO	TITLE:	Senior Vice President
ADDRESS:	933 East Court Street	ADDRESS:	4401 West Gate, Suite 400
	Seguin, Texas 78155		Austin, Texas 78745
	. /		

## ATTACHMENT 1

## Guadalupe-Blanco River Authority

Carrizo Groundwater Supply Project (CGSP)

**Engineering Services Program Management** 

HDR Engineering, Inc. Work Authorization #1 Scopes of Services March 28, 2018

Scopes of Services, including estimated schedules for performance and associated fees, in each of the following major service areas or activities are included in Work Authorization #1 (WA#1) for Engineering Services Program Management for the Carrizo Groundwater Supply Project (CGSP).

- A. Project Planning
- B. Program Management & Controls
- C. Program Planning Groundwater Development
- D. Program Planning Water Quality
- E. Program Planning & Design Engineering Transmission & Integration
- F. Environmental Services
- G. Real Estate Services

Services described herein are not intended to be comprehensive and will be supplemented as necessary by mutual agreement of GBRA and HDR through additional Work Authorizations and/or performance of requested Special Services during the planning, design, construction, and start-up/close-out phases of project implementation.

## Activity A. Project Planning

- 1. Provide technical support to GBRA in development of agreements with Alliance Regional Water Authority (ARWA) and GBRA customers (New Braunfels Utilities, Goforth Special Utility District, and the City of Lockhart).
- Prepare for and participate in up to twenty-five (25) periodic project planning and coordination
  meetings with GBRA and/or ARWA staff as well as the ARWA Program Management consultant
  during calendar year 2018. Such meetings may include participation in a technical advisory
  committee focused on design standards and/or other decisions of mutual importance to GBRA
  and ARWA.

- 3. Assist with preparation of a Texas Water Development Board (TWDB) State Water Implementation Fund for Texas (SWIFT) application for the CGSP including GBRA facilities (groundwater production, raw water collection, and treated water delivery points) and GBRA/ARWA shared facilities (water treatment plant and treated water transmission systems).
  - a. Provide technical support to FirstSouthwest, GBRA staff, and other consultants to compile required general, legal, financial, and project information for application.
  - b. Participate in application coordination meetings with TWDB, GBRA, and ARWA staff.
  - c. Provide technical support to GBRA staff in responding to TWDB requests for information regarding the application.
- 4. Prepare an Engineering Feasibility Report (EFR) or Preliminary Engineering Feasibility Report (PEFR) in accordance with current TWDB guidance and relying, to the extent appropriate, on available feasibility studies. Elements of the EFR shall include:
  - a. Description of project and relevant existing facilities.
  - b. Summary of population and water demand projections, existing supplies, and needs to be met by project implementation.
    - i. Solicit relevant information from GBRA customers.
    - ii. Compare information received to that in the State Water Plan.
  - c. Summary of alternatives to the proposed project and bases for selection. Alternatives are expected to include the following CGSP options:
    - i. GBRA Independent.
    - ii. ARWA Independent.
    - iii. GBRA-ARWA Joint (Shared Facilities).
  - d. Applicable project specific requirements including:
    - i. Description of new water source including reliability.
    - ii. Site description and mapping.
    - iii. Type of water treatment and facility capacity.
    - iv. Basic design data including pumping and transmission capacities.
    - v. Adequacy in terms of delivery capacity and pressure maintenance.
    - vi. Operations and maintenance.
  - e. Project cost estimates by category, source(s) of funding, and time incurred.
  - f. Detailed project implementation schedule.
  - g. Environmental documentation focused on GBRA facilities (described under Activity F, Environmental Services). HDR will rely on ARWA environmental documentation for shared facilities.
- 5. Develop preliminary conceptual engineering level cost estimates for a consolidated GBRA well field, raw water collection system, and raw water transmission pipeline to the water treatment plant site acquired by ARWA. Elements of this task include the following:
  - a. Develop a preliminary consolidated well field configuration based on GBRA leases, new Gonzales County Underground Water Conservation District (District) rules, estimated production rates, potential conflicts, and desktop environmental review (Activity F.1).
  - b. Layout a raw water collection system serving the consolidated well field configuration.
  - c. Identify a preliminary raw water transmission pipeline route connecting the consolidated well field to the water treatment plant site.

- d. Prepare a brief draft technical memorandum including cost estimates, relevant assumptions, and supporting graphics within approximately one (1) month of receipt of notice to proceed. Submit final technical memorandum within approximately one (1) week of receipt of GBRA comments on the draft.
- 6. Upon GBRA direction and in consultation with GBRA staff, coordinate issuance of requests for qualifications (RFQs), evaluation of responsive statements of qualifications (SOQs), and selection of consultants for right-of-way and/or design services. HDR services and estimated fees in support of GBRA procurement of services are described in the scopes for associated activities.

## **Activity B. Program Management & Controls**

#### PROGRAM ADMINISTRATION

- 1. Perform the following Program Administration activities.
  - a. Conduct up to two (2) progress meetings per month as directed by GBRA. Provide draft and final meeting minutes.
  - b. Prepare progress reports for submittal to GBRA with monthly invoices.
  - c. Perform routine duties in support of the program including, but not limited to, administration of the program, correspondence, day-to-day communications, invoicing, management of resources related to program, and coordination with GBRA.

## PROGRAM MANAGEMENT PLAN

- 2. In consultation with GBRA, develop the Program Management Plan (PMP) for governance and implementation of the Carrizo Groundwater Supply Project.
  - a. Review current GBRA practices and systems including capital project planning and design, program management and coordination, scheduling and schedule monitoring, cost management and monitoring, document control practices and progress reporting.
  - b. Identify and implement priority practices that could enhance efficiency and productivity and/or offer cost saving opportunities.
  - c. Identify and implement key performance metrics used to measure progress towards successful completion of the project.
  - d. Identify a reporting tool and integrate key performance metrics for measuring progress and success of the program
  - e. Develop and implement a Quality Assurance/Quality Control (QA/QC) Plan addressing QC of data, deliverables, and design and construction of project elements as well as QA services to monitor implementation of the QA/QC Plan.
  - f. Coordinate Document Control procedures with the Program Controls.
  - g. Develop and implement Program-level Risk Management Procedures.
  - h. Develop and implement an Organizational Structure and Staffing Plan including both GBRA and HDR personnel.
    - i. Define roles and responsibilities for key management and technical personnel.
    - ii. Confirm organizational governance with regard to decision making and reporting protocols.
    - iii. Identify GBRA resources that will be made available to the Program.
  - i. Develop and implement an internal Communication Plan for Program staff and GBRA staff.
  - j. Provide draft and final versions of the PMP.

#### PROGRAM CONTROLS

- 3. Prepare and maintain a Program Master Schedule.
  - Collaborate with ARWA to identify the standard project and program scheduling tools and confirm acceptability to GBRA.
  - b. Incorporate the activities identified in the PMP.
  - c. Incorporate appropriate design, planning, and construction activities.
  - d. The Program Master Schedule will include the following elements:
    - i. A detailed Work Breakdown Structure to organize, code, capture, and sort schedule and cost information on Program activities from planning to closeout.
    - ii. Functionality to generate both detailed and summary progress reports by schedule, phase, critical path activity, and other pertinent groupings.
    - iii. Program-related capital projects and task activities, float, critical path activities, major milestones, key deliverables, target dates, relationships among activities, duration, cost/time to completion relationships, and notifications
  - e. Provide Cost Management and Controls services during planning, design, and construction phases of the Program.
    - i. Produce baseline and monthly schedule update cost distribution curves based on design consultant and contractor cost loaded schedules. Cost schedules will be developed as other design consultants and contractors are engaged.
    - ii. Review invoice data to verify budgets, commitments, and actual expenditures and identify variances.
    - iii. Review schedules associated with change orders for compliance with the contract and Program Master Schedule.
    - iv. Provide Opinions of Probable Construction Cost and cost control support services.
  - f. Develop and implement Document and Records Management protocols.
    - i. Assist GBRA with capture, storage, and retrieval of program-related documents.
    - ii. Support collection, management, organization, indexing, and distribution of program-related documents
    - iii. Coordinate with GBRA Information Technologies (IT) personnel regarding data archival and query support protocols to meet GBRA record retention requirements.

## Activity C. Program Planning - Groundwater Development

- 1. Coordinate with the Gonzales County Underground Water Conservation District (District). Activities will include:
  - a. Meeting with District personnel to update the project parameters, solicit feedback on permit amendment options and required documentation, and identify existing Carrizo wells that could be sampled by GBRA. Provide draft and final meeting minutes.
  - b. Coordinate groundwater sampling activities with the District and well owner(s). Also prepare and transmit copies of field and laboratory analytical results.
  - c. Meet with the District and the Well Field Designer to present preliminary well locations, pumping rates, and associated drawdown impacts prepared by the Well Field Designer for the amended permit. Provide draft and final meeting minutes.

- d. Support GBRA in determining final well locations, pumping rates, and associated drawdown impacts for the amended permit.
- 2. Obtain additional Carrizo water quality data in the vicinity of the proposed well field to include:
  - a. Assist GBRA with obtaining rights-of-entry to non-District owned wells to be sampled.
  - b. Perform or contract for field water quality measurements, water sampling, and laboratory analyses.
  - c. Prepare and transmit copies of water quality results to GBRA and other parties designated by GBRA.
- 3. Develop an ArcGIS geodatabase (GDB) of the GBRA groundwater leases for this project based on mapping provided by GBRA (2018-03-05 PDF Map from March of 2017.pdf) and link this GDB to a GBRA maintained database/Excel worksheet of information (ownership, payments, wells, etc.) related to the leases if such database (including lease identification number) is available from GBRA. A maximum of 250 leases is assumed for the project area. GBRA will provide all lease documents in PDF format. Each lease will have a separate folder for all of the documents associated with that lease and the identification numbers listed for these folders are assumed to match the identification number shown on the March 2017 map.
  - a. Maintain and periodically update the GDB as needed (during calendar year 2018) to ensure that the data is current.
  - b. Develop an ArcGIS Online site that can be accessed by GBRA staff to query the groundwater lease GDB. It is assumed that GBRA will purchase its own ArcGIS Online subscription for its users.
- 4. Assist GBRA in preparation of a request for qualifications (RFQ) for well field engineering consulting services including, but not limited to, hydrologic and hydraulic modeling, preliminary engineering, well field spacing and siting, and design services related to groundwater development, production, collection, and transmission to a water treatment plant.
- 5. Provide technical review of all well field preliminary design phase deliverables including all permitting documents. Comment documentation, tracking, and resolution will be in conformance with the program controls protocols for the project.

### **Assumptions:**

- 1. Up to two (2) existing wells will be sampled. Wells will have existing, operational electric pumps to enable sample collection. HDR will provide a portable generator, as needed, to power the electric pumps. Water levels will not be monitored to avoid damaging the pump or sounding device.
- 2. All water quality analyses will be conducted by a laboratory approved by TCEQ for drinking water analyses. Analyses will focus on parameters relevant to the design and operation of the proposed water treatment plant.
- 3. Qualified HDR staff will be onsite during all well sampling activities.

## Activity D. Program Planning - Water Quality

The following tasks are intended to compile available source groundwater quality data for GBRA and ARWA well fields, compile current treated water characteristics for GBRA CGSP customers, and recommend goals for CGSP treated water quality.

#### 1. Data Collection and Evaluation

- a. Using testing results obtained under Activity C, evaluate GBRA source groundwater for primary and secondary drinking water standards and organics.
- b. ARWA Test Wells
  - i. Acquire/Review existing water quality data from ARWA test/monitoring wells.
  - ii. Provide comments on ARWA water quality data and recommend additional testing if needed.
- c. Receiving Facilities
  - i. Acquire/Review historical water quality and quantity (flow) data for each GBRA customer and ARWA member receiving facility.
  - ii. Provide comments on available data and recommend additional data or testing if appropriate.
- 2. Prepare a Water Quality Summary Report including:
  - a. Summaries of water quality data and evaluations.
  - b. Recommended goals for treated water quality to be produced by a shared GBRA/ARWA water treatment plant.
  - c. Recommended scope of work elements to be included in an RFQ for selection of a water treatment plant design consultant.

## Meetings

- 1. Project kickoff meeting
- 2. Biweekly coordination conference calls
- 3. Up to two (2) progress meetings
- 4. Deliverable review meeting

### **Deliverables**

1. Water Quality Summary Report

# Activity E. Program Planning & Preliminary Engineering – Transmission & Integration

This scope builds on previous feasibility studies and conceptual evaluations to develop preliminary engineering (30% design) for the San Marcos water treatment plant (WTP) high service pump station (HSPS) and GBRA delivery points serving Lockhart, New Braunfels, and Goforth SUD.

- 1. Data Collection
  - a. Coordinate with the surveying subconsultant to obtain topographic and boundary survey data for San Marcos HSPS site and customer delivery point sites.
  - b. Coordinate with geotechnical subconsultant to obtain soil borings and testing for San Marcos HSPS site and customer delivery point sites.
  - c. Coordinate with GBRA staff and customers on the timing and demands of each customer.
  - d. Coordinate with the water treatment lead on finished water quality goals.
  - e. Obtain and verify hydraulic model for IH-35 pipeline and update as necessary. Perform a model run with 4 demand scenarios to determine when Goforth will need to add a booster

pump station to achieve interim or permanent water deliveries into their ground storage tank near Hillside Terrace.

#### 2. Transmission Pipeline & Design Standards

- a. Recommend a strategy for corrosion control.
- b. Recommend materials of construction for pipe, valves, and other appurtenances.
- c. Recommend bedding and backfill materials and trench design to support GBRA's goals of long-term performance and limited water loss.

#### 3. Pump Stations

- a. Review and update existing hydraulic models for the GBRA IH 35 Treated Water Delivery System (TWDS) and the GBRA Luling-Lockhart transmission system.
- b. Using the hydraulic model, evaluate GBRA Luling-Lockhart transmission system performance with integration of supplemental supplies for Lockhart from the CGSP. If necessary, recommend improvements and develop a preliminary opinion of probable construction cost.
- c. Using the hydraulic model, recommend the number and type of pumps, ground storage tanks, and ancillary equipment for the San Marcos WTP HSPS.
- d. For the San Marcos WTP delivery point, evaluate the adequacy of the available ground storage (clear well) and update the hydraulic model for the I-35 pipeline.
- e. Develop a preliminary site layout for the San Marcos WTP HSPS with new facilities.
- f. Develop a preliminary opinion of probable construction cost.

## 4. Delivery Points

- a. Coordinate with GBRA staff and customers on the facilities to be provided at the delivery points.
- b. Develop a preliminary site layout of each delivery point.
- c. Develop a preliminary opinion of probable construction cost for each delivery point.
- d. Delivery points (4) include the following:
  - i. Lockhart (1) GBRA Luling-Lockhart treated water delivery system.
  - ii. Goforth SUD (2) San Marcos WTP & Goforth SUD tanks immediately east of GBRA Hillside Terrace tanks.
  - iii. New Braunfels (1) New site to be acquired by New Braunfels Utilities.

#### Meetings

- 1. Project kickoff meeting
- 2. Biweekly coordination conference calls
- 3. Up to three (3) progress meetings
- 4. Deliverable review meeting

#### **Deliverables**

- 1. Drawings: expanded San Marcos HSPS site plan, delivery point site plans
- 2. Details: pipeline trench, delivery point flow metering
- 3. Technical specifications: bedding and backfill, pipe, valves, pumps
- 4. Preliminary opinions of probable construction cost

#### **Assumptions**

1. Services of the surveying and geotechnical subconsultants will be authorized by GBRA under a future Work Authorization (WA). Fees for these services have not been included in WA#1.

## **Activity F. Environmental Services**

HDR Environmental staff will complete the following activities focusing on the GBRA well field, collection system, raw water pipeline, and delivery/integration facilities. As the water treatment plant and treated water transmission pipelines are anticipated to be shared with ARWA, which has already secured TWDB funding for the project, any evaluations needed for shared facilities will addressed through a supplemental authorization.

#### PRELIMINARY AND TWDB ENVIRONMENTAL SUPPORT

- 1. Update GIS mapping and perform desktop environmental review for GBRA infrastructure including the well field, collection system, raw water pipeline, and delivery/integration facilities:
  - a. Update HDR's existing GIS database for resources of concern, including but not limited to, the following:
    - i. Water resources, including wetlands.
    - ii. Vegetation communities.
    - iii. State and federal threatened & endangered species.
    - iv. Cultural resources.
    - v. Land use (e.g., state-owned lands, parks, preserves, etc.).
    - vi. Hazardous waste sites.
  - b. Perform desktop environmental constraints review of the wells, collection pipeline system, access road routes (if needed), raw water pipeline route, and delivery/integration facilities to support avoidance and minimization of conflicts during preliminary site and route selections. Deliverables include electronic GIS files and environmental constraints technical memorandum.
- Provide environmental support for TWDB documentation requirements for SWIFT funding
  application and compliance with Texas Administrative Code Rules § 363.14. HDR will complete
  the following tasks for the GBRA well field, collection system, raw water pipeline, and
  delivery/integration facilities.
  - a. Perform the following on-site environmental services:
    - i. Delineation of Wetlands / Waters of the U.S.
    - ii. Threatened & Endangered Species habitat reviews.
    - iii. Historic / Cultural resource Phase I intensive investigations and assessments for areas of proposed disturbance with potential to adversely affect known and unknown historic and pre-historic resources, per Section 191 of the Texas Antiquities Code.
    - iv. Avian habitat assessment for potential nesting habitat for planning related to Migratory Bird Treaty Act compliance.
    - v. Evaluate relevant hazardous materials regulatory databases within the ASTM search radius to identify sites which have high potential to impact the proposed project alternatives.

- b. Prepare two (2) draft Environmental Data Forms (EDF), including one for the well field and collection system and one for the raw water pipeline, with the following sections and information:
  - i. Project description (with exhibits).
  - ii. Alternatives analysis.
  - iii. Impact assessment to resources of concern.
  - iv. Proposed mitigation measures.
- c. Facilitate agency correspondence through performance of the following:
  - Prepare agency correspondence and submit draft EDF to Texas Parks & Wildlife Department (TPWD), Texas Commission on Environmental Quality (TCEQ), Texas Historical Commission (THC), US Army Corps of Engineers (USACE), and US Fish & Wildlife Service (USFWS).
  - ii. Provide circumstantial agency coordination (e.g., floodplain coordination, other public entities, etc.).
- d. Coordinate EDF revisions in consultation with the TWDB. Coordination is expected to include:
  - i. Meeting with TWDB reviewers.
  - ii. Revision of the EDF document and exhibits based on agency coordination.
  - iii. Refinement of proposed mitigation measures.
  - iv. Submittal of Final Draft EDF to TWDB and coordination with TWDB environmental reviewers.
  - v. Revision of document and exhibits and submittal of supplemental information to develop the Final EDF.

### PERMITTING SUPPORT

- 3. HDR engineers and environmental permitting staff will conduct the following activities to evaluate Clean Water Act, Section 404 permitting requirements for the GBRA well field, collection system, raw water pipeline, and delivery point/integration facilities:
  - a. Evaluate the preliminary design and environmental conditions (e.g., waters of the U.S., cultural resources, and federal threatened / endangered species) to determine potential impacts to waters of the U.S., estimate impacts, and assess compliance with conditions of Nationwide General Permit 12 (NWP) for Linear Utility Projects.
  - b. Coordinate with well field design consultant to refine preliminary layout design to avoid impacts to waters of the U.S. with the goal of meeting the general conditions for authorization under NWP 12.
  - c. Provide a detailed Section 404 permitting memorandum which summarizes the following for each project component:
    - i. Project component description.
    - ii. Waters of the U.S. by project area.
    - iii. Estimated permanent and temporary impacts by type of water of the U.S.
    - iv. NWP 12 condition review, including need for a Pre-Construction Notification (PCN).
  - d. If required, HDR will prepare a PCN for verification of authorization for those components of the project and single-and-complete crossings of waters requiring notification of the USACE Galveston (Gonzales Co.) or Fort Worth (Caldwell Co.) Districts.

#### **Assumptions:**

- 1. Since the well field is already leased, a Phase I Environmental Site Assessment (ESA) per ASTM standards will not be necessary as part of the well and collection system evaluation.
- 2. HDR is proposing to draft two EDFs for the project. Segmenting the environmental review of the project will allow GBRA to move forward with the construction of the well field sooner and will potentially prevent project delays.
- 3. HDR anticipates the Draft EDFs will require one round of agency comment responses. All responses will be submitted to the TWDB environmental reviewer assigned to the project.
- 4. HDR anticipates the project would meet conditions for a NWP 12 without pre-construction notification (PCN). However, to provide agency documentation needed for the TWDB SWIFT funding program requirements, HDR will prepare a NWP 12 permit evaluation summarizing project components, impacts, and illustrate compliance with NWP general conditions for submittal to USACE with request for verification of NWP coverage.
- 5. Phase I ESA tasks are anticipated during future right-of-way acquisition and are not included in this scope. A supplemental scope and estimate can be provided once the raw water transmission pipeline alignment is selected and the number and general condition of parcels is better defined.
- 6. Phase I intensive cultural resource surveys may be required to meet TWDB and THC requirements for the EDFs. If required, Phase I surveys will consist of surveys of up to 8 well sites (200' x 200'), cumulative total of 15 miles of raw water collection and transmission pipelines, and backhoe trenching at up to 12 stream crossing locations.
- 7. Phase II (NRHP) eligibility testing activities of unavoidable sites, if required, will be conducted under a supplemental agreement.
- 8. The locations with proposed connections or improvements to existing delivery system infrastructure for Lockhart, San Marcos high service pump station, and Goforth SUD are not anticipated to require on-site cultural resource investigations.
- 9. Presence / absence surveys for threatened and endangered species or freshwater mussel surveys could be conducted as supplemental services.
- 10. Due to anticipated limited impacts to waters of the U.S. for pipeline crossings, TXRAM and the Galveston District's Functional Assessment tool for streams and wetlands are not anticipated to be required.

## Activity G. Real Estate Services

- Assist GBRA in preparation of a request for qualifications (RFQ) for Real Estate Services
  associated with the GBRA well field, collection system, raw water pipeline, and delivery
  point/integration facilities. Services will include writing scope for the following services: Real
  Estate Services Administrative Services; Obtaining Rights of Entry; Market Analysis; Appraisal
  Review; Appraisals; Negotiations; Title Curative; Closing; Eminent Domain Support; and File
  Close Out.
- 2. Provide support to GBRA in evaluation of responsive statements of qualifications (SOQs) and selection of consultants.

Carrizo Groundwater Supply Project (CGSP)		
<b>Engineering Services Program Management - Work Authorization</b>	#1	
Activities	Esti	mated Fee
A – Project Planning	\$	162,100
B - Progam Management & Controls	\$	193,300
C – Program Planning - Groundwater Development	\$	81,300
D – Program Planning - Water Quality	\$	51,300
E – Program Planning & Design Engineering - Transmission & Integration	\$	149,300
F - Environmental Services	\$	178,200
G - Real Estate Services	\$	19,600
Total	\$	835,100

See page 13 for summary of activities, tasks, positions, and estimated hours.

Carrizo Groundwater Supply Project (CGSP) Engineering Services Program Management - Work Autho	Authorization #1	#	}														
Activities	Prog. Mgr.	Asst. Prog. Mgr.	Sr. Engr.	Engr.	EIT	Cont. Cont. Mgr. Spec.	ł I	Real Est. Mgr. E	Real E Est. S	Sr. Envi Envi. Sci. Sci. Sci.	Envi. Arch. Sci.	h. Sta	Arch. CADD Staff Tech. 1	CADD GIS Tech. Tech.	Acct.	Total Hours	Estimated Fee
A – Project Planning	L															750	\$ 162,100
1) Technical Support for Agreements	4	4	9					2		2						92	
2) Coordination Meetings	200	200													2	402	
3) SWIFT Application	48	64														112	
4) Engineering Feasibility Report	34	62												80		104	
5) Consolidated Well Field Cost TM	12	48	8											28	-	106	
6) RFQ Coordination	4	4														80	
B - Progam Management & Controls																1080	\$ 193,300
1) Program Administration	48	72				24	100								16	260	
2) Program Management Plan	28	9				24	100									252	
3) Program Controls	72	144				72	280									268	
C - Program Planning - Groundwater Development																410	\$ 81,300
1) GCUWCD Coordination			8													28	
2) Groundwater Quality Sampling			16	4	20											40	
3) Lease Geodatabase	7	4												204		210	
4) Well Field Engineering RFQ	2	4	16													52	
5) Preliminary Design Deliverable Review	2	4	2	9					ļ							110	
D - Program Planning - Water Quality																224	\$ 51,300
1) Water Quality Evaluations	2	2	50	12												36	
2) Water Quality Summary Report	10	1	112	26												188	
E - Program Planning & Design Engineering - Trans. & Int	1															837	\$ 149,300
1) Data Collection	2	2	35	4						4			20	4		20	
2) Transmission Pipeline & Design Standards	~	۲۷	12	8									80			4	
3) Pump Stations	4	6	176	224									9/	16		505	
4) Delivery Points	4	80	9	112									4			218	
F - Environmental Services																1237	\$ 178,200
1) Desktop Environmental Review		2												54		96	
2) SWIFT Environmental Data	18	က								30 4(	400 16	410		2		947	
3) 404 Permitting														32		194	
G - Real Estate Services																88	\$ 19,600
1) Real Estate Services RFQ	4								46							99	
2) Evaluate SOQs	7								16							22	
Total	512	756	544	472	20	120	480	22	62	68 57	576 24	418	148	386	18	4626	\$ 835,100

## A6 & A7

Counties

Kendall

Comal

Hays

Caldwell

Guadalupe

Gonzales

De Witt

Victoria

Calhoun

Refugio

Identify the Applicant's total service area population:: 237,900

# Funding Program(s)

**Funding Programs** 

SWIFT: \$57,930,000

# Other Funding Sources

Other Funding Sources

Funding Source	Type of Funds (Loan, Grant, etc.)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date

Other Funding Comments:

# Funding & Project Type

Has this project received TWDB funding for any other project phases?: N

Requesting Funding for Planning: Y Requesting Funding for Acquisition: Y

Requesting Funding for Design: Y

Requesting Funding for Construction: Y

Is the project a water project?: Y

Is the project a wastewater project?: N

Is Applicant requesting funding to refinance existing debt?: N

**DUNS**:

### Federal Awards information:

- 1. Did applicant receive over 80% of their revenue from Federal Awards last year?:
- 2. Did applicant receive over \$25 million in Federal Awards last year?:
- 3. Does the public have access to executive compensation information via SEC or IRS reports?:

Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts):

## Contractors & Loan/Grant Participation Summary

Have you already solicited contractors?: Have contracts already been awarded?:

## **Legal Information**

Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues.: Chapter 75, Acts of the 43rd Legislature, First Called Session, 1933, as amended (the "GBRA Act"), particularly Section 2(v) and 2(x) thereof; and Chapters 1201 and 1371, Texas Government Code.

What type of pledge will be used to repay the proposed debt?: OTHER

Provide the full legal name of the security for the proposed debt issue(s).: (i) Guadalupe-Blanco River Authority Contract Revenue Bonds, Series 2018A and Series 2018B (Gonzales Carrizo Water Supply Project), and (ii) Board Participation Master Agreement between the TWDB and the Guadalupe-Blanco River Authority

Describe the pledge being offered and any existing rate covenants.: A first lien on a pledge of the "Pledged Revenues" derived by the Applicant under certain water supply agreements entered into by the Applicant with, currently, the Cities of Lockhart and New Braunfels and the Goforth Special Utility District to receive water from the Project (and any other similar agreements the Applicant may enter into with other customers in the future). The "Pledged Revenues" will consist of the "Gross Contract Revenues" and interest income received under certain funds to be established under the Bond Resolution. The term "Gross Contract Revenues" will consist of all revenues derived by the Applicant from each "Participant" pursuant to their respective Water Supply Agreements which constitute payments relating to the payment of the following components:

- (i) the "Gonzales Carrizo Debt Service Charge" (generally described as to the payment of the principal and interest requirements on all outstanding "Parity Obligations" due during each Fiscal Year, plus a coverage factor not to exceed 10% of such requirements);
- (ii) the "Gonzales Carrizo Water Rate Charge" [generally described as a charge relating to the rate per acre-foot of treated water determined by the Applicant to then be in effect for the commitment of capacity in the Project and which shall be sufficient to cover "Groundwater Lease Payments," the "District Fees," and the fixed "Operation, Maintenance, and Administrative Expenses" of the Project (as such capitalized terms are defined in the Water Supply Agreement)], as those payments, fees, and expenses are incurred; and
  - (iii) the "Gonzales Carrizo Delivery Rate Charge" [generally described as a charge relating to a

rate per 1000 gallons of water determined by the Applicant to then be in effect for the delivery of water through the Project and which will be sufficient to cover variable "Operation, Maintenance, and Administrative Expenses" related to the delivery of water through the Project (as such capitalized terms are defined in the Water Supply Agreements) that are not otherwise included in the Gonzales Carrizo Water Rate or the Gonzales Carrizo Debt Service Charge).

RESOLUTION REQUESTING FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD FOR THE GONZALES CARRIZO WATER SUPPLY PROJECT; AUTHORIZING THE FILING OF AN APPLICATION FOR FINANCIAL ASSISTANCE; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

# THE STATE OF TEXAS GUADALUPE-BLANCO RIVER AUTHORITY

8

WHEREAS, the GUADALUPE-BLANCO RIVER AUTHORITY ("GBRA") is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to the provisions of Chapter 75, Acts of the 43rd Legislature, First Called Session, 1933, as amended; and

WHEREAS, the Board of Directors hereby finds and determines that there is an urgent need to plan, design, acquire, construct and equip a new groundwater supply project, known generally as the "Gonzales Carrizo Water Supply Project," which primarily consists of the acquisition of groundwater leases for the Carrizo Aquifer water in Gonzales and Caldwell counties, and the construction and equipping of facilities to pump, treat, and convey groundwater in and from Gonzales and Caldwell counties, including but not limited to water treatment plant(s) and associated facilities, and facilities to convey treated water through and to Gonzales, Guadalupe, Caldwell, Hays, and Comal counties, as well as storage and blending facilities, and other facilities necessary or desirable for the supply of treated water to GBRA customers (the "Project"); and

WHEREAS, the Board of Directors has further determined that it is necessary to request financial assistance through the State Water Implementation Revenue Fund for Texas created pursuant to Subchapter G of Chapter 15, Texas Water Code (and more commonly known as the "SWIFT Program") in the amount not to exceed \$211,780,000 to plan, design, acquire, construct, and equip the Project and to finance costs of issuance and capitalized interest and certain operating costs during the construction period; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Resolution was passed was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GUADALUPE-BLANCO RIVER AUTHORITY:

SECTION 1. REQUEST FOR FINANCIAL ASSISTANCE; APPROVAL OF APPLICATION. The Texas Water Development Board is hereby requested to grant financial assistance, through its SWIFT Program, in an amount not to exceed \$211,780,000 to provide funds to pay a portion of the costs to plan, design, acquire, construct, and equip the Project and to finance costs of issuance and capitalized interest and certain operating costs during the construction period, all as further described in the application for financial assistance related to the Project (the "Application").

SECTION 2. AUTHORIZED REPRESENTATIVES OF GBRA. The General Manager/CEO and the Senior Deputy General Manager of GBRA are hereby designated as authorized representatives of GBRA for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of the Application for financial assistance and the rules of the Texas Water Development Board. The General Manager/CEO, the Senior Deputy General Manager, the Executive Manager for Finance and Administration, the Executive Manager of Project Engineering and Development/Chief Engineer, and the Manager of Project Engineering of GBRA, together with bond counsel, financial advisor, and consulting engineers named in Section 3 below, are hereby authorized to appear before the Texas Water Development Board in support of such Application and the Project. The General Manager/CEO and the Senior Deputy General Manager are each further specifically authorized, individually or collectively, to make the required assurances to the Texas Water Development Board in accordance with the rules, regulations, and policies of the Texas Water Development Board.

SECTION 3. APPROVAL OF PROFESSIONALS. The following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of the Application and appear on behalf of and represent GBRA before any hearing held by the Texas Water Development Board on the Application, to-wit:

Financial Advisor	Bond Counsel			
Anne Burger Entrekin Hilltop Securities 70 NE Loop 410, Suite 710 San Antonio, Texas 78216	Thomas K. Spurgeon Orlando "Jay" Juarez McCall, Parkhurst & Horton L.L.P. 700 N. St. Mary's, Suite 1525 San Antonio, Texas 78205			

#### Engineer

Peter Newell, P.E.
Samuel K. Vaugh, P.E.
HDR, Inc.
4401 West Gate Blvd., Suite 400
Austin, Texas 78745

**SECTION 4.** <u>INCLUSION OF RESOLUTION</u>. A certified copy of this Resolution shall be included with the Application herein authorized to be prepared in final form and submitted to the Texas Water Development Board.

SECTION 5. <u>INCORPORATION OF RECITALS</u>. GBRA hereby finds that the statements set forth in the recitals of this Resolution are true and correct, and GBRA hereby incorporates such recitals as a part of this Resolution.

**SECTION 6. EFFECTIVE DATE.** This Resolution shall become effective immediately after its adoption.

PASSED AND APPROVED BY THE BOARD OF DIRECTORS OF THE GUADALUPE-BLANCO RIVER AUTHORITY DURING A REGULAR MEETING HELD ON THE  $18^{\mathrm{TH}}$  Day of April, 2018.

**GUALALUPE-BLANCO RIVER AUTHORITY** 

har, Board of Directors

ATTEST:

Secretary/Treasurer, Board of Directors

(SEAL)

#### **AFFIDAVIT**

# STATE OF TEXAS GUADALUPE-BLANCO RIVER AUTHORITY §

Before me, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Darrell Nichols, as the Senior Deputy General Manager of the GUADALUPE-BLANCO RIVER AUTHORITY ("GBRA"), who being by me duly sworn, upon oath says that:

- 2. The decision by the Board of Directors of GBRA to request financial assistance from the Board was made in a public meeting held in accordance with the Open Meetings Act (Texas Government Code, §551.001, et seq,) and after providing all such notice as required by such Act as is applicable to GBRA.
- 3. The information submitted in the Application is true and correct according to my best knowledge and belief.
- 4. GBRA has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessments or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, the Texas Commission on Environmental Quality, the Texas Comptroller, the Texas Secretary of State, or any other federal, state or local government, except for the following:

None.

- 5. GBRA warrants compliance with the representations made in the Application in the event that the Board provides the financial assistance.
- 6. GBRA will comply with all applicable federal laws, rules, and regulations as well as the laws of the State of Texas and the rules and regulations of the Board

Senior Deputy General Manager Guadalupe-Blanco River Authority

SWORN TO AND SUBSCRIBED BEFORE ME by Darrell Nichols this 24th day of \_

2018.

TRICIA L RAMIREZ

Notary Public, State of Texas

Comm. Expires 12-20-2020

Notary ID 13093864-5

Notary Public

Typed Name Tricia L. Ramirez

My commission expires: 12 - 12, 20 = 20

#### **CERTIFICATE FOR RESOLUTION**

# THE STATE OF TEXAS GUADALUPE-BLANCO RIVER AUTHORITY

8

- I, the undersigned Secretary/Treasurer of the Board of Directors of the GUADALUPE-BLANCO RIVER AUTHORITY ("GBRA"), hereby certify as follows:
- 1. The Board of Directors of GBRA (the "Board") convened in Regular Meeting on April 18, 2018, at the designated meeting place (the "Meeting"), and the roll was called of the duly constituted officers and members of the Board, to-wit:

Rusty Brockman, Chair Dennis L. Patillo, Vice Chair Don B. Meador, Secretary/Treasurer William Carbonara Oscar H. Fogle Ronald J. "Ron" Hermes Thomas Mathews II Kenneth A. Motl, DVM Vacancy

and all of said persons were present, except the following absentees:

Note:

Aby C.,

thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

RESOLUTION REQUESTING FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD FOR THE GONZALES CARRIZO WATER SUPPLY PROJECT; AUTHORIZING THE FILING OF AN APPLICATION FOR FINANCIAL ASSISTANCE; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

(the "Resolution") was duly read. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of the Resolution, prevailed and carried by the following vote:

AYES: 8 NOES: 8 ABSTENTIONS: 8

2. A true, full, and correct copy of the Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; the Resolution has been duly recorded in the Board's minutes of the Meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of the Meeting pertaining to the adoption of the Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting, and that the Resolution would be introduced and considered for adoption at the Meeting; and the Meeting was open to the public, and public notice of the time, place, and purpose of the Meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED the 18th day of April, 2018.

(Seal)

Secretary/Treasurer, Board of Directors Guadalupe-Blanco River Authority

# Bonds, CCN, Enforcement Action

Does the applicant possess a Certificate of Convenience and Necessity (CCN)?:

Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?: N

# Municipality

Is the area to be served by the project within the service area of a municipality or other public utility?: N

# **Board Approved WCP**

If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than FIVE years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.): Y

Enter date of Applicant's WCP adoption: 2014-04-16 00:00:00.0

# **Guadalupe-Blanco River Authority**

# **Wholesale Water Conservation Plan**

# Wholesale Water Conservation Providers Title 30. Part I, Chapter 288, Subchapter A, 288.5



**APRIL 16, 2014** 

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# **APPENDICES**

APPENDIX 1 – GBRA Board Policy on Water Conservation

APPENDIX 2 – Population and Customer Data

APPENDIX 3 – TCEQ Utility Profile Forms with Water Use Data

APPENDIX 4 – Wastewater System Data

APPENDIX 5 – 2011 Region L Water Plan Municipal Population and Demand Projections

APPENDIX 6 – GBRA Guidelines for Water Conservation

# Guadalupe-Blanco River Authority Wholesale Water Conservation Plan

#### 1.0 Introduction

The Guadalupe-Blanco River Authority (GBRA) is a water conservation and reclamation district created by the State of Texas in 1933 as a public corporation under Section 59, Article 16 of the Constitution of Texas. It was reauthorized in 1935 as the Guadalupe-Blanco River Authority by an act of the Texas Legislature.

GBRA was established to develop, conserve and protect the water resources of the Guadalupe River Basin and make them available for beneficial use. Since its beginning, GBRA has understood that planning and resource development efforts cannot take place in isolation, but must always consider the broader scope of regional and statewide water needs. GBRA's statutory district begins near the headwaters of the Guadalupe and Blanco Rivers, ending at San Antonio Bay. The district includes the Kendall, Comal, Hays, Caldwell, Guadalupe, Gonzales, DeWitt, Victoria, Calhoun, and Refugio Counties, encompassing approximately 7,900 square miles. GBRA is made up of 10 operational divisions and the General Division to supply essential services including water and wastewater treatment, water quality testing, the management of water rights and delivery of stored water, the production of electricity from seven hydroelectric plants, engineering and design support, economic development and educational support to a population of greater than 650,000 people.

GBRA is governed by a board of nine directors appointed by the Governor, subject to confirmation by the Texas Senate. Each director serves a six-year term with three directors appointed or reappointed every two years. Management and administrative functions are performed by the General Manager and staff under policies established by the Board.

The mission of the GBRA is to protect, conserve, reclaim and steward the resources of the 10-county District in order to ensure and promote quality of life for those we serve. This mission has been separated into six specific goals:

> Water Resource Management – To ensure a supply of quality water for both immediate and long-term needs of the District by development of all feasible alternatives; and development of flood management measures.



- Water Quality To ensure that the quality of water in the District is suitable for municipal, agricultural, environmental and industrial supplies as well as recreational uses.
- Public Services To expand the GBRA's public services and continue to enhance current operations.
- Economic Development To create economic development opportunities for each community in the District through partnerships with the GBRA.
- Technical Assistance and Support To provide increased professional and technical assistance to customers and other entities.
- Communication and Education To inform and educate employees and the public regarding protection, conservation and reclamation of District resources and GBRA stewardship of those resources.

This Water Conservation Plan (Plan) pertains to the use of wholesale water by GBRA's customers and is intended to meet the requirements of the Texas Commission on Environmental Quality (TCEQ), Texas Water Development Board (TWDB), and the Guadalupe-Blanco River Authority.

### 1.1 Definitions

Definitions of commonly used terms are provides as follows:

**Conservation** – Those practices, techniques and technologies that reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in the use of water, or increase the recycling and reuse of water so that a water supply is made available for future or alternative uses.

**Drought Contingency Plan** – A strategy for implementing water use restrictions during periods of drought and emergency events.

**Industrial Use** – The use of water in processes designed to convert materials of a lower order of value into forms having greater usability and commercial value, commercial fish production and the development of power by means other than hydroelectric, but does not include agricultural use.



**Municipal per capita water use** – The sum total of water diverted into a water supply system for residential, commercial, public and institutional uses divided by actual population served.

**Municipal use** – The use of potable water within or outside a municipality and its environs whether supplied by a person, privately owned utility, political subdivision, or other entity as well as the use of sewage effluent for certain purposes, including the use of treated water for domestic purposes, fighting fires, sprinkling streets, flushing sewers and drains, water parks and parkways and recreational purposes, including public and private swimming pools, the use of potable water in industrial and commercial enterprises supplied by a municipal distribution system without special construction to meet its demands and for the watering of lawns and family gardens.

Municipal use in gallons per capita per day – The total average daily amount of water diverted or pumped for treatment of potable use by a public water supply system. The calculation is made by dividing the water diverted or pumped for treatment for potable use by population served. Indirect reuse volumes shall be credited against total diversion volumes for the purpose of calculating gallons per capita per day for targets and goals.

**Public water supplier** – An individual or entity that supplies water to the public for human consumption.

**Regional water planning group** – A group established by the Texas Water Development Board to prepare a regional water plan under Texas Water Code, § 16.053.

**Retail public water supplier** – An individual or entity that for compensation, supplies water to the public for human consumption. The term does not include an individual or entity that supplies water to itself or to its employees or tenants when that water is not resold to or used by others.



**Reuse** – The authorized use for one or more beneficial purposes of use of water that remains unconsumed after the water is used for the original purpose of use and before that water is either disposed of or discharged or otherwise allowed to flow into a watercourse, lake or other body of state-owned water.

Water conservation plan – A strategy or combination of strategies for reducing the volume of water withdrawn from a water supply source, for reducing the loss or waste of water, for maintaining or improving the efficiency in the use of water, for increasing the recycling and reuse of water and for preventing the pollution of water. A water conservation plan may be a separate document identified as such or may be contained within another water management document(s).

Water loss – The difference between water diverted or treated and water delivered (sold). Water loss can result from: (1) inaccurate or incomplete record keeping; (2) meter error; (3) unmetered uses such as firefighting, line flushing and water for public buildings and water treatment plants; (4) leaks; and (5) water theft and unauthorized use.

Wholesale public water supplier – An individual or entity that for compensation, supplies water to another for resale to the public for human consumption. The term does not include an individual or entity that supplies water to itself or its employees or tenants as an incident of that employee service or tenancy when that water is not resold to or used by others, or an individual or entity that conveys water to another individual or entity, but does not own the right to the water which is conveyed, whether or not for a delivery fee.

#### 2.0 Wholesale Water Conservation Plan

GBRA provides wholesale water to municipal customers through contracts for stored water out of Canyon Reservoir and run-of-river water under GBRA's water right permits authorized by TCEQ. As the customers' retail utility systems are separate from the GBRA's water system, the GBRA does not have the ability to implement most of the water conservation measures discussed in this Plan. The customers will be able to implement these measures as a part of their respective retail water supply operations. GBRA's role in this program will include the administration and promotion of the Plan, and public education and information.



This Water Conservation Plan pertains to the use of all wholesale water delivered through contracts with GBRA and is intended to meet the requirements of the Texas Commission on Environmental Quality (TCEQ), Texas Water Development Board (TWDB), and the Guadalupe-Blanco River Authority. Under Senate Bill 1 approved in 1997 by the Texas Legislature, all major municipal water rights holders are required to submit to TCEQ for approval and then implement a water conservation plan. This Plan is consistent with the requirements of TCEQ Rules, Title 30 TAC Section 288.5 and 288.30. The Plan also adheres to the provisions of the GBRA Board Policy on water conservation, which has been included in **Appendix 1**.

Components of the Plan include:

- Technical assistance
- Administrative and pricing requirements
- Water distribution system efficiency improvement
- Implementation reports
- Education

### 2.1 Planning Area Description

GBRA's statutory district begins near the headwaters of the Guadalupe and Blanco Rivers, ends at San Antonio Bay, and includes Kendall, Comal, Hays, Caldwell, Guadalupe, Gonzales, DeWitt, Victoria, Calhoun and Refugio counties (see figure 1). Today, Eleven Operating Divisions and General Division supply essential services including water and wastewater treatment, water quality testing, the management of water rights and delivery of stored water, the production of electricity from seven hydroelectric plants, engineering and design support, economic and community development and natural resource education. Population data, the TCEQ utility profile forms containing water use data and customer data, and wastewater system data have been included in **Appendices 2, 3, and 4**, respectively.



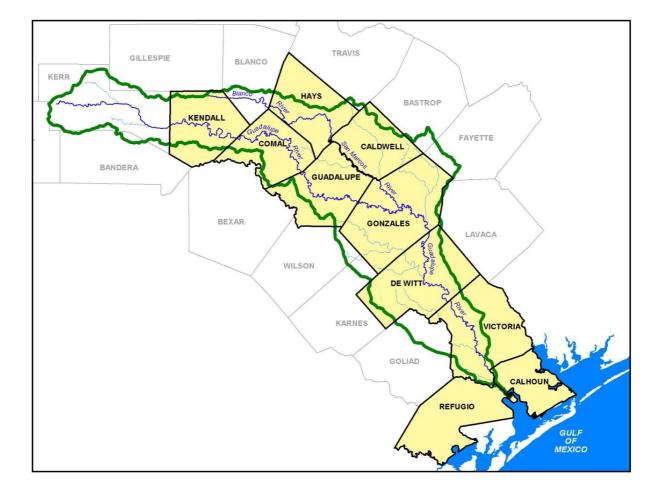


Figure 1 – GBRA Statutory District

#### 2.2 Conservation Goals

The purpose of the GBRA's water conservation program is to increase water use efficiency and reduce water waste. Achievement of significant water conservation savings can only occur if each retail water utility sets and aggressively implements its own water conservation programs. GBRA's water conservation program is predicated on the fact that the implementation of conservation measures must occur largely at the local level and is focused on encouraging and supporting initiatives by wholesale customers.

The conservation goals for wholesale water deliveries established by the Plan are, as follows:

1. Provide technical assistance in developing water conservation plans and drought



contingency plans for each city in the district with a population of 5,000 or more and for each major customer (100 acre feet or more) of wholesale water from GBRA.

- 2. Achieve an average municipal per capita water use within GBRA's statutory district of 134 gpd by the year 2019 and 132 gpd by the year 2024.
- 3. Utilize the "averaging concept" in the commitment of water in order to stretch the supply of stored water.
- 4. Work with systems to develop water supplies based on a firm yield.
- 5. Develop criteria for use of reuse water for golf courses and residential purposes.
- 6. Establish criteria for increased metering to track and manage water supplies.
- 7. Maximum acceptable unaccounted for water of 15% or less by the year 2019 and 15% or less by the year 2024.

The target goals for municipal use in the GBRA service area specified in the Plan are based on the 2011 South Central Texas Regional Water Plan (Region L Plan) population and demand projections (see **Appendix 5**). These municipal demand projections assume that the water conservation goals in the Region L plan have been met for all municipal users. The municipal water conservation goals established in the Region L Plan are, as follows:

- For municipal water user groups (WUGs) with water use of 140 gpcd and greater, reduction of per capita water use by 1 percent per year until the level of 140 gpcd is reached, after which, the rate of reduction of per capita water use is one-fourth percent (0.25 percent) per year.
- For municipal WUGs having water use of less than 140 gpcd, reduction of per capita water use by one-fourth percent per year.

GBRA requires each of its municipal customers to set goals in gallons per capita per day (gpcd) and goals for a maximum acceptable level of unaccounted-for water as part of their local



water conservation planning. Municipal customers of GBRA's wholesale water operations will be encouraged to adopt water conservation goals consistent with the goals established in the Region L Plan.

Goals for industrial water conservation are dependent upon individual manufacturing processes. These goals will be determined on a case-by-case basis, and their implementation will be specified in individual water sale contracts.

Irrigation water conservation efforts will continue for water delivered by the GBRA Calhoun Canal System. It must be recognized that GBRA's Calhoun Canal System is more than a seasonal irrigation canal system and is used throughout the year to deliver municipal, industrial, and livestock water. Most of these off-peak season deliveries are for small quantities of water, making the operation more challenging when compared to some other canal operations. Refer to Section 4.0 for additional information on conservation practices for irrigation.

### 2.3 Monitoring and Record Management Program

GBRA maintains records of all water transactions as well as daily reading of Canyon Reservoir storage capacity, inflow and releases and requires annual reports of all water use. Each year GBRA's records, including water sales, deliveries, and losses are audited by an independent auditor. In addition, flow records and reports are routinely audited by GBRA's internal auditor.

## 2.4 Metering/Leak Detection and Repair Program

Wholesale water customers shall meter all retail water uses and will be encouraged to provide a master meter as well as metering of all utility, city and other public facilities. The customers will manage their ongoing leak detection, location and repair programs. Waterline leaks are detected by utility personnel while reading meters, maintaining their water and wastewater systems, and while performing other routine surveillance programs.

Additionally, as required by House Bill 3338, a water audit shall be conducted and submitted to the Texas Water Development Board every five years. In addition, each customer city will be encouraged to submit, on an annual basis, a water system audit to the GBRA in order



to determine the amount of water which is being lost from the system as a result of various conditions including theft, leaks, inaccurate meters, or bookkeeping errors.

As a contract requirement, each municipal water purchaser is required to submit on at least an annual basis a water system audit to determine the amount of water which is being lost from the system as a result of various conditions including theft, leaks, inaccurate meters, or bookkeeping errors. If such audit reveals that the customer's average system loss has been in excess of twenty (20) percent, the GBRA customer must perform the following:

- a) All system master meters and a random sampling of at least five (5) percent of Purchaser's customer meters are tested to determine their accuracy.
- b) After audit or testing performed in accordance with this section, Purchaser would submit in writing to GBRA a system efficiency plan outlining the corrective actions to be taken by Purchaser and a specific time schedule for each of the deficiencies found by the survey to be remedied.

Additional purchaser requirements include:

- Metering (unless GBRA agrees otherwise) all water pumped at the contractual diversion points and calibrating those meters at least once a year,
- Implementing an ongoing education program promoting water conservation through distribution of educational material and by conducting workshops,
- For municipal customers, no declining block rates for retail customers, and
- Adopting water conservation and drought contingency plans which include appropriate water use goals such as percentage reduction in per capita use, reduced peak water demands or reduced wastewater flows.

A further requirement is that each purchaser report every five years to the GBRA on the status of their water conservation program.



GBRA will monitor for leaks in any water storage, delivery, and transmission system components used to transport treated water prior to delivery to the wholesale customers. Any reported leaks will be repaired in a timely manner.

# 2.5 Water Supply Contracts

It is a mandatory requirement for GBRA to require customers with any new or amended contracts or successor contracts to develop a water conservation plan. GBRA's Guidelines for Development of a Water Conservation Plan has been included in **Appendix 6**. Minimum plan requirements for municipal customers entering or renewing GBRA contracts include:

- A completed TCEQ utility profile;
- Specific, quantified five-year and ten-year targets for water savings to include goals for water loss programs and goals for municipal use, in gallons per capita per day.
- Metering devices having accuracy within plus or minus 5 percent in order to measure and account for the amount of water diverted from the supply source;
- A program for universal metering of both customer and public uses of water, for meter testing and repair, and for periodic meter replacement;
- Measures to determine and control unaccounted-for uses of water (for example, periodic visual inspections along distribution lines, annual or monthly audit of the water system to determine illegal connections, abandoned services, etc.);

All new water sales and water or wastewater utility service contracts or any extension of such contracts are required to contain appropriate conditions requiring conservation measures that are consistent with the provisions of this Plan and the current Drought Contingency Plan as adopted or amended by the GBRA Board of Directors.

This Plan requires that a water sale contract applicant must promote efficiency in the purchaser's use of water. In addition, each purchaser further agrees that, in the event that it furnishes water or water services to a third party that in turn will furnish the water or services to the ultimate consumer, the requirements of the water sale contract relative to water conservation shall be met through contractual agreements between it and the third party.



#### 2.6 Water Conservation Education

For 25 years GBRA has provided educational programs to thousands of students and teachers, as well as distributed thousands of pieces of water conservation literature to our customers and communities in our water service area.

### **Status of Elementary Water Education Program**

GBRA continues to provide a high-quality water education program to elementary schools. Printed materials are provided free of charge to second and fourth grade classes. Classroom presentations are presented upon request, as staff calendars allow.

A Journey Through the Guadalupe River Basin: This one and a half week unit for the 4<sup>th</sup> grade classroom, written and develop by GBRA, introduces students to basin-wide water uses and issues. Cartoon characters "Edward A. Armadillo" and "Lupe the Turtle" present the learning narrative which includes place-based geography, watersheds, water uses and regulations, the importance of springflow, water quality and conservation. Each classroom kit includes 25 workbooks, a teacher's guide, map poster, and a CD with accompanying presentations. Since its introduction in 1989, nearly 211,000 students have studied and completed this program. In 2013, approximately 420 classes (10,500 students) will study the *Journey* program. The student workbook is also available in Spanish. Date Initiated: 1989; updated and distributed annually

Water Makes the World Go 'Round' is a second grade workbook, first introduced in schools in 2012. This colorful booklet, written end developed by GBRA staff, introduces young students to the importance of water, the water cycle, water uses and water conservation. During school year 2013-14, GBRA distributed 10,500 copies to public and private schools. This publication is available in Spanish. Date Initiated: 2011, distributed annually

### **Status of Middle School Water Education Program**

Starting school year 2013-14, GBRA is pleased to provide a new multi-media middle school program, targeting seventh grade science and social studies classes. Teacher trainings are



provided free of charge. Classroom presentations are provided upon request, as staff calendars allow.

**River of Life:** This middle school curriculum, written and developed by GBRA, included lessons on the physical properties of water, the hydrologic cycle, watersheds, the Edwards and other aquifers, water quality and nonpoint source pollution, drinking and wastewater treatment, and water conservation. This curriculum has been used in classrooms since 2003 by well over 150,000 students. Date Initiated: 2003

Waters to the Sea, Guadalupe River: GBRA is currently phasing out the River of Life and replacing it with Waters to the Sea, Guadalupe River, a new multi-media interactive program that will be used in 7<sup>th</sup> grade science and social studies classrooms. Waters to the Sea will many of the same topics as River of Life, but will be presented through video stories, animation, and computer based interactive modules. Water quality and water conservation are the focus of the majority of the modules. A teacher's guide has been developed and made available to all teachers who have been trained. The guide includes supplemental worksheets, student readings, and labs. Trainings for this program began in summer 2013, and have continued throughout the school year. Waters to the Sea, Guadalupe River is available free of charge to any educator, and can be found online at: www.hamline.edu.cgee/WTTS-Guadalupe Date Initiated: 2013

#### Status of GBRA's Education Programs for General Public; Schools, etc.

GBRA provides additional water conservation education for students and the general public through participation in national programs during late spring. Additionally, water education kiosks have been placed in public spaces throughout the river basin.

<u>Drinking Water Week and Water Conservation Awareness Week:</u> GBRA continues to participate in this nationwide program the first week of May. The GBRA General Laboratory offers a discount on laboratory services during this week. Other activities include Board Proclamation, stickers, employee participation, and billing statement messages. The Luling Water Treatment plant holds an open house to third grade students each year. In 2013, fifth grade students from Startzville Elementary (Comal ISD) visited



the Western Canyon Water Treatment plant, and intentions are for this program to continue. For the last 10 years, GBRA Education staff has sponsored a Composition Challenge (essay contest) for fourth grade students, focusing on water conservation. Awarded prizes include t-shirts, cups, stickers and certificates, all with a water conservation message. During spring of 2013, over 1,000 students registered. Prizes are awarded during Drinking Water Week. Date Initiated: 1998

**Earth Day Celebrations:** GBRA presents water conservation education materials and interactive games during Earth Day celebrations (late April) in numerous cities: Seguin, New Braunfels, Seguin, Sattler, Victoria, Boerne. Date Initiated: 2009

<u>Water Education Kiosks:</u> Supported by funding from the Texas Commission on Environmental Quality and the Texas State Soil and Water Conservation Board, GBRA has placed interactive computer kiosks in public places in communities throughout the basin: Canyon Lake, Wimberley, Kyle, Lockhart, Luling, Seguin, Cuero, Victoria. The kiosks lead users through a variety of lessons, focusing on water quality and water conservation. These kiosks are connected to GBRA's Real-Time Date Network. Date Initiated: 2011

#### Status of Special Literature Regarding Water Conservation/Drought Contingency

GBRA maintains an inventory of its own water conservation literature as well as some from various organizations (primarily the Texas Water Development Board and Texas Commission on Environmental Quality), which it distributes free to schools, civic groups, as bill stuffers, and at other public and private functions.

Aqua-Phil's Conservation Basin: Introduced in 2011, Aqua Phil's Conservation Basin brochure shares overall tips about how citizens can contribute to the overall efforts of water conservation in the Guadalupe River Basin and throughout the state. Tips focus on: Retrofit, Repair, Reduction; In-Home Conservation in the Kitchen, Bathroom, and Laundry; and Outdoor Water Conservation in Lawns and Gardens. The publication and



an accompanying video are available on the GBRA website. This publication is available in Spanish.

Aqua-Phil's Hydro-Illogical Cycle: Using the National Drought Mitigation Center's Hydro-ILLOGICAL cycle idea, users can explore this concept through a short animation featuring Aqua Phil (GBRA water character). This is available on the GBRA website, and is featured on water education kiosks throughout the river basin.

**River Run:** This award-winning publication, printed three times a year, features articles on water conservation and water quantity topics, ranging from legislative efforts, regional planning, water supply projects and drought. River Run is mailed to over 5,000 interested persons, including legislators other public /water planning officials, water managers and other constituents.

### Status of Public Information Advertising by GBRA

**Radio Ads and Public Service Announcements**: GBRA staff developed a series of 25 "water-saving tips" (beginning in 2007) that are recorded in both English and Spanish. The tips are disseminated to local radio stations for airing during times when drought conditions are affecting counties within GBRA's statutory district. Usually, the radio stations run one English and Spanish water-saving tip per day until all 25 have aired. A sample of an English/Spanish tip is noted below:

- "Check your sprinkler system frequently and adjust sprinklers so only your lawn is watered and not the house, sidewalk, or street."
- "Verifique su sistema de la regadera con frecuencia y ajuste las regaderas tan sólo su césped se riega y no la casa, la acera, ni la calle."

#### Status of Any Special Advertising by the GBRA

GBRA has not purchased "special advertising" for conservation, but rather, it mostly pushes the continuous use of its water-saving tips program year round.



### 3.0 Canyon Reservoir Operation

Canyon Dam and Reservoir was completed in 1964 as a cooperative project that is jointly managed by GBRA and the U.S. Army Corps of Engineers. GBRA is responsible for reservoir water management and release within the 'conservation pool,' between 800 feet mean sea level (msl) and the normal operating elevation of 909 feet msl. The Corps is responsible for management and release of waters within the 'flood control pool,' at elevations above 909 feet msl. Water is normally released as soon as possible from this portion of the reservoir as it must be kept empty to contain runoff from high rainfall and flood events.

Canyon Reservoir supplies stored water to cities, industries, and agricultural users. Under a permit issued by TCEQ, GBRA is currently allowed to divert a five-year average of 90,000 acre feet per year of stored water to supply contracted water users. To many users Canyon storage is their sole source of water; for others, it provides a dependable, alternative source of water during drought conditions and low river flows.

At maximum conservation pool level of 909 feet elevation msl, the reservoir covers more than 8,200 surface acres and impounds 386,200 acre-feet of water to a depth of 140 feet.

# 3.1 Reservoir Averaging

GBRA has developed an operating procedure whereby stored water from Canyon Reservoir is used to "firm-up" run-of-the-river water for users downstream of the reservoir. As an example, by using stored water from Canyon Reservoir, GBRA developed and used a "reservoir averaging" method whereby Coleto Creek Reservoir, an off-channel cooling lake for a steam-electric power plant in the lower basin, has been dependably operated with a run-of-the-river permit for water from the Guadalupe River, firmed up by a minimum quantity of stored water. The <u>run-of-the river</u> permit for Coleto Creek Reservoir is 20,000 acre-feet per year. With TCEQ's approval, GBRA's contract for <u>stored</u> water provides for an average of 6,000 acre-feet per year of stored water from Canyon, with a special condition that the maximum quantity of stored water that can be used during any one year is 18,900 acre-feet. This is possible, because in most years, the run of the river permit and natural run off are sufficient to keep Coleto Creek Reservoir full, and no Canyon releases are necessary. In this way, stored water for the electric

utility is minimized, and the project has an adequate water supply to allow operations during short term droughts. This is just one example of the benefits of reservoir averaging.

### 3.2 Pricing of Stored Water

GBRA has a philosophy of pricing stored water, so the rate includes the cost of the capital; operation and maintenance of facilities; management of water rights; and other expenses required to store, manage and deliver water. A basin-wide price is calculated as the weighted average cost of service from all water resource activities. The current rate for stored water is \$125.00 per acre-foot per year. This rate will increase as new projects are financed and built, and GBRA becomes more active in other water-related activities such as flood management and conservation.

### 4.0 Additional Conservation Practices for Irrigation

The GBRA's efforts in irrigation water conservation have been and continue to be focused to promote water conservation. The system accounts for approximately 80 percent of the surface water irrigation in GBRA's ten-county statutory district. The GBRA's conservation activities are directed at improving the efficiency of the water delivery systems and enhancing water use efficiency on the individual farms served by GBRA system.

Three major elements comprise the GBRA conservation program:

- Education on Best Irrigation Practices,
- Canal Rehabilitation and Maintenance; and
- Volumetric Water Pricing and Billing.

Each of these programs are described in the following sections.

#### 4.1 Education on Best Irrigation Practices

Key elements of the on-farm water conservation education program include:

- 1. Working with local extension agencies to educate rice producers.
- 2. Establishing a row-crop rate to reduce the number of acres of marginal crops irrigated.
- 3. Support of crop tours and field days.



Based on the preliminary results of the "Less Water, More Rice" research program, improved cultivation and management practices (e.g., precision land leveling, multiple inlet systems, etc.) can reduce on-farm water use by 25 to 30 percent. Importantly, the conservation practices examined in the research program have been shown to significantly increase crop yield. As such, individual rice producers have a direct economic incentive to adopt the recommended conservation practices. Indications are that a majority of producers have been exposed to the "Less Water, More Rice" conservation practices and that many producers have or intend to adopt recommended practices.

#### 4.2 Canal Rehabilitation and Maintenance

Improving the canal conveyance efficiency, reducing power consumption and improving canal system management are goals of a rehabilitation and maintenance program. GBRA will enhance its program to improve irrigation efficiency by re-sectioning canals, rebuilding levees, and removing vegetation. GBRA will also investigate the possibility of abandoning lateral canals that are seldom used.

# 4.3 Volumetric Pricing and Billing

As part of the Water Conservation Plan, GBRA will continue to investigate volumetric pricing and billing in the Calhoun Canal System.

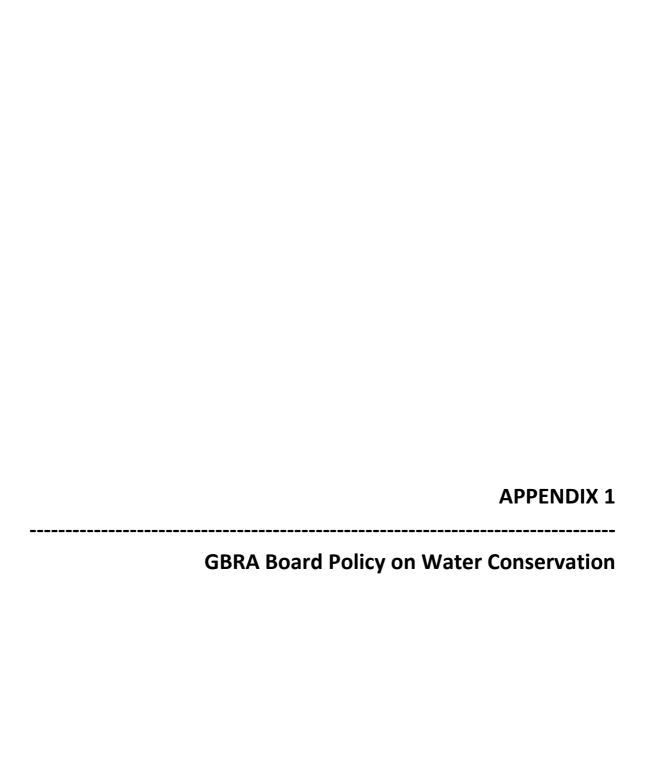
## 5.0 Coordination with Regional Planning Groups

GBRA's statutory district is located within the South Central Texas Regional Water Planning Area (Region L) and the GBRA will provide a copy of the Plan to Region L.

# 6.0 Board Resolution and Implementation

By resolution dated April 16, 2014, the GBRA Board of Directors adopted the Wholesale Water Conservation Plan for GBRA. The General Manager or his/her designee is authorized and directed to implement the applicable provisions of this plan. The General Manager or his/her designee will act as the administrator of the plan, oversee the execution and implementation of the plan, and will be responsible for keeping adequate records for program verification. A copy of the Board Resolution adopting the Plan has been provided in **Appendix 7**.





#### **GBRA Board Policy**

#### **501 – Water Conservation**

**501.10 Purpose.** This policy provides direction for GBRA's leadership role in assuming an adequate supply of clean water within the GBRA10-county statutory district sufficient to meet the needs of municipal, agricultural and industrial uses for the future through promoting the conservation of both ground and surface waters.

#### **501.20 Policy**

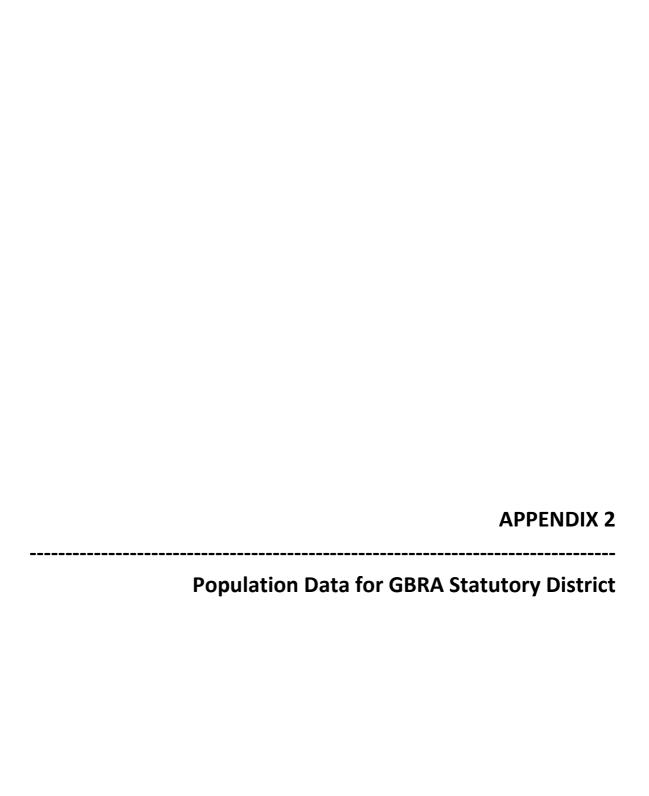
- **501-201 Leadership.** GBRA directors and employees will exercise leadership by encouraging and where appropriate, requiring the conservation of both ground and surface waters within GBRA's statutory district as follows:
  - A) GBRA will promote practices and enter into cooperative efforts while avoiding duplication of other efforts.
  - B) GBRA's goals will be to promote the development and application of practices and technologies that improve water use efficiency, increase the beneficial reuse and recycling of water, and minimize the waste of water such that water supplies are extended.
  - C) GBRA will support local, state, federal and private-sector initiatives to develop, demonstrate and apply water conservation measures where appropriate.
  - D) GBRA will implement technical assistance, demonstrations, public information and educational programs on water conservation.
  - E) In the operation and management of GBRA facilities and properties, GBRA will use water efficiency measures and demonstrate water conserving technology.
  - F) All future water sales contracts will contain appropriate conservation and drought management conditions requiring the purchaser to provide to the maximum extent for the conservation of water, and to operate and maintain its facilities in a manner that prevents waste of water.
- **501.202 Technical Assistance.** GBRA's efforts in technical assistance will focus on the development and implementation of local water conservation and drought contingency programs that encourage local initiative and achievement. GBRA will provide assistance in the preparation of local conservation plans.
- **501.202** Cooperative Efforts. GBRA will look for opportunities for cooperative efforts with the Texas Water Development Board and the Texas Commission on Environmental Quality for the development and review of water conservation plans affecting the

- GBRA statutory district. GBRA will also seek grants, matching funds, or other financial arrangements from public and private sources.
- **501.202.1 Research and Legislation.** GBRA will support research, regulatory initiatives and legislation that advance the conservation and beneficial reuse of water in the GBRA statutory district. GBRA also will assist in the research and transfer of technology and information regarding cost-effective conservation measures for the benefit of water users within the statutory district.
- 501.203 Municipal and Industrial Water Efficiency. GBRA will integrate, as appropriate, water efficiency measures into the development and implementation of GBRA programs and projects. Such programs and projects may include, but shall not be limited to: water resources planning and demand forecasting such as the Senate Bill One Regional Water Planning Study; water and wastewater utility service studies, new projects and service agreements; water rate design; environmental programs; and energy efficiency programs.
- **501.204 Agricultural Water Efficiency.** GBRA will support public and private-sector initiatives to develop, and apply cultivation and irrigation practices to improve onfarm water use efficiency as follows:
  - A) GBRA will assist with the transfer of information and technology for improving onfarm water use efficiency from research to the producer.
  - B) GBRA will undertake maintenance, rehabilitation and management practices, where feasible, to minimize water losses from GBRA irrigation water delivery systems.
- **Public Education.** GBRA will cooperate in the distribution of water conservation materials to water users in GBRA's statutory district. GBRA will include water conservation information as a part of education programs.

### 501.30.1 Responsibility.

**501.301 General Manager.** The General Manager is responsible for the development of the water conservation program and will prepare the necessary management directives to carry out this policy.

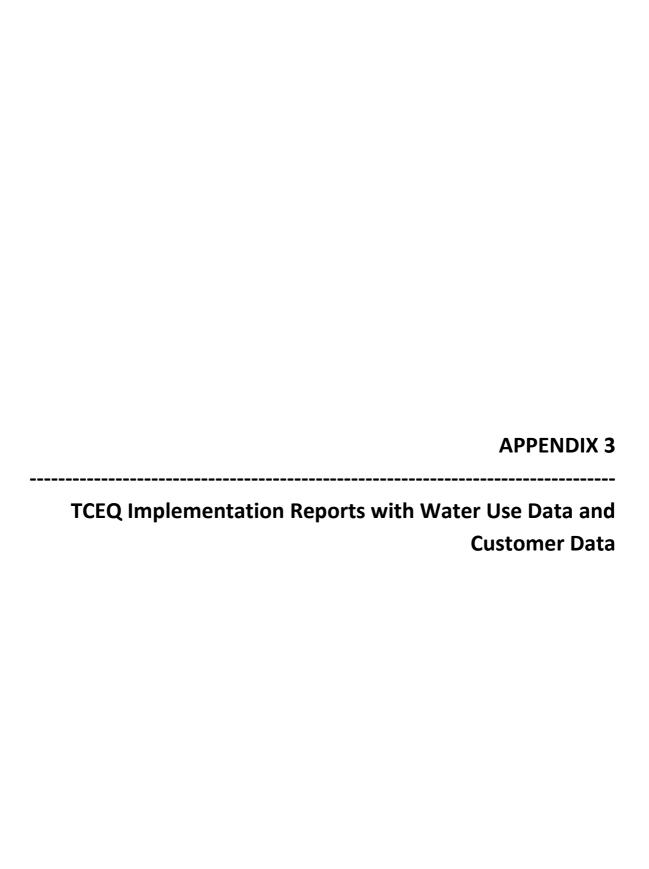
Effective: May 16, 2007



## POPULATION FOR GBRA'S TEN COUNTIES\*

Census	Caldwell	Calhoun	Comal	Dewitt	Gonzales	Guadalupe	Havs	Kendall	Refugio	Victoria	Total
2000	32,194	20,647	78,021	20,013	18,628	89,023	97,589	23,743	7,828	84,088	471,774
2001	33,812	20,669	81,729	20,104	18,639	92,193	104,498	24,628	7,768	84,738	488,778
2002	34,928	20,410	84,719	20,053	18,875	94,374	109,718	25,314	7,700	85,054	501,145
2003	35,572	20,454	87,785	20,100	19,057	97,101	114,193	26,178	7,625	85,395	513,460
2004	36,461	20,498	90,857	20,146	19,247	100,014	118,760	27,617	7,550	85,737	526,887
2005	35,383	20,561	97,090	20,713	19,463	105,077	129,129	29,532	7,450	85,427	549,825
2006	35,622	20,958	105,431	20,341	19,135	114,736	137,940	31,350	7,493	86,756	579,762
2007	35,843	20,937	108,170	20,265	19,174	119,084	142,310	32,474	7,386	86,750	592,393
2008	37,671	21,127	103,272	19,902	7,164	123,398	147,674	31,754	7,430	85,762	585,154
2009	37,829	21,388	106,350	20,048	7,157	128,265	153,619	32,655	7,410	86,635	601,356
2010	38,066	21,381	108,472	20,097	19,807	131,533	157,107	33,410	7,383	86,793	624,049
2011	38,583	21,460	112,171	20,574	20,157	136,116	163,839	34,622	7,391	87,393	642,306
2012	39.014	21.692	115.084	21.019	20,299	139,419	166,718	35,477	7.433	88,905	655,060

<sup>\*2000 &</sup>amp; 2008-2010 US Census Bureau, 2001-2007 & 2011-2012 Texas Association of Counties





# **Texas Commission on Environmental Quality**

# PROFILE AND WATER CONSERVATION PLAN REQUIREMENTS FOR WHOLESALE PUBLIC WATER SUPPLIERS

This form is provided to assist wholesale public water suppliers in water conservation plan development. If you need assistance in completing this form or in developing your plan, please contact the conservation staff of the Resource Protection Team in the Water Availability Division at (512) 239-4691.

Name:	Guadalupe Blanco River Authority Calhoun County Divisions			
Address:	P.O. Box 146, Port Lavaca, Texas 77979			
Telephone Number:	(361) -5529751	Fax: (361) -5526529		
Water Right No.(s):	18-5173,18-5174,18-5175,18-5176,18-5177,18-5178,18-3863B			
Regional Water Planning Group:	L			
Form Completed by:	Stephanie Shelley			
Title: Person responsible for implementing conservation	Chief Operator			
program:	William E. West, Jr.	Phone: (830) -3795822		
Signature:	Koholo	Date. 4 /29/ 20/4		

NOTE: If the plan does not provide information for each requirement, include an explanation of why the requirement is not applicable.

# **PROFILE**

# I. WHOLESALE SERVICE AREA POPULATION AND CUSTOMER DATA

- A. Population and Service Area Data
  - Service area size (in square miles): 314
     (Please attach a copy of service-area map)
  - 2. Current population of service area: 23,556

- 3. Current population served for:
  - a. Water <u>23,556</u>
  - b. Wastewater NA
- 4. Population served for previous five years:
- 5. Projected population for service area in the following decades:

Year	Population	Year	Population	
2009	23556	2020	24864	
2010	23556	2030	28291	
2011	23556	2040	31414	
2012	23556	2050	33041	
2013	23556	2060	34465	

List source or method for the calculation of current and projected population size.
 Current from the 2010 Census. Projected from the Texas Water Development Board for Calhoun County subtracting Point Comfort and Seadrift.

#### B. Customers Data

List (or attach) the names of all wholesale customers, amount of annual contract, and amount of annual use for each customer for the previous year:

	Wholesale Customer	Contracted Amount (acre-feet)	Previous Year Amount of Water Delivered (acre-feet)
1.	City of Port Lavaca	4480	1452
	Port O'Connor		
2.	Improvement District	1170	302
	Calhoun County Rural		
3.	Water Supply System	1500	253
4.	Inneos	3300	2992
5.	Seadrift Coke	1000	366

### II. WATER USE DATA FOR SERVICE AREA

# A. Water Delivery

Indicate if the water provided under wholesale contracts is treated or raw water and the annual amounts for the previous five years (in acre feet):

Year	Treated Water	Raw Water
2009	2125	51882.00
2010	2155	45312.11
2011	2571	54397.81
2012	2093	46188.54
2013	2007	33094.60
Totals	10951	230875.06

# B. Water Accounting Data

1. Total amount of water diverted at the point of diversion(s) for the previous five years (in acre-feet) for all water uses:

<u>Year</u>	2013	2012	2011	2010	2009
<b>Month</b>					
January	1936.70	2664.2	2695.72	2527.54	2177
February	1288.13	2664.20	3314.31	1431.55	2255
March	1377.49	1313.49	1871.90	2181.13	2348
April	2951.49	3190.57	2787.05	2859.03	3860
May	3722.04	5713.65	6692.65	4352.92	5797
June	2845.48	5362.07	3217.53	6302.78	7284
July	4103.29	4292.53	7933.76	5587.65	7200
August	5371.31	5668.96	7517.96	5959.26	7644
September	4178.22	5034.46	5814.01	3173.98	4507
October	1843.25	3612.75	4300.68	3676.88	3921
November	1395.32	4034.35	4588.52	3321.87	2296
December	2081.89	2637.31	3663.72	3937.52	2593
Totals	33094.60	46188.54	54397.81	45312.11	51882.00

2. Wholesale population served and total amount of water diverted for **municipal use** for the previous five years (in acre-feet):

Year	Total Population Served	Total Annual Water Diverted for Municipal Use
2009	21984	2125
2010	21984	2155
2011	21984	2571
2012	22476	2093
2013	22476	2007

### C. Projected Water Demands

If applicable, project and attach water supply demands for the next ten years using information such as population trends, historical water use, and economic growth in the service area over the next ten years and any additional water supply requirements from such growth.

### III. WATER SUPPLY SYSTEM DATA

### A. Projected Water Demands

List all current water supply sources and the amounts authorized (in acre feet) with each.

Water Type	Source	Amount Authorized
Surface Water	Guadalupe River	7150
Groundwater	NA	NA
Other	NA	NA

- B. Treatment and Distribution System (if providing treated water)
  - 1. Design daily capacity of system (MGD):Surface Water Treatment Plant rated at 6.0 MGD
  - 2. Storage capacity (MGD):
    - c. Elevated 1.25
    - d. Ground 2.05
  - 3. Please attach a description of the water system. Include the number of treatment plants, wells, and storage tanks.

### IV. WASTEWATER SYSTEM DATA

- A. Wastewater System Data (if applicable)
  - 1. Design capacity of wastewater treatment plant(s) (MGD): N/A
  - 2. Briefly describe the wastewater system(s) of the area serviced by the wholesale public water supplier. Describe how treated wastewater is disposed. Where applicable, identify treatment plant(s) with the TCEQ name and number, the operator, owner, and the receiving stream if wastewater is discharged.

В.	Wastewater	Data for S	Service Al	rea (if a	pplicable,
----	------------	------------	------------	-----------	------------

1.	Percent of water service area served by wastewater system:	%
----	--	---

2. Monthly volume treated for previous five years (in 1,000 gallons):

<u>Year</u>	 	 	
Month			
January	 	 	
February	 	 	
March	 	 	
April			
May		 	
June			
July			
August	 	 	
September	 	 	
October			
November			
December			
Totals		 	

### V. ADDITIONAL REQUIRED INFORMATION

In addition to the description of the wholesaler's service area (profile from above), a water conservation plan for a wholesale public water supplier must include, at a minimum, additional information as required by Title 30, Texas Administrative Code, Chapter 288.5. Note: If the water conservation plan does not provide information for each requirement an explanation must be included as to why the requirement is not applicable.

### A. Specific, Quantified 5 & 10-Year Targets

The water conservation plan must include specific, quantified five-year and ten-year targets for water savings including, where appropriate, target goals for municipal use in gallons per capita per day for the wholesaler's service area, maximum acceptable unaccounted-for water, and the basis for the development of these goals. Note that the goals established by wholesale water suppliers under this subparagraph are not enforceable.

# B. Metering Devices

The water conservation plan must include a description as to which practice(s) and/or device(s) will be utilized to measure and account for the amount of water diverted from the source(s) of supply.

# C. Record Management Program

The water conservation plan must include a monitoring and record management program for determining water deliveries, sales, and losses.

### D. Metering/Leak-Detection and Repair Program

The water conservation plan must include a program of metering and leak detection and repair for the wholesaler's water storage, delivery, and distribution system.

### E. Reservoir Systems Operations Plan

The water conservation plan must include a reservoir systems operations plan, if applicable, providing for the coordinated operation of reservoirs owned by the applicant within a common watershed or river basin. The reservoir systems operations plan shall include optimization of water supplies as one of the significant goals of the plan.

### F. Contract Requirements for Successive Customer Conservation

The water conservation plan must include a requirement in every water supply contract entered into or renewed after official adoption of the water conservation plan, and including any contract extension, that each successive wholesale customer develop and implement a water conservation plan or water conservation measures using the applicable elements of Title 30 TAC Chapter 288. If the customer intends to resell the water, then the contract between the initial supplier and customer must provide that the contract for the resale of the water must have water conservation requirements so that each successive customer in the resale of the water will be required to implement water conservation measures in accordance with the provisions of this chapter.

### G. Enforcement Procedure and Official Adoption

The water conservation plan must include a means for implementation and enforcement, which shall be evidenced by a copy of the ordinance, rule, resolution, or tariff, indicating official adoption of the water conservation plan by the water supplier; and a description of the authority by which the water supplier will implement and enforce the conservation plan.

### H. Coordination with the Regional Water Planning Group(s)

The water conservation plan must include documentation of coordination with the regional water planning groups for the service area of the wholesale water supplier in order to ensure consistency with the appropriate approved regional water plans.

Example statement to be included within the water conservation plan:	
The service area of the (name of water supplier) is located with	nin the
(name of regional water planning area or areas) and	(name
of water supplier) has provided a copy of this water conservation plan to the	
(name of regional water planning group or groups).	

### I. Plan Review and Update

A wholesale water supplier shall review and update its water conservation plan, as appropriate based on an assessment of previous five-year and ten-year targets and any other new or updated information. A wholesale water supplier shall review and update the next revision of its water conservation plan no later than May 1, 2009, and every five years after that date to coincide with the regional water planning group. The revised plan must also include an implementation report.

### J. Additional Conservation Strategies

Any combination of the following strategies shall be selected by the water wholesaler, in addition to the minimum requirements of this chapter, if they are necessary in order to achieve the stated water conservation goals of the plan. The commission may require by commission order that any of the following strategies be implemented by the water supplier if the commission determines that the strategies are necessary in order for the conservation plan to be achieved:

- 1. Conservation-oriented water rates and water rate structures such as uniform or increasing block rate schedules, and/or seasonal rates, but not flat rate or decreasing block rates;
- 2. A program to assist agricultural customers in the development of conservation, pollution prevention and abatement plans;
- 3. A program for reuse and/or recycling of wastewater and/or graywater;
- 4. A cost-share program;
- 5. A technical assistance and outreach program;
- 6. A program for purchase and direct distribution of water conservation equipment; and
- 7. Any other water conservation practice, method, or technique which the wholesaler shows to be appropriate for achieving the stated goal or goals of the water conservation plan.

### **Best Management Practices**

The Texas Water Developmental Board's (TWDB) Report 362 is the Water Conservation Best Management Practices (BMP) guide. The BMP Guide is a voluntary list of management practices that water users may implement in addition to the required components of Title 30, Texas Administrative Code, Chapter 288. The Best Management Practices Guide broken out by sector, including Agriculture, Commercial, and Institutional, Industrial, Municipal and Wholesale along with any new or revised BMP's can be found at the following link on the Texas Water Developments Board's website: <a href="http://www.twdb.state.tx.us/conservation/bmps/index.asp">http://www.twdb.state.tx.us/conservation/bmps/index.asp</a>

Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, contact 512-239-3282.

# I. WHOLESALE SERVICE AREA POPULATION AND CUSTOMER DATA B. Customers Data

Irrigation Customers 20,663 ac.ft. contracted 20,663 ac.ft. used 2013 Union Carbide Dow NA\*\* 13,108 ac.ft. used 2013

### **INDUSTRIAL CUSTOMERS**

Raw Water Customer	Total Contracted	Storage/Alternate Source	<u>Notes</u>
Ineos	3300 acre-feet	1100 ac-ft	
Seadrift Coke	1000 acre-feet	334 ac-ft	
Union Carbide(Dow)	Not applicable	100 ac-ft	note 1
Ponds	281 surface acres	no alt. source	Ag 1 yr term 2013

### **IRRIGATION CUSTOMERS**

Raw Water Customer	Total Contracted	Storage/Alternate Source	<u>Notes</u>
US Fish & Wildlife	4,000 acre-feet	no alt. source	Ag 5 yr term
Rice	2306 surface acres	no alt. source	Ag 1 yr term 2013
Row crop & pasture	1645 surface acres	no alt. source	Ag 1 yr term 2013

### **III. WATER SUPPLY SYSTEM DATA**

# 3. Description of the Water System

### **Guadalupe Blanco River Authority Port Lavaca Water Treatment Plant**

The GBRA Port Lavaca Water Treatment Plant is a surface water plant rated at 6.0 MGD. The plant wholesales the water to the City of Port Lavaca, the Calhoun County Rural Water Supply System, and the Port O'Connor Improvement District. The plant has a 1.0 MG Clearwell. The City of Port Lavaca has two 0.5 MG elevated tanks. The Calhoun County Rural Water System wheels off of the City of Port Lavaca and also has a 0.03 MG ground storage tank. The Port O'Connor Improvement District has a 0.75 MG in ground storage and 0.25 MG in an elevated tower.

<sup>\*\*</sup>Note: Union Carbide Dow does not directly contract with GBRA for surface water because they possess surface water rights, either solely owned or shared with GBRA.



# **Texas Commission on Environmental Quality**

# PROFILE AND WATER CONSERVATION PLAN REQUIREMENTS FOR WHOLESALE PUBLIC WATER SUPPLIERS

This form is provided to assist wholesale public water suppliers in water conservation plan development. If you need assistance in completing this form or in developing your plan, please contact the conservation staff of the Resource Protection Team in the Water Availability Division at (512) 239-4691.

Name:	GBRA Luling Water Treatment Pl	ant
Address:	933 E. Court Street, Seguin, TX 78	3155
Telephone Number:	(830) -3795822	Fax: (830) -3720868
Water Right No.(s):	18-3896A, 18-5234B, 18-3600D	
Regional Water Planning Group:	L	
Form Completed by:	Darel Ball	
Title: Person responsible for	Division Manager, Hays & Caldwe	ell Counties
implementing conservation program:	William E. West, Jr.	Phone: (830) -3795822
Signature:	phlady	Date: 4/2/2014

NOTE: If the plan does not provide information for each requirement, include an explanation of why the requirement is not applicable.

### **PROFILE**

### I. WHOLESALE SERVICE AREA POPULATION AND CUSTOMER DATA

- A. Population and Service Area Data
  - Service area size (in square miles): 25.4
     (Please attach a copy of service-area map)
  - 2. Current population of service area: 18,472

- 3. Current population served for:
  - a. Water <u>18,472</u>
  - b. Wastewater n/a
- 4. Population served for previous five years:
- 5. Projected population for service area in the following decades:

Year	Population	Year	Population
2007	19,110	2020	22,362
2008	19,147	2030	27,378
2009	19,740	2040	32,326
2010	18,147	2050	37,227
2011	18,347	2060	42,166

List source or method for the calculation of current and projected population size.
 U.S. Census Buereau, Population Division (www.census.gov); 2016 Regional Water Plan (www.twdb.texas.gov)

### B. Customers Data

List (or attach) the names of all wholesale customers, amount of annual contract, and amount of annual use for each customer for the previous year:

	Wholesale Customer	Contracted Amount (acre-feet)	Previous Year Amount of Water Delivered (acre-feet)
1.	City of Luling	1,810	814
2.	City of Lockhart	724	1,290
3.			
4.			
5.			

### II. WATER USE DATA FOR SERVICE AREA

# A. Water Delivery

Indicate if the water provided under wholesale contracts is treated or raw water and the annual amounts for the previous five years (in acre feet):

Year	Treated Water	Raw Water
2008	2,188	
2009	1,967	
2010	1,908	
2011	2,069	
2012	2,104	
Totals	10,236	

# B. Water Accounting Data

1. Total amount of water diverted at the point of diversion(s) for the previous five years (in acre-feet) for all water uses:

Year	2008	2009	2010	2011	2012
Month					
January	161	171	164	167	163
February	158	164	145	162	147
March	172	183	175	168	159
April	192	174	164	190	167
May	250	194	184	205	187
June	275	225	196	212	199
July	262	228	201	216	217
August	234	227	228	214	219
September	218	186	<u>171</u>	192	195
October	202	<b>157</b>	179	181	192
November	183	168	163	163	202
December	164	167	163	145	191
Totals	4,478	4,253	4,145	4,226	4,248

2. Wholesale population served and total amount of water diverted for **municipal use** for the previous five years (in acre-feet):

Year	Total Population Served	Total Annual Water Diverted for Municipal Use
2008	19,600	2,470
2009	19.740	2,135
2010	18,147	2,215
2011	18,347	2,215
2012	18,472	2,236

### C. Projected Water Demands

If applicable, project and attach water supply demands for the next ten years using information such as population trends, historical water use, and economic growth in the service area over the next ten years and any additional water supply requirements from such growth.

### III. WATER SUPPLY SYSTEM DATA

A. Projected Water Demands

List all current water supply sources and the amounts authorized (in acre feet) with each.

Water Type	Source	Amount Authorized
Surface Water	San Marcos River	4,422
Groundwater		
Other		

- B. Treatment and Distribution System (if providing treated water)
  - 1. Design daily capacity of system (MGD):2.5
  - 2. Storage capacity (MGD):
    - c. Elevated
    - d. Ground <u>0.5</u>
  - 3. Please attach a description of the water system. Include the number of treatment plants, wells, and storage tanks.

### IV. WASTEWATER SYSTEM DATA

- A. Wastewater System Data (if applicable)
  - 1. Design capacity of wastewater treatment plant(s) (MGD): n/a
  - 2. Briefly describe the wastewater system(s) of the area serviced by the wholesale public water supplier. Describe how treated wastewater is disposed. Where applicable, identify treatment plant(s) with the TCEQ name and number, the operator, owner, and the receiving stream if wastewater is discharged.

1	Descent of water convice area conved by wastewater system.	0/_
I.	Percent of water service area served by wastewater system:	%

2. Monthly volume treated for previous five years (in 1,000 gallons):

<u>Year</u>	 	 	
Month			
January			
February			
March			
April			
May	 	 	
June	 	 	
July	 	 	
August	 	 	
September	 	 	
October	 	 	
November	 	 	
December	 	 	
Totals	 	 	

# V. ADDITIONAL REQUIRED INFORMATION

In addition to the description of the wholesaler's service area (profile from above), a water conservation plan for a wholesale public water supplier must include, at a minimum, additional information as required by Title 30, Texas Administrative Code, Chapter 288.5. Note: If the water conservation plan does not provide information for each requirement an explanation must be included as to why the requirement is not applicable.

### A. Specific, Quantified 5 & 10-Year Targets

The water conservation plan must include specific, quantified five-year and ten-year targets for water savings including, where appropriate, <u>target goals for municipal use in gallons per capita per day for the wholesaler's service area, maximum acceptable unaccounted-for water, and the basis for the development of these goals.</u> Note that the goals established by wholesale water suppliers under this subparagraph are not enforceable.

# B. Metering Devices

The water conservation plan must include a description as to which practice(s) and/or device(s) will be utilized to measure and account for the amount of water diverted from the source(s) of supply.

# C. Record Management Program

The water conservation plan must include a monitoring and record management program for determining water deliveries, sales, and losses.

### D. Metering/Leak-Detection and Repair Program

The water conservation plan must include a program of metering and leak detection and repair for the wholesaler's water storage, delivery, and distribution system.

### E. Reservoir Systems Operations Plan

The water conservation plan must include a reservoir systems operations plan, if applicable, providing for the coordinated operation of reservoirs owned by the applicant within a common watershed or river basin. The reservoir systems operations plan shall include optimization of water supplies as one of the significant goals of the plan.

### F. Contract Requirements for Successive Customer Conservation

The water conservation plan must include a requirement in every water supply contract entered into or renewed after official adoption of the water conservation plan, and including any contract extension, that each successive wholesale customer develop and implement a water conservation plan or water conservation measures using the applicable elements of Title 30 TAC Chapter 288. If the customer intends to resell the water, then the contract between the initial supplier and customer must provide that the contract for the resale of the water must have water conservation requirements so that each successive customer in the resale of the water will be required to implement water conservation measures in accordance with the provisions of this chapter.

### G. Enforcement Procedure and Official Adoption

The water conservation plan must include a means for implementation and enforcement, which shall be evidenced by a copy of the ordinance, rule, resolution, or tariff, indicating official adoption of the water conservation plan by the water supplier; and a description of the authority by which the water supplier will implement and enforce the conservation plan.

### H. Coordination with the Regional Water Planning Group(s)

The water conservation plan must include documentation of coordination with the regional water planning groups for the service area of the wholesale water supplier in order to ensure consistency with the appropriate approved regional water plans.

Example statement to be included within the water conservation plan:					
The service area of the (name of water supplier) is located within the					
(name of regional water planning area or areas) and (name					
of water supplier) has provided a copy of this water conservation plan to the					
(name of regional water planning group or groups).					

### I. Plan Review and Update

A wholesale water supplier shall review and update its water conservation plan, as appropriate based on an assessment of previous five-year and ten-year targets and any other new or updated information. A wholesale water supplier shall review and update the next revision of its water conservation plan no later than May 1, 2009, and every five years after that date to coincide with the regional water planning group. The revised plan must also include an implementation report.

### J. Additional Conservation Strategies

Any combination of the following strategies shall be selected by the water wholesaler, in addition to the minimum requirements of this chapter, if they are necessary in order to achieve the stated water conservation goals of the plan. The commission may require by commission order that any of the following strategies be implemented by the water supplier if the commission determines that the strategies are necessary in order for the conservation plan to be achieved:

- 1. Conservation-oriented water rates and water rate structures such as uniform or increasing block rate schedules, and/or seasonal rates, but not flat rate or decreasing block rates;
- 2. A program to assist agricultural customers in the development of conservation, pollution prevention and abatement plans;
- 3. A program for reuse and/or recycling of wastewater and/or graywater;
- 4. A cost-share program;
- 5. A technical assistance and outreach program;
- 6. A program for purchase and direct distribution of water conservation equipment; and
- 7. Any other water conservation practice, method, or technique which the wholesaler shows to be appropriate for achieving the stated goal or goals of the water conservation plan.

### **Best Management Practices**

The Texas Water Developmental Board's (TWDB) Report 362 is the Water Conservation Best Management Practices (BMP) guide. The BMP Guide is a voluntary list of management practices that water users may implement in addition to the required components of Title 30, Texas Administrative Code, Chapter 288. The Best Management Practices Guide broken out by sector, including Agriculture, Commercial, and Institutional, Industrial, Municipal and Wholesale along with any new or revised BMP's can be found at the following link on the Texas Water Developments Board's website: <a href="http://www.twdb.state.tx.us/conservation/bmps/index.asp">http://www.twdb.state.tx.us/conservation/bmps/index.asp</a>

Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, contact 512-239-3282.



# **Texas Commission on Environmental Quality**

# PROFILE AND WATER CONSERVATION PLAN REQUIREMENTS FOR WHOLESALE PUBLIC WATER SUPPLIERS

This form is provided to assist wholesale public water suppliers in water conservation plan development. If you need assistance in completing this form or in developing your plan, please contact the conservation staff of the Resource Protection Team in the Water Availability Division at (512) 239-4691.

Name:	Guadalupe-Blanco River Authorit	У
Address:	933 E Court St.	
Telephone Number:	(830) -3795822	Fax: (830) -4010991
Water Right No.(s): Regional Water Planning	18-2074E	
Group:	Region L	2 0
Form Completed by:	Charlie Hickman	
Title:	Engineer	
Person responsible for implementing conservation program:	William E. West, Jr.	Phone: (830) -3795822
Signature:	philip	Date: 4/29/2014

NOTE: If the plan does not provide information for each requirement, include an explanation of why the requirement is not applicable.

### **PROFILE**

# I. WHOLESALE SERVICE AREA POPULATION AND CUSTOMER DATA

- A. Population and Service Area Data
  - Service area size (in square miles): 7,292
     (Please attach a copy of service-area map)
  - 2. Current population of service area: 655,060\*

3.	Current	population	served f	or:
υ.	Current	population	SCI VCG I	v.

- a. Water <u>655,060\*</u>
- b. Wastewater <u>0</u>
- 4. Population served for previous five years:
- 5. Projected population for service area in the following decades:

Year	Population	Year	Population
2012	655,060	2020	819,760
2011	642,306	2030	1,107,806
2010	624,049	2040	1,212,540
2009	601,356	2050	1,625,607
2008	585,154	2060	1,866,024

6. List source or method for the calculation of current and projected population size.

Current population data taken from Texas Association of Counties data and US Census data. TWDB population projections approved for the 2016 state water plan were used.

### B. Customers Data

List (or attach) the names of all wholesale customers, amount of annual contract, and amount of annual use for each customer for the previous year:

	Wholesale Customer	Contracted Amount (acre-feet)	Previous Year Amount of Water Delivered (acre-feet)
1.	(See Attached)	89,664	45,627
2.			
3.			
4.			
5.			

<sup>\*2013</sup> population data was not available so the 2012 population was used for the current population estimate.

### II. WATER USE DATA FOR SERVICE AREA

# A. Water Delivery

Indicate if the water provided under wholesale contracts is treated or raw water and the annual amounts for the previous five years (in acre feet):

Year	Treated Water	Raw Water
2013		45,627
2012		43,048
2011		44,596
2010		34,864
2009		43,113
Totals		211,248

# B. Water Accounting Data

1. Total amount of water diverted at the point of diversion(s) for the previous five years (in acre-feet) for all water uses:

Year	2013	2012	2011	2010	2009
Month					
January	3,316	3,315	2,345	2,843	3,069
February	2,876	3,048	2,338	2,613	2,807
March	3,508	2,640	2,739	2,743	2,972
April	3,616	2,805	3,035	2,535	3,250
May	3,829	3,022	3,960	3,077	4,353
June	4,143	3,527	4,150	3,060	4,577
July	4,411	4,062	4,789	3,165	5,490
August	4,889	4,790	5,218	3,543	4,496
September	4,174	4,125	4,842	2,749	3,739
October	3,712	4,035	4,004	3,074	3,370
November	3,581	3,904	3,617	2,571	2,375
December	3,573	3,776	3,558	2,890	2,616
Totals	45,627	43,048	44,596	34,864	43,113

2. Wholesale population served and total amount of water diverted for **municipal use** for the previous five years (in acre-feet):

Year	Total Population Served	Total Annual Water Diverted for Municipal Use
2013	655,060*	45,627
2012	655,060	43,048
2011	642,306	44,596
2010	624,049	34,864
2009	601,356	43,113

### C. Projected Water Demands

If applicable, project and attach water supply demands for the next ten years using information such as population trends, historical water use, and economic growth in the service area over the next ten years and any additional water supply requirements from such growth.

### III. WATER SUPPLY SYSTEM DATA

A. Projected Water Demands

List all current water supply sources and the amounts authorized (in acre feet) with each.

Water Type	Source	Amount Authorized
Surface Water	Canyon Reservior	90,000
Groundwater		
Other		

- B. Treatment and Distribution System (if providing treated water)
  - 1. Design daily capacity of system (MGD):
  - 2. Storage capacity (MGD):
    - c. Elevated \_\_\_\_\_
    - d. Ground \_\_\_\_\_
  - 3. Please attach a description of the water system. Include the number of treatment plants, wells, and storage tanks.

### IV. WASTEWATER SYSTEM DATA

- A. Wastewater System Data (if applicable)
  - 1. Design capacity of wastewater treatment plant(s) (MGD):
  - 2. Briefly describe the wastewater system(s) of the area serviced by the wholesale public water supplier. Describe how treated wastewater is disposed. Where applicable, identify treatment plant(s) with the TCEQ name and number, the operator, owner, and the receiving stream if wastewater is discharged.

В.	Wastewater	Data for S	Service Al	rea (if a	pplicable,
----	------------	------------	------------	-----------	------------

1.	Percent of water service area served by wastewater system:	%
----	--	---

2. Monthly volume treated for previous five years (in 1,000 gallons):

<u>Year</u>		 	 
Month			
January			
February			
March			
April	·	 	
May	·	 	
June	·	 	
July		 	
August		 	
September		 	
October	·	 	 
November	·	 	 
December		 	
Totals		 	

### V. ADDITIONAL REQUIRED INFORMATION

In addition to the description of the wholesaler's service area (profile from above), a water conservation plan for a wholesale public water supplier must include, at a minimum, additional information as required by Title 30, Texas Administrative Code, Chapter 288.5. Note: If the water conservation plan does not provide information for each requirement an explanation must be included as to why the requirement is not applicable.

### A. Specific, Quantified 5 & 10-Year Targets

The water conservation plan must include specific, quantified five-year and ten-year targets for water savings including, where appropriate, <u>target goals for municipal use in gallons per capita per day for the wholesaler's service area, maximum acceptable unaccounted-for water, and the basis for the development of these goals.</u> Note that the goals established by wholesale water suppliers under this subparagraph are not enforceable.

# B. Metering Devices

The water conservation plan must include a description as to which practice(s) and/or device(s) will be utilized to measure and account for the amount of water diverted from the source(s) of supply.

# C. Record Management Program

The water conservation plan must include a monitoring and record management program for determining water deliveries, sales, and losses.

### D. Metering/Leak-Detection and Repair Program

The water conservation plan must include a program of metering and leak detection and repair for the wholesaler's water storage, delivery, and distribution system.

### E. Reservoir Systems Operations Plan

The water conservation plan must include a reservoir systems operations plan, if applicable, providing for the coordinated operation of reservoirs owned by the applicant within a common watershed or river basin. The reservoir systems operations plan shall include optimization of water supplies as one of the significant goals of the plan.

### F. Contract Requirements for Successive Customer Conservation

The water conservation plan must include a requirement in every water supply contract entered into or renewed after official adoption of the water conservation plan, and including any contract extension, that each successive wholesale customer develop and implement a water conservation plan or water conservation measures using the applicable elements of Title 30 TAC Chapter 288. If the customer intends to resell the water, then the contract between the initial supplier and customer must provide that the contract for the resale of the water must have water conservation requirements so that each successive customer in the resale of the water will be required to implement water conservation measures in accordance with the provisions of this chapter.

### G. Enforcement Procedure and Official Adoption

The water conservation plan must include a means for implementation and enforcement, which shall be evidenced by a copy of the ordinance, rule, resolution, or tariff, indicating official adoption of the water conservation plan by the water supplier; and a description of the authority by which the water supplier will implement and enforce the conservation plan.

### H. Coordination with the Regional Water Planning Group(s)

The water conservation plan must include documentation of coordination with the regional water planning groups for the service area of the wholesale water supplier in order to ensure consistency with the appropriate approved regional water plans.

Example statement to be included within	he water conservation plan:
The service area of the	(name of water supplier) is located within the
(name of regional water	planning area or areas) and (name
of water supplier) has provided a copy of	this water conservation plan to the
(name of regional water planning group	or groups).

### I. Plan Review and Update

A wholesale water supplier shall review and update its water conservation plan, as appropriate based on an assessment of previous five-year and ten-year targets and any other new or updated information. A wholesale water supplier shall review and update the next revision of its water conservation plan no later than May 1, 2009, and every five years after that date to coincide with the regional water planning group. The revised plan must also include an implementation report.

### J. Additional Conservation Strategies

Any combination of the following strategies shall be selected by the water wholesaler, in addition to the minimum requirements of this chapter, if they are necessary in order to achieve the stated water conservation goals of the plan. The commission may require by commission order that any of the following strategies be implemented by the water supplier if the commission determines that the strategies are necessary in order for the conservation plan to be achieved:

- 1. Conservation-oriented water rates and water rate structures such as uniform or increasing block rate schedules, and/or seasonal rates, but not flat rate or decreasing block rates;
- 2. A program to assist agricultural customers in the development of conservation, pollution prevention and abatement plans;
- 3. A program for reuse and/or recycling of wastewater and/or graywater;
- 4. A cost-share program;
- 5. A technical assistance and outreach program;
- 6. A program for purchase and direct distribution of water conservation equipment; and
- 7. Any other water conservation practice, method, or technique which the wholesaler shows to be appropriate for achieving the stated goal or goals of the water conservation plan.

### **Best Management Practices**

The Texas Water Developmental Board's (TWDB) Report 362 is the Water Conservation Best Management Practices (BMP) guide. The BMP Guide is a voluntary list of management practices that water users may implement in addition to the required components of Title 30, Texas Administrative Code, Chapter 288. The Best Management Practices Guide broken out by sector, including Agriculture, Commercial, and Institutional, Industrial, Municipal and Wholesale along with any new or revised BMP's can be found at the following link on the Texas Water Developments Board's website: <a href="http://www.twdb.state.tx.us/conservation/bmps/index.asp">http://www.twdb.state.tx.us/conservation/bmps/index.asp</a>

Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, contact 512-239-3282.

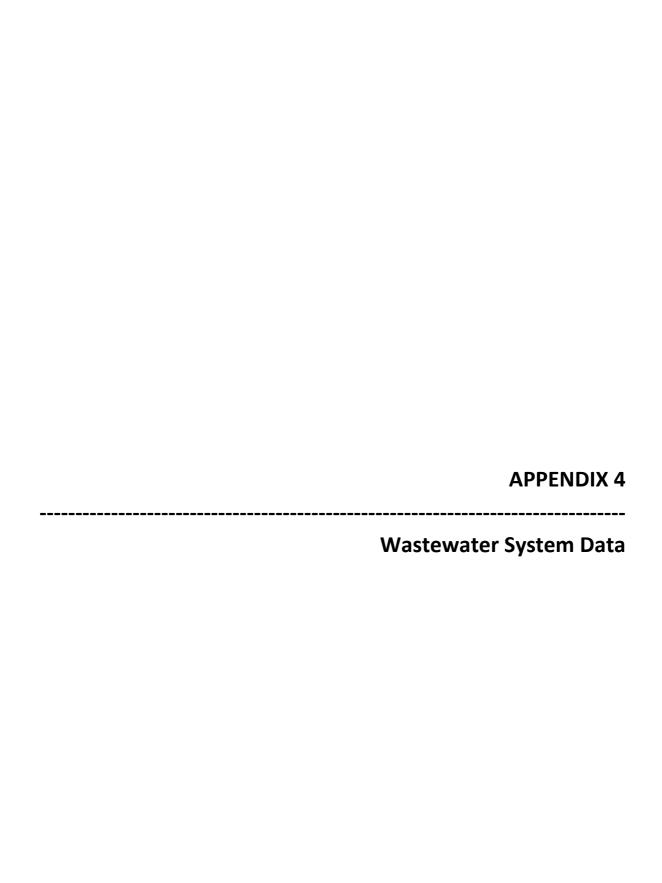
# **December 2013 Canyon Contracts**

AF/YR
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Customer	Purpose	Commit.	Exp Dt	Div Rate	County
Springs Hill WSC I	Mun 010	1850	123150	500 GPM	Guad
Canyon Lake WSC	Mun 010	2000	123144	4200 GPM	Comal
Canyon Lake WSC II	Mun 010	2000	123150	4200 GPM	Comal
Canyon Lake WSC III	Mun 010	2000	123150	6945 GPM	Comal
Green Valley SUD	Mun 010	1000	123140	1200 GPM	Guad
WW Sports	Mun 010	1	123114	60 GPM	Comal
Gonzales Co. WSC	Mun 010	350	030139	600 GPM	Gonz
Rebecca Crk. MUD	Mun 010	130	123137	600 GPM	Comal
Calhoun County RWSC	Mun 010	73	Indef.	898 GPM	Calhoun
City of Port Lavaca	Mun 010	1500	011016	2 MGD	Calhoun
POC Improvement Dist	Mun 010	125	071940	725 GPM	Calhoun
Yacht Club	Mun 010	10	123116	6 GPM	Comal
CRWA (Dunlap)	Willi 010	10	123110	3000 GPM	Comar
City of Marion	Mun 010	100	123139	3000 GI W	Guad
City of Cibolo	Mun 010	1350	123139		Guad
Green Valley SUD	Mun 010	1800	Varies		Various
Springs Hill WSC	Mun 010	1925	123139		Guad
East Central WSC	Mun 010	1400	Varies		Various
SAWS	Mun 010	4000	123118		Bexar
NBU	Mun 010	9720	010150	6000 GPM	Comal
City of Seguin	Mun 010	1000	083117	10327 PM	Guad
Crystal Clear	Mun 010	800	111232	600 GPM	Guad
Dittmar, Gary	Mun 010	5	N/A	2800 GPM	Guad
Dittmar, Ray	Mun 010	5	N/A	1200 GPM	Guad
Springs Hill WSC II	Mun 010	1000	123150	10327 GPM	Guad
City of Blanco	Mun 010	600	123150	375 GPM	Comal
HH Ranch Properties	Mun 010	250	123144	600 GPM	Comal
Titi Rahen Troperties	With 010	230	123144	000 GI WI	Comar
Boerne	Mun 010	3611	123137		Kendall
Fair Oaks Ranch	Mun 010	1850	123137		Bexar
SAWS	Mun 010	4000	123137		Bexar
Cordillera Ranch	Mun 010	1500	123137		Comal
Kendall & Tapatio	Mun 010	750	123137		Kendall
DH InvestJohnson Ranch	Mun 010	900	123137		Comal
Lerin Hills	Mun 010	750			Kendall
Comal Trace	Mun 010	100			Comal
SJWTX-Bulverde	Mun 010	400	123140		Com/Ken/Bex
SJWTX-Park Village	Mun 010	322	123137		Com/Ken/Bex
Bremer Ranch LTD	Mun 010	100	123143		Comal
Jacquelyn Couser	Mun 010	100	123143		Comal
San Marcos	Mun 010	10000	070147	6,000 GPM	Comal/Hays
Kyle	Mun 010	5443	123138	1,842 GPM	Hays/Caldwell
CRWA	Mun 010	2038	123139	1390 GPM	Hays
Buda	Mun 010	1680	123142	694 GPM	Hays
GoForth WSC	Mun 010	1050	123139	650 GPM	Guad
Sunfield MUD	Mun 010	3136	123150	2776 GPM	Guad
Monarch	Mun 010	560	123137	350 GPM	Guad
SUBTOTAL Municipal		73,284			
Bill Holland	Dom 011	1	123120	20 GPM	Comal
Maricopa Lodge	Dom 011	2	123114	15 GPM	Comal
Debra Salge	Dom 011	1	123114	20 GPM	Comal
Peter Kleck	Dom 011	1	123114	40 GPM	Comal
Don Johnson	Dom 011	1	123114	20 GPM	Comal
George O'Donnell	Dom 011	1	123116	26 GPM	Comal
Michael Walton	Dom 011	1	123114	30 GPM	Comal

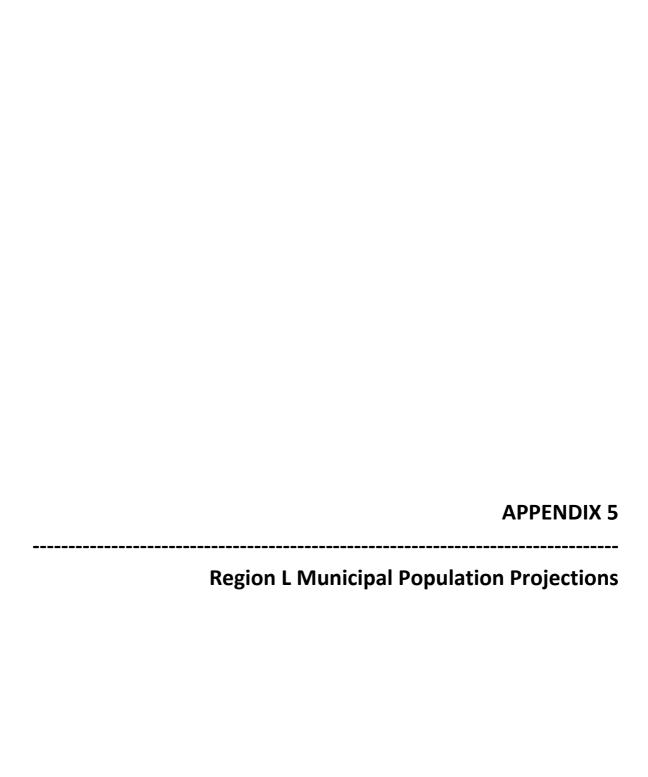
		AF/YR			
Customer	Purpose	Commit.	Exp Dt	Div Rate	County
Thomas Livengood	Dom 011	1	123114	26 GPM	Comal
SUBTOTAL Domestic		9			
CMC Steel	Ind 020	700	Indef.	1000 GPM	Guad
Acme Brick	Ind 020	25	123130	100 GPM	Guad
Ineos USA LLC (BP Chem)	Ind 020	1100	022115	10250 GPM	Calhoun
Coleto Creek Power	Ind 020	4000	090125	16000 GPM	Victoria
UCC/DOW	Ind 020	100	123116	24000 GPM	Calhoun
Seadrift Coke L. P	Ind 020	334	071518	1550 GPM	Calhoun
Temple Inland (St. Gyp)	Ind 020	258	123113	125 GPM	Guad
Comal County Fair Assoc	Ind 020 Ind 020	1 3	123129 123114	200 GPM 2000 GPM	Comal Comal
Comal Rd. Dept. GPP (Panda Energy)	Ind 020	6840	123114	6600 GPM	Guad
Guadalupe County	Ind 020	2	123121	150 GPM	Guadalupe
Hays Energy LP (ANP)	Ind 020	2464	123122	150 GPM 1528 GPM	Comal
SUBTOTAL Industrial	111d 020	15,827	123123	1326 GFWI	Colliai
Jack DuBose	Irr 030	5	123122	50 GPM	Gonz
Ind. Golf Assn.	Irr 030	2	123114	250 GPM	Gonz
Comal ISD	Irr 030	2	123114	13 GPM	Comal
Terry Zurovec	Irr 030	4	123114	250 GPM	Guad
Eddie Goldbeck	Irr 030	1	123114	70 GPM	Comal
Golf Club of Seguin	Irr 030	25	123122	200 GPM	Guad
Southbank Property Own	Irr 030	1	123114	60 GPM	Guad
Foresight Golf Partners	Irr 030	290	123130	2000 GPM	Guad
Javier Martinez	Irr 030	1	123114	12 GPM	Comal
Maldonado Nursery	Irr 030	6	123115	100 GPM	Guad
Stephen Edlund	Irr 030	1	123114		
Comal Cty-Hidden Valley	Irr 030	20	123120	250 GPM	Comal
Golf Associates	Irr 030	10	123130	2000 GPM	Guad
Larry Aniol	Irr 030	1	123114	500 GPM	Comal
William Waggener	Irr 030	1	123114	20 GPM	Comal
Tom Smith	Irr 030	1	123114		Comal
Kenneth Speck	Irr 030	1	123114		Comal
Bill Biegel	Irr 030	1	123114		Comal
John Sanders	Irr 030	2	123114		Comal
Jeff Bearden	Irr 030	1	123114		Comal
Karen Baker	Irr 030	1	123114		Comal
Daniel Hawk	Irr 030	1	123114		Comal
Donald Cook	Irr 030	3	123114		Comal
Robert Fleming	Irr 030	1	123114		Comal
Samir Sayegh	Irr 030	1	123114		Comal
Edward Maser	Irr 030	1	123114		Comal
William Latham	Irr 030	1	123114		Comal
Wayne Gibson - Gardos	Irr 030	2	123114		Comal
William Mattison	Irr 030	1	123114		Comal
Daniel Gayle	Irr 030	1	123114		Comal
Mark & Kris Burken	Irr 030	1	123114		Comal
DL Stafford Real Estate LP	Irr 030	2	123114		Comal
SUBTOTAL Irrigation		389			
UPSTREAM DIVERSION CO	ONTRACTS				
Kerrville	Irr 030	26	123120	750 GPM	Kerr
River Crossing Golf Club LTD	Irr 030	117	123129	900 GPM	Comal
Tom Fatjo	Irr 030	10.67	123140	100 GPM	Kerr
Sylvia Sieker	Irr 030	1	123135	.03 GPM	Kerr
SUBTOTAL Upstream Divers	sion	154.67			
		_			

TOTALS 89,663.67



# GBRA WASTEWATER DISCHARGE PERMITS

	EDDEG/			HARGE PERMITS	4 9 1
WWTP	TPDES/ TLAP No.	Permit Expiration Date	Design Capacity (interim/final)	Receiving Stream	Area Served
Lockhart WWTF No. 1	10210-001	Feb 1, 2015	1.1 MGD	Town Creek to Plum Creek	City of Lockhart (50%)
Lockhart WWTP No. 2	10210-002	Feb 1, 2015	1.5 MGD	Plum Creek	City of Lockhart (50%)
City of Buda WWTF (currently in final phase)	11060-001	Feb 1, 2015	1.5 MGD	Porter Creek to Plum Creek	City of Buda
Canyon Park Estates WWTP	11496-001	Feb 1, 2015	0.18/0.26 MGD	Canyon Reservoir	Silverleaf Condominiums/Hancock, TX
Dunlap WWTP	11378-001	Feb 1, 2015	0.7/0.95 MGD	Guadalupe River	River Bend, Bandit and Southbank Subdivisions, southeast of New Braunfels, Comal Co., TX
Northcliffe WWTP	11751-001	Feb 1, 2020	0.3 MGD	No discharge	Northcliffe Subdivision/Schertz, TX
Springs Hill WWTP	11427-001	Feb 1, 2017	0.3 MGD	Guadalupe River	Nob Hill and Springs Hill Area, South of Seguin, TX
Crestview WWTP	13954-001	Feb 1, 2017	0.03 MGD	Chocolate Bayou	Crestview Sub- division/Calhoun Co., TX
Cordillera Ranch	14385-001	Feb 1, 2019	0.064/0.128/0.19 2 MGD	No discharge	Cordillera Ranch Subdivision
A&M Heep WWTF	14377-001	Feb 1, 2017	0.25/0.5/0.99 MGD	Brushy Creek to Plum Creek	Sunfield Subdivision
Castletop Capital Hays ABC WWTF	14431-001	Feb 1, 2015	0.162/0.486 MGD	Brushy Creek to Plum Creek	Shadow Creek Subdivision
Gerdes Land Application	04438	July 9, 2018			
Luling WTP Land Application	730021	May 23, 2017			
Port Lavaca WTP Land Application	730106	Nov 8, 2015			



# 2011 Region L Plan Population Projections for GBRA Service Area

	Cens	sus	Projections						
	1990	2000	2010	2020	2030	2040	2050	2060	
Caldwell	26,392	32,194	45,958	59,722	71,459	83,250	95,103	106,575	
Calhoun	19,053	20,647	23,556	26,610	29,964	33,046	34,642	36,049	
Comal	51,832	78,021	108,219	146,868	190,873	233,964	278,626	326,655	
DeWitt	18,840	20,013	20,460	20,964	21,251	21,341	21,021	20,648	
Gonzales	17,205	18,628	19,872	21,227	22,260	23,003	23,219	23,151	
Guadalupe	64,873	89,023	114,878	146,511	180,725	214,912	252,857	293,736	
Hays (Part*)	51,478	72,499	120,199	172,674	213,908	255,183	304,337	342,746	
Kendall	14,589	23,743	35,720	50,283	65,752	78,690	89,312	99,698	
Refugio	7,976	7,828	8,217	8,505	8,609	8,799	8,915	8,877	
Victoria	74,361	74,361	93,073	102,487	110,221	116,368	121,416	125,865	
TOTAL	346,599	436,957	590,152	755,851	915,022	1,068,556	1,229,448	1,384,000	

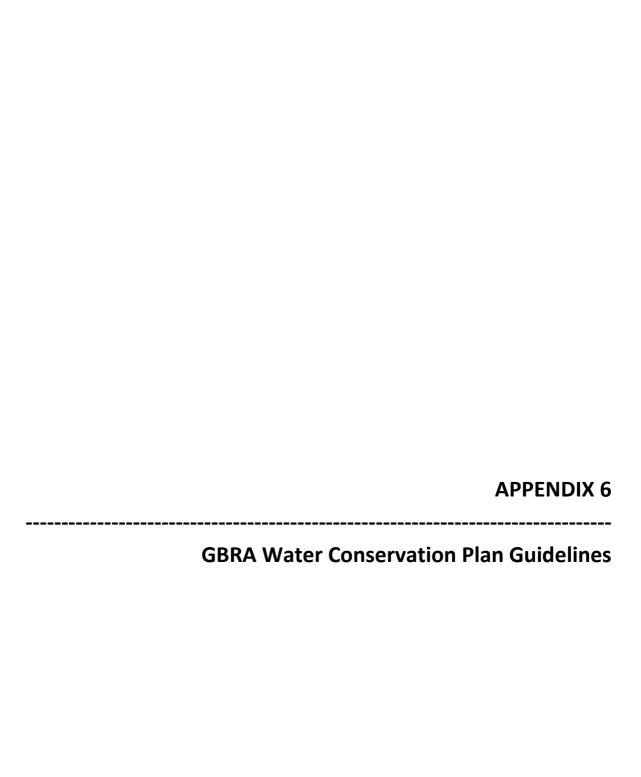
# 2011 Region L Plan Municipal Demand Projections for GBRA Service Area

	Census		Projections						
	1990	2000	2010	2020	2030	2040	2050	2060	
Caldwell	4,931	4,643	6,306	7,898	9,222	10,555	11,926	13,328	
Calhoun	3,916	2,705	2,948	3,222	3,556	3,870	4,007	4,171	
Comal	10,415	14,055	18,771	24,753	31,598	38,304	45,318	53,018	
DeWitt	3,556	3,065	3,064	3,071	3,039	2,982	2,889	2,839	
Gonzales	3,832	3,828	4,108	4,404	4,624	4,765	4,794	4,774	
Guadalupe	9,627	13,850	17,113	21,167	25,595	29,907	34,980	40,553	
Hays (Part*)	9,805	10,926	17,278	24,409	29,964	35,414	42,121	47,474	
Kendall	2,130	3,262	4,649	6,370	8,142	9,610	10,888	12,139	
Refugio	1,227	1,191	1,249	1,287	1,282	1,299	1,312	1,302	
Victoria	11,545	13,664	14,590	15,614	16,378	16,884	17,435	18,034	
TOTAL	60,984	71,189	90,076	112,195	133,400	153,590	175,670	197,632	

# 2011 Region L Plan Municipal Per-Capita Use Projections for GBRA Service Area

	Use		Projections						
	1990	2000	2010	2020	2030	2040	2050	2060	
Caldwell	167	129	122	118	115	113	112	112	
Calhoun	183	117	112	108	106	105	103	103	
Comal	179	161	155	150	148	146	145	145	
DeWitt	169	137	134	131	128	125	123	123	
Gonzales	199	183	185	185	185	185	184	184	
Guadalupe	132	139	133	129	126	124	124	123	
Hays (Part*)	170	135	128	126	125	124	124	124	
Kendall	130	123	116	113	111	109	109	109	
Refugio	137	136	136	135	133	132	131	131	
Victoria	139	164	140	136	133	130	128	128	
TOTAL	157	145	136	133	130	128	128	127	

<sup>\*</sup>Includes only that part of Hays County within the Guadalupe River Basin



# GBRA GUIDELINES WATER CONSERVATION GUIDELINES

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#### **FORWARD**

GBRA was originally the Guadalupe River Authority, a water conservation and reclamation district created in 1933 as a public corporation under Section 59, Article 16 of the Constitution of Texas. It was reauthorized in 1935 as the Guadalupe-Blanco River Authority by an act of the Texas Legislature (VCS Art. 8280-106).

The guidelines for water conservation are promulgated pursuant to this GBRA policy under the authority granted to the GBRA under the Texas Water Code, Section 11.037.

Each person, association of persons, corporation, and district authorized by law to carry out irrigation powers that is conserving or supplying water for any of the purposes authorized by Chapter 11, Texas Water Code may make and publish reasonable guidelines relating to water conservation, as defined by Subsection (8) (B), Section 11.002, Texas Water Code.

The many benefits of water conservation include:

- Extends available water supplies and reduces the risk of shortage during periods of extreme drought;
- Reduces wastewater flows;
- Provides a larger utility customer base over which to spread capital and other costs
- Improves the reliability and quality of water utility service;
- Reduces water and wastewater utility operating costs;
- Reduces customer costs for water service;
- Improves the performance of wastewater treatment systems; and
- Enhances environmental and recreation values.

GBRA intends to pursue an aggressive role in promoting efficient water use and the beneficial reuse of reclaimed water. By adopting these guidelines, GBRA's commitment to conserving water is affirmed.

#### **GUIDELINES FOR WATER CONSERVATION**

### **ARTICLE 1. PURPOSE**

1.0 The purpose of these guidelines is to extend existing surface and groundwater supplies through conservation and beneficial reuse and thereby to assure an adequate supply of clean water within the GBRA 10-county district. These guidelines apply to all GBRA municipal, industrial and irrigation water sale contracts (specifically excluding water service agreements or contracts between GBRA and downstream irrigation districts or irrigation companies), all water and wastewater utility service agreements and all GBRA facilities.

### **ARTICLE 2. DEFINITIONS**

- 2.1 <u>Acre-foot of water:</u> Enough water to cover one acre of land one foot deep. One acre foot of water is equal to 325,851 gallons of water.
- 2.2 <u>Applicant</u>: A person, association of persons, or other entity who has submitted a water conservation plan to GBRA, and who has provided all information required by these guidelines.
- 2.3 <u>Beneficial use</u>: Use of the amount of water which is economically necessary for a purpose authorized by law, when reasonable intelligence and reasonable diligence are used in applying the water to that purpose.
- 2.4 <u>Customer</u>: A person, association of persons, or other entity to whom a water sale contract has been issued.
- 2.5 <u>Domestic use:</u> Use of water by an individual or a household used for drinking, washing, or culinary purposes; for irrigation of lawns, or of a family garden and/or orchard when the produce is not sold; for watering of domestic animals; and for water recreation for which no consideration is given or received. If the water is diverted, it must be diverted solely through the efforts of the user.
- 2.6 <u>Drought of record:</u> The drought which occurred during the critical drought period. That critical drought period is the period of time during which the reservoir system was last full and refilled, and the storage content was at its minimum value. The current drought-of-record occurred during the period from 1946-1957.
- 2.7 <u>Firm water</u>: A supply of water that is available even during a repeat of the conditions of the historic drought of record.
- 2.8 <u>Industrial Water Sale Contract:</u> Contracts for uses of water associated with the operation of some industrial or mining process. The industrial use of water is defined as water used in processes designed to convert materials of a lower order of value into forms having greater usability and commercial value, including commercial feedlot operations,

commercial fish production, and the development of power by means other than hydroelectric. The use of water for mining purposes, including hydraulic use, drilling, washing sand and gravel, and oil field re-pressuring also falls under industrial water sale contracts.

- 2.9 <u>Interruptible water:</u> A supply of water that is not defined as firm water. Such supplies are diverted under a contract or resolution approved by the GBRA Board and is usually run-or-river water.
- 2.10 <u>Irrigation Water Sale Contract:</u> A contract for uses of water that entail direct applications of raw water. Irrigation uses may include, but are not limited to, the following: agricultural production, water applied to golf courses, athletic fields and other landscaped areas.
- 2.11 <u>Non-potable water:</u> Water that is not suitable for direct human consumption.
- 2.12 Municipal Water Sale Contract: A contract for raw water which is to be treated by the Purchaser to a potable quality and supplied to users by a centralized water supply system. Municipal use is defined as the use of treated water for domestic purposes, fighting fires, sprinkling streets, flushing sewers and drains, watering parks and parkways, and recreational purposes, including public and private swimming pools, the use of treated water in industrial and commercial enterprises supplied by a municipal distribution system without special construction to meet its demands, and for the watering of lawns and family gardens. Municipal use also includes the application of municipal sewage effluent upon land sites, pursuant to a Texas Water Code, Chapter 26, permit, where:
  - a) the primary purpose of the application is the treatment and/or necessary disposal of such effluent;
  - b) the application site is a park, parkway, golf course, or other landscaped area owned by the owner of the permitted sewerage system; or
  - c) the effluent applied to such site is generated within an area for which the commission has adopted a no-discharge rule.
- 2.13 <u>Potable Water:</u> Water that is suitable for direct human consumption.
- 2.14 <u>Primary Customer:</u> A customer who diverts water directly from a river or stream, Canyon Reservoir, or a GBRA irrigation canal and delivers all or a part of that water to a secondary customer.
- 2.15 <u>Secondary Customer:</u> A water user who does not divert water directly from a river or stream, Canyon Reservoir or a GBRA irrigation canal, but who receives water from a primary customer.
- 2.16 <u>Wastewater Effluent</u>: Water discharged after the treatment of domestic or industrial sewage.

- 2.17 <u>Water Conservation:</u> Those practices, techniques, and technologies that reduce the consumption of water, reduce the waste of water, improve efficiency in the use of water, or increase the recycling and reuse of water so that a water supply is made available for future or alternative uses.
- 2.18 <u>Water Sale Contract</u>: A contractual agreement between GBRA and a Purchaser for the sale of raw water under GBRA's Certificates of Adjudication or permits.
- 2.19 <u>Water Customer:</u> A person, association of persons, or other entity to whom a water sale contract has been issued.

### **ARTICLE 3. AUTHORITY**

3.0 These guidelines are promulgated in accordance with Section 11.037(b), of the Texas Water Code, the GBRA Act, and GBRA Board Resolution dated October 30, 1998.

### ARTICLE 4. PROCESSING OF WATER CONSERVATION PLANS

- 4.1 Preparation of the Water Conservation Plan. The applicant shall submit to the GBRA for review and approval a water conservation plan. This plan shall be prepared in accordance with Article 5.0 of these rules. Prior to submittal of the plan, the applicant (or applicant's representative) is encouraged to discuss the scope and content of the plan with GBRA staff. GBRA staff shall review and approve all water conservation plans. In considering approval of a water conservation plan, the staff shall consider the best management practices, the best available techniques and technologies, the financial capability of the applicant, the term of the contract, lease, or easement and other such factors. The Applicant shall implement the water conservation plan as approved.
- 4.2 Review and Approval of Water Conservation Plan. GBRA shall conduct a review of the plan for administrative completeness. If the plan is not determined to be administratively complete, GBRA staff shall notify the applicant and shall detail the deficiencies. The applicant shall have thirty (30) working days to file appropriate additional information to correct such deficiencies. If such information is not provided within said time period, then the plan shall be considered withdrawn.

After a plan has been determined to be administratively complete, GBRA staff shall conduct a technical review as necessary and appropriate. The technical review period is the period of time beginning with the determination that the plan is administratively complete and continuing for a period not to exceed thirty (30) calendar days. After the appropriate technical review has been completed, the applicant shall be notified regarding whether the plan has been approved or rejected.

Unless GBRA staff is able to establish good cause for exceeding the above-mentioned time limitations for either, approval or rejection of a plan, failure of GBRA to make such a determination shall result in said plan being deemed approved.

- 4.3 <u>Appeal of Rejection of Plan.</u> If an Applicant believes that its water conservation plan was improperly returned, or that the reasons cited for rejection of the plan were not consistent with these rules, the applicant may appeal the decision. Any appeal must be made in writing and directed to the GBRA General Manager or his designee. The General Manager or his designee shall promptly review any such appeal and shall either agree with the staff's decision to return and/or reject the plan or shall approve the plan.
- 4.4 <u>GBRA Board Approval</u>. All applicable water sale contracts, affecting GBRA lands and GBRA water and wastewater utility service agreements will not be brought to the Board of Directors for approval until a water conservation plan has first been approved by GBRA staff or the General Manager or his designee in accordance with Section 4.3.

### ARTICLE 5. WATER CONSERVATION PLAN REQUIREMENTS

5.0 The water conservation plan shall effectively address all appropriate methods for reducing water consumption and water waste, methods for improving water use efficiency and methods for increasing the beneficial reuse and recycling of water. The plan shall include a long-term water conservation plan and a drought contingency or emergency water management plan. Applicant shall explain reasons for not including a particular measure in the conservation plan.

The required information may be given in either narrative or outline format.

### 5.1 Water Sale Contracts.

### 5.1.1 <u>Municipal Water Sale Contracts</u>.

(a) Water and Wastewater Utility Profile.

A profile of an applicant's water and wastewater utility system should be developed in order to identify the goals and emphasis of the plan. This profile shall include, at a minimum, the following:

- (1) Service area population: current population and estimated population at build-out or at the end of the contract term.
- (2) Water Utility Data.
  - (a) Number of water service connections, by use sector if available (residential, industrial, commercial, public);
  - (b) Percent of connections metered;

- (c) Monthly water consumption for previous two (2) years (by use sector, if available);
- (d) Average daily use for previous two (2) years;
- (e) Peak day demand for previous two (2) years;
- (f) Percent of water use unaccounted for; and
- (g) Description of system: peak daily water production and distribution capacity; number of plants, wells, and storage tanks; system constraints; and planned capital improvement projects.
- (3) Wastewater Utility Data (if the customer also operates a wastewater system).
  - (a) Average monthly wastewater flows for previous two (2) years;
  - (b) Peak monthly wastewater flows for previous two (2) years;
  - (c) Percent of water service connections using private sewage on-site facilities (i.e., septic systems);
  - (d) Description of wastewater system, system constraints; and planned capital improvement projects;

### (4) Financial Data

- (a) Current and projected (if available) water rates;
- (b) Current and projected (if available) wastewater rates; and
- (c) Connection and/or impact fees.

### (b) Long-range Conservation Plan

A water conservation plan specifies and explains the actions that an applicant will take to implement a water conservation program. The implementation of the water conservation plan is considered to be the water conservation program.

- (1) The long-range plan shall, at a minimum, include:
  - (a) An evaluation of the customer's water and wastewater system and customer water use characteristics to identify water conservation opportunities and set water conservation goals (e.g., reduced peak water demand, reduced wastewater flows).
  - (b) Education and public information programs. Applicants should implement a program of continuing public education and information to inform and/or remind their customers about ways to save water. At a minimum, GBRA water customers are required to distribute published information on water conservation to their retail customers once a year and provide such information to new retail customers when they apply for service. Customers should also conduct or participate in at least one other type of annual

educational water conservation activity. Assistance with, the implementation of a public education program is available from the GBRA.

- (c) Universal metering and meter repair and replacement. All water users should be metered, including public facilities. For new multifamily dwellings that are easily metered individually (such as duplexes and fourplexes), each living unit should be metered separately. A regularly scheduled maintenance program of meter repair and replacement will need to be established in accordance with the following time intervals:
  - (1) Production (master) meters test once a year;
  - (2) Meters larger than 1" test once a year;
  - (3) Meters 1" or smaller test once every 10 years.
- (d) Water utility distribution system leak detection and repair. A leak detection audit should be conducted at regular intervals. If records indicate that unaccounted for water losses are greater than fifteen (15%) percent from the quantity diverted, meters should be inspected. After inspection, if unaccounted for water is still significant, the utility should initiate a full-scale leak detection and repair program. Sources of unaccounted for water include leaks in mains and services, defective hydrants, abandoned services, unmetered water used for fire fighting or other municipal uses, inaccurate or leaking meters, illegal hook-ups, and unauthorized use of fire hydrants.
- (e) Water rates. Utilities should adopt a water rate structure that encourages water conservation. Such a rate usually takes the form of an increasing block rate, a seasonal load rate or an excess use rate. At a minimum the applicant should adopt a uniform rate structure. Rate structures in which the unit cost of water decreases as consumption increases and flat rates are not usually acceptable.
- (2) The long-range plan may also include other measures that the customer deems appropriate. These may include, but are not limited to, measures such as:
  - (a) codes and ordinances which require the use of water-conserving technologies;
  - (b) measurement and control of excessive pressure in the distribution system:
  - (c) ordinances to promote efficiency and avoid waste;
  - (d) commercial and residential audits for indoor and landscape water uses-;

- (e) plumbing fixture replacement and retrofit programs;
- (f) recycling and reuse of reclaimed wastewater and/or gray water; and
- (g) other measures as may be applicable.
- (c) Drought Contingency or Emergency Water Management Procedures. This plan shall include the following:
  - (1) definition of trigger conditions signaling the start of an emergency period;
  - (2) demand management measures (i.e. time of day or day of week water use restrictions);
  - (3) measures to educate and inform the public concerning the plan;
  - (4) means of implementation and enforcement;
  - (5) termination procedures ending the emergency period.

# 5.1.2 Industrial Water Sale Contracts.

- (a) Water Use Profile. This profile shall include:
  - (1) Monthly use over previous two (2) year period; and
  - (2) Estimated use, by category (processing, cooling, employee-related) at the end of the contract period.
- (b) Water Conservation Measures. A water conservation plan shall include the following measures:
  - (1) Use of water conserving plumbing fixtures (as defined in Article 5.1.1.) in new construction and/or plumbing fixture retrofits where technically and economically feasible;
  - (2) Use of state-of-the-art equipment and/or process modes including, if necessary, justification of any proposed use of less efficient equipment or process modes;
  - (3) Water reuse, where possible, for processing, cooling, landscape irrigation and other non-potable uses;
  - (4) Employee education and awareness.
- (c) Drought Contingency or Emergency Water Management Procedures. Applicant shall comply with the GBRA Drought Contingency Plan as outlined in Article 5.1.4.
- 5.1.3 <u>Irrigation Water Sale Contracts for Water Customers other than the Calhoun Canal System.</u>

- (a) Water Use Profile. This profile shall include:
  - (1) Monthly water use over previous two (2) year period, if applicable; and
  - (2) A site map showing irrigated areas and the layout of irrigation equipment.
- (b) At a minimum, a water conservation plan shall include the following measures:
  - (1) Irrigation Inspection. Conduct periodic irrigation system inspections and perform necessary adjustments/repairs to eliminate leaks, overspray or clogging.
  - (2) Irrigation testing and scheduling. The irrigation system should be tested for uniformity of spray or flood as well as the application rate. Irrigation testing should be conducted for each area capable of independent control. Maintenance zones shall be identified, and irrigation schedules including frequency and duration should be developed for these zones.
  - (3) Seasonal irrigation scheduling. Irrigation scheduling will be adjusted to reflect changes in seasonal irrigation requirements.
  - (4) Equipment Upgrades. Equipment upgrades should be implemented where technically and economically feasible. Examples of upgrades include automatic controllers, rain shut-off devices, sod moisture monitors, and installation of water conserving irrigation equipment.
  - (5) Leak detection. Irrigation system shall be checked for leaks at least once a year.
  - (6) Maintenance schedule. Maintenance zones shall be established which reflect plant type and level of care. Examples of items to include in the plan are mowing and fertilization frequency, clipping disposal, sod aeration, etc.
  - (7) Employee education and training. Applicant is required to provide and carry out training for landscape maintenance staff in the proper implementation of the applicant's water conservation plan. Applicant can distribute literature, acquire videotapes, and conduct seminars on information relating to this top. Assistance with employee training may be available from the GBRA.
- (c) The plan may also include other measures that the customer deems appropriate. These may include, but are not limited to, measures such as:
  - (1) Integrated Pest Management (IPM). The purpose of an Integrated Pest Management program is to minimize the need for applications of chemical fertilizers and pesticides thereby minimizing the use of water and the

potential runoff of pollutants into water courses. Non-toxic pest control should be attempted where possible. As an attachment to the plan, the applicant must submit a material safety data sheet and a product label for each pesticide, herbicide, fungicide, insecticide, and fertilizer used.

The IPM program should be developed considering crop or plant requirements for water; nutrients, pesticides, or herbicides- sod types and permeability; rainfall frequency, patterns and amounts; runoff containment and controls; and drainage patterns of the irrigated area. The program must address fertilizer types and manufacturers, applications rates and application schedule; pesticides and herbicides to be used and justification for such use-biological pest control measures to be employed (if any); and plant replacement procedures.

- (2) Future conversions. Where feasible, landscape areas should be converted to low maintenance plantings.
- (3) Beneficial water reuse and recycling. Where appropriate, the applicant should identify and evaluate opportunities for the beneficial reuse and recycling of reclaimed water for irrigation or other non-potable uses. Such reuse and recycling may provide an attractive approach to extending water supplies, reduce demands on the potable water treatment and distribution facilities, and reduce or eliminate wastewater discharges to sensitive surface waters.
- (c) Drought Contingency or Emergency Water Management Procedures. Applicant shall comply with the GBRA Drought Contingency Plan as outlined in Article 5.1.4.
- (d) Integration of GBRA Water Plans. Applicants are encouraged to develop one plan that incorporates both GBRA water conservation and nonpoint source pollution abatement requirements.

# 5.1.4 Compliance with the GBRA Drought Contingency Plan

- (a) The GBRA Drought Contingency Plan (DCP), as approved by the Texas Commission on Environmental Quality and modified from time to time, establishes GBRA's policy and procedures for the allocation of GBRA's stored water supply during times of drought. The scope of the DCP is essentially limited to curtailment of GBRA interruptible water supplies as determined by the TCEQ's South Texas Water Master. Firm stored water supplies are subject to curtailment only if it is determined that a drought in effect is worse than the Drought of Record.
- (b) The GBRA DCP specifies actions that are to be taken by GBRA firm stored water customers during drought. These are:

- (1) GBRA will request voluntary water conservation by firm stored water customers where the total storage in Canyon Reservoir is less than elevation 895 M.S.L. or 277,500 acre-feet.
- (2) GBRA will request that all GBRA firm stored water customers reduce water use by their end users when the combined storage for Canyon Reservoir is at or below Elevation 890 or 245,333 acre-feet.
- (3) GBRA will request that all GBRA firm water customers reduce water use by their end users when the combined storage of Canyon Reservoir is at or below elevation 885 M.S.L. or 215,615 acre-feet.
- (4) During a drought determined to be more severe than the Drought of Record, GBRA will curtail and distribute the available supply of firm stored water among all of its firm stored water supply customers on a pro rata basis according to their historic demand for stored water.
- (c) All GBRA firm stored water customers shall include in their required water conservation plan a statement that they will comply with GBRA Drought Contingency Plan. Customers will also specify how they will comply with this plan.

# 5.2 Water and Wastewater Utility-Service Agreement.

Any retail water or wastewater entity that enters into a water or wastewater utility service agreement with the GBRA shall implement the measures listed in Article 5.1.1

# 5.3 GBRA Facilities

All new GBRA facilities and additions to existing facilities will include water-conserving designs and facilities.

# ARTICLE 6. REPORTING REQUIREMENTS

# 6. 1 Report Schedule

- (a) All GBRA water customers shall periodically report on the progress of their water conservation program. Progress reports will be due to the GBRA every five years, with the next report due on or before January 30, 2014. Progress reports will be reviewed by GBRA staff.
- (b) Water Conservation Plans should be updated periodically to reflect conditions associated with the use of water that have changed since the plan was first adopted. Any amendments to these rules that occurred after the customers plan

was adopted shall be included in the updated plan. GBRA will provide advance notice of any such proposed amendments to these rules.

# 6.2 <u>Content of Progress Reports</u>

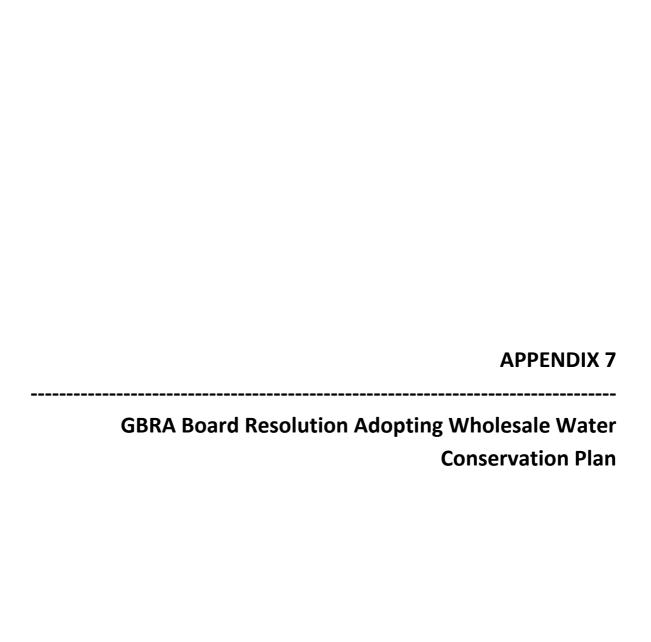
GBRA will develop a report form for customers to complete. This report shall include the following:

- (a) A description of specific measures implemented. These measures will match measures included in customer's water conservation plan.
- (b) Results of conservation measures. Customers should report on any observed change in water use and water demand, economic savings, and public response that occurred as a result of implementing these measures.

A summary of these reports will be developed and made available to all water contract customers.

# ARTICLE 7. COMPLIANCE AND ENFORCEMENT

The applicant agrees to commence implementation of the water conservation programs listed in the water conservation plan immediately and agrees to continue these programs for the duration of the contract, lease or easement with GBRA. Failure of the applicant to implement said water conservation plan may result in GBRA taking legal action to require compliance.



# RESOLUTION ADOPTING THE GUADALUPE-BLANCO RIVER AUTHORITY WHOLESALE WATER CONSERVATION PLAN

Whereas, the Guadalupe-Blanco River Authority (GBRA) has exercised leadership in promoting, and where appropriate, requiring the conservation of ground and surface waters within GBRA's 10-county statutory district, and

Whereas, GBRA supports and assists local and state initiatives to develop and apply water conservation measures for municipal, industrial and agricultural uses where appropriate. GBRA provides technical assistance, public information and education programs on water conservation, and

Whereas, all water sales contracts contain appropriate conditions requiring conservation measures that are economically feasible, and

Whereas, GBRA's efforts in technical assistance focuses on the development and implementation of local water conservation and drought contingency programs that encourage local initiative and achievement, and

Whereas, GBRA shall support research, regulatory initiatives and legislation that advance conservation in the GBRA 10-county statutory district, and

Whereas, GBRA also shall assist in the research and transfer of technology and information regarding cost effective conservation measures for the benefit of water users within the 10-county statutory district, and

Whereas, GBRA shall integrate, as appropriate, water efficiency measures into the development and implementation of GBRA programs and projects. Such programs and projects shall include but not be limited to: water resources planning and demand forecasting and management; water and wastewater utility service studies, projects and service agreements; water rate design; environmental programs, and

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Guadalupe-Blanco River Authority does hereby adopt a Water Conservation Plan for Wholesale Water and directs the General Manager to submit a copy to the Texas Commission on Environmental Quality, to make improvements to the plan on a regular basis as consistent with sound water conservation management, and to administer and enforce the plan as adopted.

Adopted this the 16<sup>th</sup> day of April 2014.

Oscar H. Fogle, Chair Board of Directors

Guadalupe-Blanco River Authority

Attest:

Rusty Brockman, Secretary-Treasurer

**Board of Directors** 

Guadalupe-Blanco River Authority



# DROUGHT CONTINGENCY PLAN FOR GUADALUPE-BLANCO RIVER AUTHORITY

**April 16, 2014** 

flowing solutions

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# DROUGHT CONTINGENCY PLAN FOR THE GUADALUPE-BLANCO RIVER AUTHORITY (GBRA) April 16, 2014

# Section 1.0 Declaration of Policy, Purpose, and Intent

In order to conserve the available water supply, to protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, to protect and preserve public health, welfare, and safety, to minimize the adverse impacts of water supply shortage or other water supply emergency conditions and to protect environmental flows, the Guadalupe-Blanco River Authority (GBRA) adopts the following revised version of its Drought Contingency Plan (the Plan). This Plan applies to Canyon Reservoir stored water, GBRA's hydroelectric lakes and run-of-river water rights associated with the GBRA Luling water rights and lower basin water rights.

# **Section 2.0** Public Involvement

Opportunity for the public to provide input into this Plan is being provided by GBRA by means of a notice and a copy of the Plan posted on the GBRA website (www.gbra.org). A copy of the Plan is made available to all GBRA water supply customers for their comment, review and guidance. This Plan was adopted by the GBRA Board of Directors on April 16, 2014. Amendments or updates to this Plan will be done in open session of the GBRA Board of Directors Meeting that meets on the third Wednesday of every month. If any changes are made to the Plan, a copy of those changes will be made available to all customers.

# **Section 3.0** Wholesale Water Customer Education

GBRA will periodically provide wholesale water customers with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage. This information will be provided by means of: 1) A copy of the Plan will be made available to all of GBRA water supply customers for their comment, review, and guidance. Notice of any changes to the Plan will be provided to all customers. 2) If any drought stage is initiated, GBRA will notify all customers indicating the particular stage and the actions it requires. 3) GBRA will continue to forward copies of educational materials, as they become available, to its customers.

# **Section 4.0** Coordination with Regional Water Planning Groups

The water service area of GBRA is located within the South Central Texas Region, (L). A copy of the Plan will be made available to all members of the South Central Texas Region group for their review and comment.

#### Section 5.0 Authorization

The GBRA General Manager, or his/her designee, is hereby authorized and directed to implement the applicable provisions of this Plan upon determination that such implementation is

necessary to protect public health, safety, and welfare. The General Manager, or his/her designee, shall have the authority to initiate or terminate drought or other water supply emergency response measures as described in this Plan.

# **Section 6.0** Application

The provisions of this Plan shall apply to all customers utilizing wholesale water provided by GBRA and to all persons taking water from GBRA's hydroelectric lakes. The terms "person" and "customer" as used in the Plan include individuals, corporations, partnerships, associations, and all other legal entities.

# **Section 7.0 Definitions**

- "Call" on water: customers request the release of water purchased from storage in Canyon Reservoir on an as-needed basis to meet periodic or drastic low-flow conditions.
- Conservation: those practices, techniques, and technologies that reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in the use of water or increase the recycling and reuse of water so that a supply is conserved and made available for future or alternative uses.
- Conservation Pool: water level in Canyon Reservoir between 800 feet mean sea level and normal operating elevation of 909 feet mean sea level in which GBRA has management responsibility and release.
- Customer: individuals, corporations, partnerships, associations and all other legal entities utilizing water provided by GBRA from storage in Canyon Reservoir and persons taking water from GBRA's hydroelectric lakes.
- Domestic water use: water use for personal needs or for household or sanitary purposes such as drinking, bathing, heating, cooking, sanitation, or for cleaning a residence, business, industry, or institution.
- Drought of Record: the worst recorded drought since compilation of meteorologic and hydrologic data began. In terms of severity and duration, the drought of the 1950s is considered the drought of record in the Guadalupe River Basin.
- Even number address: street addresses, box numbers, or rural postal route numbers ending in 0, 2, 4, 6, or 8 and locations without addresses.
- Firm Yield: amount of water that should be considered available throughout a drought as severe as the Drought of Record.
- Non-essential Water Use: water uses that are not essential, nor required for the protection of public, health, safety, and welfare, including:
  - (a) irrigation of landscape areas, including parks, athletic fields, and golf courses, except otherwise provided under this Plan;

- (b) use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle;
- (c) use of water to wash any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
- (d) use of water to wash down buildings or structures for purposes other than immediate fire protection;
- (e) flushing of gutters or permitting water to run or accumulate in any gutter or street;
- (f) use of water to fill, refill, or add to any indoor or outdoor swimming pools or Jacuzzi-type pools;
- (g) use of water in a fountain or pond for aesthetic or scenic purposes except where necessary to support aquatic life;
- (h) failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s); and
- (i) use of water from hydrants for construction purposes or any other purposes other than fire-fighting

Odd numbered address: street addresses, box numbers, or rural postal route numbers ending in 1, 3, 5, 7, or 9 and locations without addresses.

Stored Water: water that is contained within the conservation pool of Canyon Reservoir and that GBRA has responsibility and release of under a water right granted by the Texas Commission on Environmental Quality.

TCEQ South Texas Watermaster (STWM): program that oversees the surface-water system of rivers and tributaries in a 50-county area in south central Texas; allow diversions as water is available and as it passes individual diversion points.

# Section 8.0 Scope

GBRA supplies wholesale water to customers in its' service area through Certificates of Adjudication issued by the Texas Commission on Environmental Quality (TCEQ) authorizing the storage of firm water supply in Canyon Reservoir and run-of-river diversions at multiple locations in the Guadalupe River Basin. The scope of the Drought Contingency Plan must adhere to the findings of TCEQ's adjudication of GBRA's water rights.

The scope of the Drought Contingency Plan is limited to the curtailment of firm water supplies to insure that there is sufficient firm, uninterruptible water to meet projected demands for such water and to protect the environmental flows through a repetition of the Drought of Record. Firm, stored water is subject to curtailment only if it is determined that the drought in effect is worse than the Drought of Record.

In times of shortage of supply caused by drought or emergency, the TCEQ's South Texas Watermaster will determine when water rights holders must reduce or stop diversions of run-of-river water. GBRA, in accordance with Section 11.039 of the Texas Water Code, will curtail and distribute the available supply or run-of-river water among its water supply customers on a pro rata basis, so that preference is given to no one and all interruptible water supply customers

suffer alike.

# Section 9.0 Canyon Dam and Reservoir Operation

Canyon Dam and Reservoir was completed in 1964 as a cooperative project that is jointly managed by GBRA and the U.S. Army Corps of Engineers. GBRA is responsible for reservoir water management and release within the "conservation pool", between 800 feet mean sea level (msl) and the normal operating elevation of 909 msl.

Canyon Reservoir delivers water to customers on a firm yield basis. GBRA has determined, based upon hydrologic and other studies performed by or for GBRA, the amount of stored water from Canyon Reservoir that can be committed and reserved by GBRA on a "firm" basis, meaning the amount that should be considered to be available throughout a drought as severe as the drought that occurred in the 1950's (also referred to as the "Drought of Record"). GBRA will review such studies and perform additional studies from time to time, and it will not commit to supply to its customers at any time a total amount of stored water on a firm basis in excess of the total amount determined by GBRA at that time that should be considered to be firm. However, reasonable conservation requirements under this Plan and other plans may be imposed at any time, including during periods of normal or wet climatic conditions, and curtailments of stored water may be triggered under this Plan during any severe drought, even if that drought is determined to be less severe than the Drought of Record. Curtailments of stored water may also be triggered under this Plan because of some other condition that significantly reduces the available firm water supply.

GBRA has developed a procedure for identifying a drought worse than the Drought of Record for Canyon Lake watershed. The GBRA Board of Directors will declare a drought worse than the Drought of Record when the following three conditions are simultaneously met: (a) drought at least 24 months (24 months since Canyon Reservoir was last full – 909' msl); and (b) the cumulative inflow deficit since the beginning of the drought exceeds the envelope curve for cumulative inflow deficits by at least 5% for six consecutive months and (c) the storage of Canyon Reservoir is less than elevation 885' msl (213,386 acre-feet or approximately 56% full). Historical inflow data for the contributing watershed of Canyon Lake was used in the development of this procedure.

Canyon Reservoir supplies stored water to cities, industries, and agricultural users under a permit issued by the Texas Commission on Environmental Quality (TCEQ). To many users Canyon storage is their sole source of water. These customers rely on daily releases of stored water to meet their demands. For others, Canyon Reservoir provides a dependable source of water during drought conditions and low river flows. These customers "call" for the release of stored water on an as-needed basis to meet periodic or drastic low-flow conditions.

With TCEQ's approval, GBRA can contract for stored water that will provide for an average annual use of stored water from Canyon, with a special condition that a greater maximum quantity of stored water can be used during any one critical year. This way the use of stored water is minimized, and an adequate water supply is available during short-term droughts. This is an example of the benefits of reservoir averaging.

# Section 9.1 Triggering Criteria for Initiation and Termination of Drought Response Stages for Canyon Reservoir

The General Manager, or his/her designee, shall monitor water supply and/or demand conditions on a weekly basis and shall determine when conditions warrant initiation or termination of each stage of the Plan. Customer notification of the initiation or termination of drought response stages will be made by mail, fax, or telephone. The news media will also be informed.

The triggering criteria for Canyon Reservoir described below are based on a statistical analysis of the vulnerability of the water source under drought of record conditions.

# **Stage 1 - Mild Water Shortage Conditions**

<u>Requirements for initiation</u> - GBRA will recognize that a mild water shortage condition exists when:

Water in storage in Canyon Reservoir is equal to or less than elevation 895 feet msl (274,800 acre-feet or approximately 72.5% full).

Requirements for termination - Stage I of the Plan may be rescinded when Canyon Reservoir returns to elevation 895 feet msl or greater for a period of 30 consecutive days. GBRA will notify its wholesale customers and the media of the termination of Stage I in the same manner as the notification of initiation of Stage 1 of the Plan.

# **Stage 2 - Moderate Water Shortage Conditions**

<u>Requirements for initiation</u> - GBRA will recognize that a moderate water shortage condition exists when:

Water in storage in Canyon Reservoir is equal to or less than 890 feet msl (242,872 acrefeet or approximately 64% full).

Requirements for termination - Stage 2 of the Plan may be rescinded when Canyon Reservoir returns to elevation 890 feet msl or greater for a period of 30 consecutive days. Upon termination of Stage 2, Stage 1 becomes operative. GBRA will notify its wholesale customers and the media of the termination of Stage 2 in the same manner as the notification of initiation of Stage 2 of the Plan.

# **Stage 3 - Severe Water Shortage Conditions**

<u>Requirements for initiation</u> - GBRA will recognize that a severe water shortage condition exists when:

Water in storage in Canyon Reservoir is equal to or less than 885 feet msl (213,386 acrefeet or approximately 56% full).

<u>Requirements for termination</u> - Stage 3 of the Plan may be rescinded when Canyon Reservoir returns to elevation 885 feet msl or greater for a period of 30 consecutive days. Upon termination of Stage 3, Stage 2 becomes operative. GBRA will notify its wholesale customers and the media of the termination of Stage 3 in the same manner as the notification of initiation of Stage 3 of the Plan.

# **Stage 4 - Emergency Water Shortage Conditions**

<u>Requirements for initiation</u> - GBRA will recognize that an emergency water shortage condition exists when:

- 1. Mechanical or system failures occur, which cause unprecedented loss of capability to provide water service.
- 2. Natural or man-made contamination of the water supply source(s) occurs.
- 3. A drought of greater severity than the Drought of Record occurs. The GBRA Board of Directors will declare a drought worse than the Drought of Record when the following three conditions are simultaneously met: (a) drought at least 24 months (24 months since Canyon Reservoir was last full 909' msl); and (b) the cumulative inflow deficit since the beginning of the drought exceeds the envelope curve for cumulative inflow deficits by at least 5% for six consecutive months and (c) the storage of Canyon Reservoir is less than elevation 885' msl (213,386 acrefeet or approximately 56% full).

Requirements for termination - Except for a drought of greater severity than the Drought of Record, Stage 4 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of 30 consecutive days. The GBRA Board of Directors will cancel a declaration of a drought worse than the Drought of Record if any of the following conditions are met: (a) the cumulative inflow deficit since the beginning of the drought is less than the envelope curve for cumulative inflow deficits by at least 5% for six consecutive months; or (b) the storage of Canyon Reservoir is greater than elevation 890' msl (242,872 acre-feet or approximately 64% full). GBRA will notify its wholesale customers and the media of the termination of Stage 4 of the Plan.

# Section 9.2 Drought Response Stages for Canyon Reservoir

The General Manager, or his/her designee, shall monitor water supply and/or demand conditions and, in accordance with the triggering criteria for Canyon Reservoir set forth in Section 9.1 shall determine that mild, moderate, or severe water shortage conditions exist or that an emergency condition exists and shall implement the following actions:

# **Stage 1 - Mild Water Shortage Conditions**

<u>Goal</u>: achieve a voluntary 5 percent reduction in comparison to the average monthly usage of contracted water from storage for that time period of the calendar year.

<u>Supply Management Measures</u>: In order to manage limited water supplies and/or reduce water demand during a mild water shortage condition, the General Manager, or his/her designee(s), will implement one or a combination of the following:

- 1) Contact USGS to confirm calibration and operation of all applicable stream gages.
- 2) Coordinate review of water use with the TCEQ's South Texas Watermaster (STWM). In times of shortage of supply caused by drought or emergency, the STWM will determine when water rights holders must reduce or stop diversions.
- 3) Implement water delivery procedures to improve efficiency of the delivery of water from storage.

# Demand Management Measures:

- 1) The General Manager, or his/her designee(s), will contact wholesale water customers to discuss water supply and/or demand conditions and will request that wholesale water customers initiate voluntary measures to reduce water use.
- 2) The General Manager, or his/her designee(s), will provide a weekly report to news media with information regarding current water supply and/or demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measures and practices.

# **Stage 2 - Moderate Water Shortage Conditions**

<u>Goal</u>: achieve a voluntary 10 percent reduction in comparison to the average monthly usage of contracted water from storage for that time period of the calendar year.

<u>Supply Management Measures</u>: In order to manage limited water supplies and/or reduce water demand during a moderate water shortage condition, the General Manager, or his/her designee(s), will implement one or a combination of the following:

- 1) Contact USGS to confirm calibration and operation of all applicable stream gages.
- 2) Coordinate review of water use with the TCEQ's STWM. In times of shortage of supply caused by drought or emergency, the STWM will determine when water rights holders must reduce or stop diversions.
- 3) Implement water delivery procedures to improve efficiency of the delivery of water from storage.

# Demand Management Measures:

1) The General Manager, or his/her designee(s), will initiate weekly contact with wholesale water customers to discuss water supply and/or demand conditions and the possibility of pro rata curtailment of water diversions and/or deliveries as

- specified in Section 9.3.
- 2) The General Manager or his/her designee(s) will request wholesale water customers to initiate mandatory measures to reduce non-essential water use.
- The General Manager, or his/her designee(s), will initiate preparations for the implementation of pro rata curtailment of water diversions and/or deliveries by preparing a monthly water usage allocation baseline for each wholesale customer according to the procedures specified in Section 9.3 of the Plan.
- 4) The General Manager, or his/her designee(s), will provide a weekly report to news media with information regarding current water supply and/or demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measures and practices.

# **Stage 3 - Severe Water Shortage Conditions**

<u>Goal</u>: achieve a voluntary 15 percent reduction in comparison to the average monthly usage of contracted water from storage for that time period of the calendar year.

<u>Supply Management Measures</u>: In order to manage limited water supplies and/or reduce water demand during a severe water shortage condition, the General Manager, or his/her designee(s), will implement one or a combination of the following:

- 1) Contact USGS to confirm calibration and operation of all applicable stream gages.
- 2) Coordinate review of water use with the TCEQ's STWM. In times of shortage of supply caused by drought or emergency, the STWM will determine when water rights holders must reduce or stop diversions.
- 3) Implement water delivery procedures to improve efficiency of the delivery of water from storage.

# **Demand Management Measures:**

- 1) The General Manager, or his/her designee(s), will contact wholesale water customers to discuss water supply and/or demand conditions and will request that wholesale water customers initiate additional mandatory measures to reduce non-essential water use.
- 2) The General Manager, or his/her designee(s), will initiate pro rata curtailment of water diversions and/or deliveries for each wholesale customer according to the procedures specified in Section 9.3 of the Plan.
- 3) The General Manager, or his/her designee(s), will provide a weekly report to news media with information regarding current water supply and/or demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measures and practices.

# **Stage 4 - Emergency Water Shortage Conditions**

Whenever emergency water shortage conditions exist as defined in Section 9.1 of the Plan, the General Manager shall:

- 1. Assess the severity of the problem and identify the actions needed and time required to resolve the problem.
- 2. Inform the utility director or other responsible official of each wholesale water customer by telephone or in person and suggest actions, as appropriate to alleviate problems.
- 3. If appropriate, notify city, county, and/or state emergency response officials for assistance.
- 4. Undertake necessary actions, including repairs and/or clean-up as needed.
- 5. Prepare a post-event assessment report on the incident and critique of emergency response procedures and actions.

# Section 9.3 Pro Rata Water Allocation for Canyon Reservoir

In the event that the triggering criteria for Canyon Reservoir specified in Section 9.1 of the Plan for Stage 4 — Emergency Water Shortage Conditions have been met, the General Manager is hereby authorized to initiate allocation of water supplies on a pro rata basis in accordance with Texas Water Code Section 11.039 and according to the following water allocation policies and procedures:

- 1. A wholesale customer's allocation for water from storage shall be based on the customer's average monthly use of contracted water from storage for that time period of the calendar year. The percentage will be set by resolution of the Board of Director's of GBRA based on the General Manager's assessment of the severity of the water shortage condition and the need to curtail water diversions and/or deliveries and may be adjusted periodically by resolution of the Board of Director's of GBRA as conditions warrant. Once pro rata allocation is in effect, water diversions by or deliveries to each wholesale customer shall be limited to the allocation established for each month.
- 2. The General Manager shall provide notice, by certified mail, to each wholesale customer informing them of their water usage allocations and shall notify the news media and the executive director of the Texas Commission on Environmental Quality upon initiation of pro rata water allocation.
- 3. Upon request of the customer or at the initiative of the General Manager, the allocation may be reduced or increased if, (1) the designated period does not accurately reflect the wholesale customer's average monthly use of contracted water from storage for that time period of the calendar year; (2) the customer with approval from GBRA agrees to transfer part of its allocation to another wholesale customer; or (3) other objective evidence demonstrates that the designated allocation is inaccurate under present conditions. A customer may appeal an allocation established hereunder to the Board of Directors of GBRA.

# Section 10.0 Hydroelectric Lakes

# **CRITICAL PERIOD STAGES**

The following critical period stages applies to the diversion of water other than contracted stored water that diverts and uses water from any of the GBRA Hydroelectric Lakes including:

Lake Dunlap Comal/Guadalupe County

Lake McQueeney Guadalupe County
Lake Placid Guadalupe County
Lake Nolte Guadalupe County
H4 (Lake Gonzales) Gonzales County
H5 (Lake Wood) Gonzales County

When the level of the spring flow rate from the Comal Springs, when measured at the Comal River, reaches the following levels:

# Stage I

Applies on any day following a day when the average twenty-four (24) hour spring flow rate is at or below 250 cfs, but greater than 200 cfs.

When Stage I is in effect, the following restrictions apply:

- 1. No person may waste water, including allowing irrigation tailwater or water from vehicle washing at a residence to escape from that person's property.
- 2. No person may use water to wash an impervious outdoor ground covering such as a parking lot, driveway, street or sidewalk unless for health or safety reasons.
- 3. No person may use water for landscape watering between the hours of 10 a.m. and 8 p.m. However, landscape watering by means of a bucket, hand-held or soaker hose, or a properly installed drip irrigation system is permitted at any time. This subsection does not apply to reclaimed, reuse or recycled water.
- 4. Every person who owns or has possession of a swimming pool must cover the pool with an effective evaporation cover, screen or shield covering at least 25 percent of the surface of the pool when the pool is not in active use. Active use includes necessary maintenance that requires removal of the cover, screen or shields. Active use of public, commercial and apartment pools is whenever the pool is not officially closed.
- 5. No person may wash a vehicle at other than a commercial vehicle wash facility except on Monday and Friday, before 10 a.m. and after 8 p.m. Such washing must be done on a lawn or other pervious surface using a bucket or hand-held hose with an automatic shutoff nozzle.

# Stage II

Applies on any day following a day when the average twenty-four (24) hour spring flow rate is at or below 200 cfs, but greater than 150 cfs.

When Stage II is in effect, the following restrictions apply:

- 1. All of the prohibitions applicable in Stage I apply in Stage II, except to the extent replaced by more restrictive conditions imposed by this stage.
- 2. Landscape watering is prohibited between 10 a.m. and 8 p.m., and is further restricted such that properties with an odd numbered address may landscape water only on Mondays, Wednesdays and Fridays and properties with an even numbered address may landscape water only on Tuesdays, Thursdays and Saturdays. However, landscape watering by means of a bucket, hand-held or soaker hose, or a properly installed drip irrigation system is permitted at any time. This subsection does not apply to reclaimed, recycled or reuse water.
- 3. No person may use water for an ornamental outdoor fountain or similar feature, unless the water is recycled and the only additional water used is to compensate for evaporative losses.
- 4. No person may wash a vehicle at other than a commercial vehicle wash facility except over a pervious surface area, during the above designated watering days and times with a hand-held hose with automatic shutoff nozzle or using a bucket.

The penalty for wasting water or any violation of Stage II restrictions as determined by the GBRA General Manager, or his designee, is \$100 per day per violation.

# **Stage III**

Applies on any day following a day when the average twenty-four (24) hour spring flow rate is at or below 150 cfs, but greater than 100 cfs.

When Stage III is in effect, the following restrictions apply:

- 1. All of the prohibitions applicable in Stages I and II apply in Stage III, except to the extent replaced by more restrictive conditions imposed by this stage.
- 2. Landscape watering is prohibited between the hours of 10 a.m. and 8 p.m. and is further restricted such that properties with an odd numbered address may landscape water on Mondays and Fridays, and those with an even numbered address may landscape water on Tuesdays and Saturdays. However, landscape watering by means of a bucket, hand-held hose or soaker hose, or a properly-installed drip irrigation system is permitted at any time. This subsection does not apply to reclaimed, recycled or reuse water.

- 3. No person may use water for an ornamental outdoor fountain or similar feature.
- 4. No person may wash a vehicle at other than a commercial vehicle wash facility except over a pervious surface area, during the above designated watering days and times with a hand-held hose with automatic shut-off nozzle or using a bucket.

The penalty for wasting water or any violation of Stage III restrictions, as determined by the GBRA General Manager, or his designee, is \$100 - \$200 per day per violation.

# Stage IV

Applies on any day following a day when the average twenty-four (24) hour spring flow rate is at or below 100 cfs, but greater than 50 cfs.

When Stage IV is in effect, the following restrictions apply:

- 1. All of the prohibitions applicable in Stages I, II and III apply in Stage IV, except to the extent replaced by more restrictive conditions imposed by this stage.
- 2. Landscape watering is prohibited between the hours of 10 a.m. and 8 p.m. and is further restricted such that properties with an odd numbered address may landscape water on Mondays while those with an even numbered address may landscape water on Tuesdays. However, landscape watering by means of a bucket, hand-held hose or soaker hose or a properly installed drip irrigation system is permitted during the hours allotted for watering. This subsection does not apply to reclaimed, recycled or reuse water.
- 3. Filling of new and existing pools is prohibited unless at least 30 percent of the water is obtained from a source other than the GBRA hydroelectric lakes. Water may be used to replenish swimming pools to maintenance levels. Drainage of swimming pools is permitted only onto a pervious surface, or onto a pool deck where the water is transmitted directly to a pervious surfaced, only if necessary to:
  - a. Remove excess water from the pool due to rain in order to lower the water to the maintenance level;
  - b. Repair, maintain, or replace a pool component which has become hazardous; or
  - c. Repair a pool leak.
- 4. Washing of vehicles is prohibited at other than a commercial vehicle wash facility.

The penalty for wasting water or any violation of Stage IV restrictions, as determined by the GBRA General Manager, or his designee, is \$100 - \$500 per day per violation.

# Stage V

Applies on any day following a day when the average spring flow rate is **at or below 50 cfs.** 

When Stage V takes effect an emergency condition exists and the GBRA General Manager shall convene an emergency session of the GBRA Board of Directors to consider emergency rules to further restrict uses or other appropriate action.

#### **Termination of Restrictions**

The GBRA General Manager, or his/her designee, may terminate the restrictions of a Stage when the condition listed as the triggering event for such Stage has ceased to exist for a period of thirty (30) consecutive days. Upon termination of the restrictions of the applicable Stage, the restrictions of the prior Stage become operative.

# **Section 11.0 GBRA Luling Water Rights and Operations**

The GBRA Luling Water Rights authorize run-of-the-river diversion from the San Marcos River just upstream of Zedler Mill Dam in Luling. The majority of the flow in the San Marcos River at Luling is derived from spring flow of the San Marcos Springs with limited amounts of water contributed by the Blanco River, especially during the summer. GBRA pumps raw water from the San Marcos River to the GBRA Luling Water Treatment plant, which delivers treated water on a wholesale basis to both the City of Luling and the City of Lockhart. Water is delivered to Lockhart through almost 15 miles of 14" pipeline.

# Section 11.1 Triggering Criteria for Initiation and Termination of Drought Response Stages for Luling Water Rights

The General Manager, or his/her designee, shall monitor water supply and/or demand conditions on a weekly basis and shall determine when conditions warrant initiation or termination of each stage of the Plan. Customer notification of the initiation or termination of drought response stages will be made by email, mail, or telephone. The news media will also be informed.

The triggering criterion to be monitored for determining drought response stages are the demand for treated water delivered to the Cities of Lockhart and Luling, the flow past the Zedler Dam in Luling as measured by the USGS Gauge #08172000, and the flow of the Guadalupe River over the GBRA Saltwater Barrier and Diversion Dam. These criteria were selected based upon reviewing historical water treatment plant demands and provisions contained within the water rights used to divert water from the San Marcos River.

# **Stage 1 – Mild Water Shortage Condition**

<u>Requirements for initiation</u> – GBRA will recognize that a mild water shortage condition exists when water production at the GBRA Luling Water Treatment Plant for the City of Luling (not including the City of Lockhart demands) equals 2.5 MGD or greater for seven (7) consecutive days or when the average daily flow drops below 130 cfs at USGS Gauging Station #081720000.

<u>Requirement for termination</u> – Stage 1 of the Plan may be rescinded when the conditions listed as triggering events have ceased to exist for a period of 30 consecutive days.

GBRA will notify its wholesale customers and the media of the termination of Stage 1 in the same manner as the notification of initiation of Stage 1 of the Plan.

# Stage 2 – Moderate Water Shortage Condition

Requirements for initiation – GBRA will recognize that a moderate water shortage condition exists when the average daily flow drops below 80 cfs at USGS Gauging Station #08172000.

Requirement for termination – Stage 2 of the Plan may be rescinded when the conditions listed as triggering events have ceased to exist for a period of 30 consecutive days (i.e., the flow at USGS Gauging Station #08172000 is greater than 80 cfs for 30 consecutive days). Upon termination of Stage 2, Stage 1 becomes operative, unless the trigger criteria for Stage 1 have not been met. GBRA will notify its wholesale customers and the media of the termination of Stage 2 in the same manner as the notification of initiation of Stage 1 of the Plan.

# Stage 3 – Severe Water Shortage Condition

Requirements for initiation – GBRA will recognize that a severe water shortage condition exists when the average daily flow drops below 40 cfs at USGS Gauging Station #08172000.

<u>Requirement for termination</u> – Stage 3 of the Plan may be rescinded when the conditions listed as triggering events have ceased to exist for a period of 30 consecutive days. Upon termination of Stage 3, Stage 2 becomes operative. GBRA will notify its wholesale customers and the media of the termination of Stage 3 in the same manner as the notification of initiation of Stage 1 of the Plan.

# Stage 4 – Emergency Water Shortage Condition

<u>Requirements for initiation</u> – GBRA will recognize that an emergency water shortage condition exists when any of the following occur:

- 1) A major water line breaks, or pump or system failures occur, which cause unprecedented loss of capability to provide water service; or
- 2) Natural or man-made contamination of the water supply source occurs.
- 3) Water ceases to flow past the Zedler Dam located in Luling, Caldwell County, Texas.

<u>Requirement for termination</u> – The emergency water shortage condition may be rescinded when the General Manger or his/her designee deems appropriate. GBRA will notify its wholesale customers and the media of the termination of the emergency shortage condition in the same manner as the notification of initiation of Stage 1 of the Plan.

# Section 11.2 Drought Response Stages for Luling Water Rights

The General Manager, or his/her designee, shall monitor water supply and/or demand conditions and, in accordance with the triggering criteria set forth in Section 11.1, shall determine that mild, moderate, or severe water shortage conditions exist or that an emergency condition exists and shall implement the following actions:

# **Stage 1 – Mild Water Shortage Conditions**

<u>Target:</u> Achieve a voluntary 5 percent reduction in daily water demand for each retail utility utilizing the GBRA Luling Water Treatment Plant.

Best Management Practices for Supply Management:

- 1) GBRA will encourage each wholesale water customer to utilize alternative water sources such as interconnections with another water system, groundwater, temporary use of a non-municipal water supply, use of reclaimed water for non-potable purposes, etc.
- The City of Luling has priority on water produced by the WTP up to 2.5 MGD. Water produced in excess of the needs of the City of Luling is delivered to the City of Lockhart. As Luling demand increases, water supplied to Lockhart will be reduced. The Chief Operator will notify the GBRA Division Manager for Hays and Caldwell Counties and the GBRA Lockhart Operations Manager of the reduction of available water to Lockhart and the Lockhart Operations Manager will cause increased production from the City of Lockhart groundwater system to supply adequate water to meet demand within the Lockhart distribution system. The Lockhart Operations Manager will notify the Public Works Director of the City of Lockhart of the decrease in water from the Luling WTP and the need to increase production from the groundwater system.

Water Use Restrictions for Reducing Demand:

- 1) The General Manager, or his/her designee(s), will contact wholesale water customers to discuss water supply and/or demand conditions and will request that wholesale water customers initiate voluntary measures to reduce water use (e.g. implement Stage 1 of the customer's drought contingency plan).
- 2) The General Manager, or his/her designee(s), will provide a weekly report to the news media with information regarding current water supply and/or demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measures and practices.

# **Stage 2 – Moderate Water Shortage Conditions**

# <u>Target:</u> Achieve a 10 percent reduction in daily water demand for each retail utility utilizing the GBRA Luling Water Treatment Plant.

Best Management Practices for Supply Management:

GBRA will encourage each wholesale water customer to utilize alternative water sources such as interconnections with another water system, groundwater, temporary use of a non-municipal water supply, use of reclaimed water for non-potable purposes, etc.

Water Use Restrictions for Reducing Demand:

- 1) The General Manager, or his/her designee(s), will initiate weekly contact with wholesale water customers to discuss water supply and/or demand conditions and the possibility of pro rata curtailment of water diversions and/or deliveries.
- 2) The General Manager, or his/her designee(s), will request wholesale water customers to initiate mandatory measures to reduce non-essential water use (e.g. implement Stage 2 of the customer's drought contingency plan).
- 3) The General Manager, or his/her designee(s), will initiate preparations for the implementation of pro rata curtailment of water diversions and/or deliveries by preparing a monthly water usage allocation baseline for each wholesale customer according to procedures specified in Section 11.3 of the Plan.
- 4) The General Manager, or his/her designee(s), will provide a weekly report to the news media with information regarding current water supply and/or demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measures and practices.

# Stage 3 – Severe Water Shortage Conditions

<u>Target:</u> Achieve a 15 percent reduction in daily water demand for each retail utility utilizing the GBRA Luling Water Treatment Plant.

Best Management Practices for Supply Management:

- 1) GBRA will encourage each wholesale water customer to utilize alternative water sources such as interconnections with another water system, groundwater, temporary use of a non-municipal water supply, use of reclaimed water for non-potable purposes, etc.
- 2) If flow drops below 40 cfs at the USGS Gauging Station #08172000, the GBRA Chief Engineer will notify the Division Manager for Hays and Caldwell Counties. The Division Manager will consult with GBRA staff to determine at what minimal rate the WTP can divert water and maintain minimum required flow at the USGS Gauging Station #08172000. The GBRA Luling WTP Chief Operator will cause the water treatment plant to operate at the reduced rate and the Division

Manager will inform the Public Works Directors of Lockhart and Luling of the reduced production rate.

Water Use Restrictions for Reducing Demand:

- 1) The General Manager, or his/her designee(s), will contact wholesale water customers to discuss water supply and/or demand conditions and will request that wholesale water customers initiate additional mandatory measures to reduce non-essential water use (e.g. implement Stage 3 of the customer's drought contingency plan).
- 2) The General Manager, or his/her designee(s), will initiate pro rata curtailment of water diversions and/or deliveries for each wholesale customer according to the procedures specified in Section 11.3 of the Plan if deemed appropriate.
- 3) The General Manager, or his/her designee(s), will provide a weekly report to the news media with information regarding current water supply and/or demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measures and practices.

# **Stage 4 – Emergency Water Shortage Conditions**

Whenever emergency water shortage conditions exist as defined in Section 11.1 of the Plan, the General Manager, or his/her designee(s), shall:

- 1) Assess the severity of the problem and identify the actions needed and the time required to solve the problem.
- 2) Inform the utility director or other responsible official of each wholesale water customer by telephone, email, or in person and suggest actions, as appropriate to alleviate problems (e.g., notification of the public to reduce water use until service is restored).
- 3) If appropriate, notify city, county, and/or state emergency response officials for assistance.
- 4) Undertake necessary actions, including repairs and/or clean-up as needed.
- 5) Prepare a post-event assessment report on the incident and critique of emergency response procedures and actions.

# Section 11.3 Pro-Rata Allocation of GBRA Luling Water Rights

In the event that the triggering criteria specified in Section 11.1 of the Plan for Stage 3 - Severe Water Shortage Conditions have been met, the General Manager, or his/her designee(s), is hereby authorized to initiate allocation of water supplies on a pro rata basis in accordance with Texas Water Code Section 11.039. A provision will be included in every wholesale water

contract entered into or renewed after adoption of the plan, including contract extensions, that in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with Texas Water Code §11.039.

# **Section 12.0 Lower Basin Water Rights and Operations**

GBRA operates a raw water delivery system that consists of waterworks located on the Guadalupe River at river mile #10 near Tivoli, Texas called the Lower Guadalupe Diversion Dam and Salt Water Barrier (or Barrier herein) and a river outtake structure (immediately upstream of the Barrier) and, further, an open channel diversion system that transports water by gravity flow from the river waterworks utilizing a constructed channel, the streambeds of Goff and Hog Bayous, and large diameter pipes to a pumping station located on the Dow Chemical Company plant property near Seadrift, Texas. After lifting the water by pumping, the water continues to flow through an open canal system, with one branch of the system ending at the GBRA Port Layaca Water Treatment Plant.

GBRA's Lower Basin Water Rights, some of which are jointly owned with Dow Chemical Company are a major source of raw water supply for industrial users in Calhoun and Victoria Counties. Raw water conveyed by the GBRA canal system is diverted for agricultural users for irrigation and for the Aransas National Wildlife Refuge for ecological purposes. The canal system ultimately conveys raw water to the GBRA Port Lavaca Water Treatment plant, which supplies treated drinking water to the City of Port Lavaca, a majority of the drinking water to the Port O'Connor Improvement District, and all of the drinking water to the GBRA Calhoun County Rural Water Supply System.

Water for GBRA's municipal customers is secured by the Lower Basin run-of-river water rights and backed up with contracts for stored water from Canyon Reservoir. If drought or demand conditions fully engage all of the available GBRA run-of-river water supply, and the water demand continues to increase, then the further water demand will be satisfied by Canyon stored water rights. The Water Supply Division of GBRA, in coordination with the STWM, will determine when these trigger demand points occur, and will inform all GBRA customers affected

# Section 12.1 Triggering Criteria for Initiation and Termination of Drought Response Stages for Lower Basin Water Rights

The General Manager, or his/her designee, shall monitor water supply and/or demand conditions on a weekly basis and shall determine when conditions warrant initiation or termination of each stage of the Plan. Customer notification of the initiation or termination of drought response stages will be made by email, mail, or telephone. The news media will also be informed by the GBRA.

# **Stage 1 - MILD Water Shortage Conditions**

<u>Requirements for initiation</u>: Customers shall be requested to voluntarily conserve water and adhere to the prescribed restrictions on non-essential water uses, defined in Section 7.0, when flow over the top of the Salt Water Barrier (at river mile 10) is 6 inches or less

for five consecutive days. The initiation of Stage 1 will also depend on the combined effect of two factors:

- 1) Demand of all GBRA and other permitted customers for surface water.
- 2) Available surface water flow from the Guadalupe River and its tributaries at river mile 10.

<u>Requirements for termination:</u> Stage 1 of the Plan may be rescinded when the condition listed as a triggering event (the operation of the Barrier to raise the pool level) ceases.

# **Stage 2 – MODERATE Water Shortage Conditions**

<u>Requirements for initiation</u>: Customers shall be requested to comply with the requirements and restrictions on certain non-essential water uses defined in Section 7.0 of this Plan when Stage 1 conditions are active and in addition:

Sustained flow over the Barrier is not occurring. The initiation of Stage 2 will also depend on the combined effect of two factors:

- 1) Demand of all GBRA and other permitted customers for surface water.
- 2) Available surface water flow from the Guadalupe River and its tributaries at river mile 10.

<u>Requirements for termination:</u> Stage 2 of the Plan may be rescinded when the condition listed as a triggering event (no flow over the Barrier) ceases. Upon termination of Stage 2, Stage 1 becomes operative.

# **Stage 3 – SEVERE Water Shortage Conditions**

<u>Requirements for initiation</u>: Customers shall be required to comply with the requirements and restrictions on certain non-essential water uses for Stage 3 of this Plan when Stage 2 conditions are active and in addition:

The release of stored water from Canyon Dam to meet customer demand in Calhoun County is being executed by GBRA, to supplement its run-of-river permitted supply available at the Barrier. Also, the General Manager may designate a Stage 3 trigger when voluntary actions by customers in Stage 2 are ineffective in reducing water usage.

The initiation of Stage 3 will depend on the combined effect of two factors:

- 1) Demand of all GBRA and other permitted customers for water from all sources.
- 2) Available surface water flow from the Guadalupe River and its tributaries at river mile 10
- 3) Release of Canyon water for upstream customers.

<u>Requirements for termination:</u> Stage 3 of the Plan may be rescinded when the condition listed as a triggering event (the release of stored water for upstream customers from Canyon Dam) ceases. Upon termination of Stage 3, Stage 2 becomes operative.

# **Stage 4 – CRITICAL Water Shortage Conditions**

<u>Requirements for initiation</u>: Customers shall be required to comply with the requirements and restrictions on certain non-essential water uses for Stage 4 of this Plan when Stage 3 conditions are active and in addition:

All municipal demand of GBRA customers in Calhoun County is being met by the permitted release of stored water in Canyon Dam.

The initiation of Stage 4 will depend on:

- 1) Demand of GBRA and other permitted customers for water from all sources.
- 2) The cessation of flow from one or both of the two major springs, Comal and San Marcos Springs (equivalent to the drought of record).
- 3) Encroachment of salt water from San Antonio Bay toward the Barrier and Calhoun Canal System through the bayous. Chlorides and salinity will be measured at the highway 35 bridge and the radial gates.
- 4) The call for water released from Canyon Reservoir for Calhoun County customers.

<u>Requirements for termination</u>: Stage 4 of the Plan may be rescinded when the conditions listed as a triggering event (the termination of spring flow and the sole use of stored water from Canyon Dam for Calhoun County customers) ceases. Upon termination of Stage 4, Stage 3 becomes operative.

# **Stage 5 – EMERGENCY Water Shortage Conditions**

<u>Requirements for initiation:</u> Customers shall be required to comply with the requirements and restrictions for Stage 5 of this Plan when the General Manager or his/her designee determines that a water supply emergency exists based on:

- 1) Major water line breaks, or pump or system failures occur, which cause unprecedented loss of capability to provide water service; or
- 2) Natural or man-made contamination of the water supply source(s).
- 3) This condition may occur at any time and is not dependent on being preceded by Stages 1 through 4.

<u>Requirements for termination:</u> Stage 5 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of 3 (three) consecutive days.

# Section 12.2 Drought Response Stages for Lower Basin Water Rights

The General Manager, or his/her designee, shall monitor water supply and/or demand conditions and, in accordance with the triggering criteria for Canyon Reservoir set forth in Section 12.1 shall determine that mild, moderate, severe, critical, or emergency water shortage conditions exist or that an emergency condition exists and shall implement the following actions:

# **Stage 1 – MILD Water Shortage Conditions**

<u>Goal</u>: Achieve a voluntary reduction in total domestic water usage during each month of this stage by 5% in comparison to the average monthly usage for that time period of the calendar year.

<u>Supply Management Measures</u>: The GBRA will encourage each wholesale water customer to monitor end main water pressures and reduce input pressure if end pressure is excessive.

<u>Demand Management Measures</u>: The General Manager, or his/her designee, will initiate weekly contact with the wholesale water customers to discuss water supply and demand conditions and will request that wholesale water customers initiate voluntary measures to reduce water use.

Wholesale water customers are requested to practice water conservation and to minimize or discontinue water use for non-essential purposes.

# **Stage 2 – MODERATE Water Shortage Conditions**

<u>Goal</u>: Achieve a voluntary reduction in total domestic water usage during each month of this stage by 10% in comparison to the average monthly usage for that time period of the calendar year.

<u>Supply Management Measures</u>: See Stage 1. The GBRA Port Lavaca Water Treatment Plant will encourage wholesale water customers to reduce flushing of mains to a minimum to meet regulatory requirements, and to monitor systems to insure timely response to leak repair.

# Demand Management Measures:

1) The General Manager, or his/her designee, will initiate weekly contact with wholesale water customers to discuss water supply and demand conditions.

- 2) The General Manager, or his/her designee, will request wholesale water customers to initiate mandatory measures to reduce non-essential water use.
- 3) The General Manager, or his/her designee, will initiate preparations for the implementation of pro rata curtailment of water deliveries by preparing a monthly water usage allocation baseline for each wholesale water customer according to procedures specified in Section 12.3 of the Plan.
- 4) The General Manager, or his/her designee, will provide a weekly report to the news media with information regarding current water supply and demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measures and practices.

All operations of the GBRA PLWTP shall adhere to the same water use restrictions for Stage 2 Response.

# **Stage 3 – SEVERE Water Shortage Conditions**

<u>Goal</u>: Achieve a voluntary reduction in total domestic water usage during each month of this stage by 15% in comparison to the average monthly usage for that time period of the calendar year.

<u>Supply Management Measures</u>: See Stage 2. The GBRA Port Lavaca Water Treatment Plant will encourage the wholesale water customers to eliminate the flushing of mains unless required to decontaminate.

# Demand Management Measures:

- 1) The General Manager, or his/her designee, will contact wholesale water customers to discuss water supply and demand conditions and will request that wholesale water customers initiate additional mandatory measures to reduce non-essential water use.
- 2) The General Manager, or his/her designee, will initiate pro rata curtailment of water deliveries for each wholesale water customer according to procedures specified in Section 12.3 of the Plan, if deemed appropriate.
- 3) The General Manager, or his/her designee, will provide a weekly report to the news media with information regarding current water supply and demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measures and practices.

All operations of the GBRA PLWTP shall adhere to the same water use restrictions for Stage 3 Response.

# Stage 4 – CRITICAL Water Shortage Conditions

<u>Goal</u>: Achieve a voluntary reduction in total domestic water usage during each month of this stage by 20% in comparison to the average monthly usage for that time period of the calendar year.

<u>Supply Management Measures</u>: See Stage 3. The GBRA Port Lavaca Water Treatment Plant will encourage the wholesale water customers to also, upon written notice, disconnect the water meters of willful violators if absolutely necessary to prevent the deliberate wasting of water.

# Demand Management Measures:

- 1) The General Manager, or his/her designee, will contact wholesale water customers to discuss water supply and demand conditions and will request that wholesale water customers initiate additional mandatory measures to reduce non-essential water use.
- 2) The General Manager, or his/her designee, will initiate pro rata curtailment of water deliveries for each wholesale water customer according to procedures specified in Stage 12.3 of the Plan.
- 3) The General Manager, or his/her designee, will provide a weekly report to the news media with information regarding current water supply and demand conditions, projected water supply and demand conditions if drought conditions persist, and consumer information on water conservation measures and practices.

All operations of the GBRA PLWTP shall adhere to the same water use restrictions for Stage 4 Response.

# **Stage 5 – EMERGENCY Water Shortage Conditions**

<u>Goal</u>: Achieve a <u>50%</u> reduction in daily water use.

<u>Supply Management Measures</u>: See Stage 4. Also, contact the County Judge and / or the emergency management coordinator to initiate the use of the Community Alert Network (CAN), an automated phone dial up. Inform the County Sheriff's office, the City of Port Lavaca City Manager, the President of the Board of Directors of the Port O'Connor Improvement District, the President of the Board of Directors of the Calhoun County Rural Water Supply System.

# Water Use Restrictions:

- 1) The General Manager, or his/her designee, shall assess the severity of the problem and identify the actions needed and the time required to solve the problem.
- 2) The General Manager, or his/her designee, will inform the responsible official of each wholesale water customer by telephone, email, or in person and suggest

actions, as appropriate to alleviate problems (such as; notifying the public to reduce water use until service is restored)

- 3) The General Manager, or his/her designee, will notify city, county, and/or state emergency response officials for assistance.
- 4) The General Manager, or his/her designee, will take any actions necessary, including repairs and/or clean-up as needed.
- 5) The General Manager, or his/her designee, will prepare a post-event assessment report on the incident and critique of emergency response procedures and actions.

# Section 12.3 Pro-Rata Water Allocation for Lower Basin Water Rights

In the event that the triggering criteria specified in Section 11.1 of the Plan for Stage 3 - Severe Water Shortage Conditions have been met, the General Manager, or his/her designee(s), is hereby authorized to initiate allocation of water supplies on a pro rata basis in accordance with Texas Water Code Section 11.039. A provision will be included in every wholesale water contract entered into or renewed after adoption of the plan, including contract extensions, that in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with Texas Water Code §11.039. Customers with contracts for stored water from Canyon Reservoir may be subject to curtailment under the provisions of Section 9.3 of the Plan.

# **Section 13.0** Enforcement

The provisions of this Plan shall apply to all contracts and amendments for commitment of wholesale water executed after the date of approval of this Plan by the TCEQ and to diversions of water from GBRA's hydroelectric lakes, and shall be enforceable by the General Manager, or his/her designee, with assistance from the STWM.

# Section 14.0 Variances

The General Manager, or his/her designee, may, in writing, grant a temporary variance to the pro rata water allocation policies provided by this Plan if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the public health, welfare, or safety and if one or more of the following conditions are met:

- 1. Compliance with this Plan cannot be technically accomplished during the duration of the water supply shortage or other condition for which the Plan is in effect.
- 2. Alternative methods can be implemented which will achieve the same level of reduction in water use.

Persons requesting an exemption from the provisions of this Plan shall file a petition for variance with the General Manager within 5 days after pro rata allocation has been invoked. All petitions for variances shall be reviewed by the Board of Directors of GBRA, and shall include the following:

- 1. Name and address of the petitioner(s).
- 2. Detailed statement with supporting data and information as to how the pro rata allocation of water under the policies and procedures established in the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this Ordinance.
- 3. Description of the relief requested.
- 4. Period of time for which the variance is sought.
- 5. Alternative measures the petitioner is taking or proposes to take to meet the intent of this Plan and the compliance date.
- 6. Other pertinent information.

Variances granted by GBRA's Board of Directors shall be subject to the following conditions, unless waived or modified by the GBRA's Board or its designee:

- 1. Variances granted shall include a timetable for compliance.
- 2. Variances granted shall expire when the Plan is no longer in effect, unless the petitioner has failed to meet specified requirements.

No variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

# Section 15.0 Severability

It is hereby declared to be the intention of GBRA's Board of Directors that the sections, paragraphs, sentences, clauses, and phrases of this Plan are severable and, if any phrase, clause, sentence, paragraph, or section of this Plan shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, and sections of this Plan, since the same would not have been enacted by GBRA's Board of Directors without the incorporation into this Plan of any such unconstitutional phrase, clause, sentence, paragraph, or section.

# RESOLUTION ADOPTING THE DROUGHT CONTINGENCY PLAN FOR GUADALUPE-BLANCO RIVER AUTHORITY

**BE IT RESOLVED**, that the Board of Directors of the Guadalupe-Blanco River Authority does hereby approve amendments to GBRA's Drought Contingency Plan and directs the General Manager to submit a copy of the Drought Contingency Plan, as amended, to the Texas Commission on Environmental Quality, to make improvements to the Drought Contingency Plan on a regular basis as consistent with sound water conservation management, and to administer and enforce the Drought Contingency Plan as approved and amended.

Adopted this the 16<sup>th</sup> day of April 2014.

Oscar H. Fogle, Chair

**Board of Directors** 

Guadalupe-Blanco River Authority

Attest:

Rusty Brockman, Secretary-Treasurer

**Board of Directors** 

Guadalupe-Blanco River Authority

### **Retail Water Services**

Does the applicant provide retail water services?: Y

If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last THREE years?: Y

### Potable Water Services

Is the applicant a retail public utility that provides potable water?: Y

If yes, has the applicant already submitted a most recently required water loss audit to the TWDB?: Y

### **Provide Wastewater Services**

Does the applicant provide wastewater services?: N

# Provide Regional or Wholesale Water Services

Does the applicant provide regional or wholesale water services?: Y

List the top TEN customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

Customer Name	Annual Usage (gal)	Percent of Usage	Bankruptcy (Y/N)
City of New Braunfels Utilities	8,000	53.00%	N
Goforth SUD	4,000	27.00%	N
City of Lockhart	3,000	20.00%	N

Comments: Annual usage in ac. ft. and a projection based on agreements.

List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy.

Customer Name	Annual Revenue	Percent of Revenue	Bankruptcy (Y/N)
City of New Braunfesl Utilities	\$0	53.00%	N
Goforth SUD	\$0	27.00%	N
City of Lockhart	\$0	20.00%	N
NA	\$0	0.00%	N
NA	\$0	0.00%	N
NA	\$0	0.00%	N
NA	\$0	0.00%	N
NA	\$0	0.00%	N
NA	\$0	0.00%	N
NA	\$0	0.00%	N

Provide a summary of the wholesale contracts with customers.

Contract Type	Minimum Annual Amount	Usage Fee Per 1000 Gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other
New Braunfels - Take or Pay	\$14,410,593	\$0	\$4,800,000	\$0	\$7,282,358	\$1,600,000
Goforth - Take or Pay	\$7,084,831	\$0	\$2,400,000	\$0	\$3,531,665	\$800,000
Lockhart - Take or Pay	\$5,408,282	\$0	\$1,800,000	\$0	\$2,734,802	\$600,000

# Top Ten Customers of Water System

#### Top Ten Water Customers

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
NA	0	0.00%	N
NA	0	0.00%	N
NA	0	0.00%	N
NA	0	0.00%	N
NA	0	0.00%	N
NA	0	0.00%	N
NA	0	0.00%	N
NA	0	0.00%	N
NA	0	0.00%	N
NA	0	0.00%	N

Top Ten Water System Customers Comments: This is a wholesale water supply project

#### Current average Residential Usage and Rate Information

	Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Bill (\$)	Avg. Monthly Increase Per Customer (\$)	Monthly	Anticipated Date of Projected Rate Increase (Date)
V	/ater	05-04-2018	0	\$0	\$0	\$0	05-04-2018

### Number of Customers in Past 5 Years

Customers in Past 5 Years

2017: 48,489 2016: 45,159 2015: 42,251 2014: 39,201 2013: 31,599

### **Debt**

Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc).: NA

Has the applicant ever defaulted on any debt?: N

# **Taxing Authority**

Does the applicant have taxing authority?: N

Tax Assessed Valuations

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate (\$)	General Fund (\$)	Interest & Sinking Fund (\$)	Tax Levy (\$)	Percentage Current Collections (%)	Percentage Total Collections (%)
2018							
2017							
2016							
2015							
2014							

Tax Assessed Values Comments:

TaxRateTable N/A

TaxAssessedValueByClass\_0 N/A

TaxAssessedValueByClass\_1 N/A

TaxAssessedValueByClass\_2 N/A

TaxAssessedValueByClass\_3 N/A

TaxAssessedValueByClass\_4 N/A

# Top Ten Taxpayers

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)

Top Ten Taxpayer Comments:

## Tax Rate and Sales Tax

Provide the maximum tax rate permitted by law per \$100 of property value.:

Does the applicant collect sales tax?: N

Is the proposed loan tax-exempt?: N

# Guadalupe-Blanco River Authority 2018 SWIFT Application - Contract Revenue Bonds, Series 2018 A, Series 2018 B and Master Repurchase Agreement (Gonzales Carrizo Water Supply Project) Gonzales Carrizo Water Supply Project Pro-Forma\*

						2040 (14/1057	F. IN ID IN IO OVOL 5*			20208	2024*		
							FUNDING CYCLE*			2020*	2021*	ł	
				Gross	Gross	Gross				Net	Net		
				\$12,035,000	\$11,625,000	\$34,270,000				\$43,815,000	\$63,830,000		
				2018 SWIFT	2018 SWIFT	2018 SWIFT	Less:	Adjustments:	Aggregate Net	2020 SWIFT	2021 SWIFT	Total Debt Paid	Projected
	Projected	Projected	Net Available	Deferred	Low Interest	Board Participation	Capital Interest	Related to	2018 SWIRFT	LI & BP	LI & BP	by Contract	Debt Service
FYE	Gross Revenues*	Expenses*	for Debt Service*	Market + 35 bps	Market + 35 bps	Market + 35 bps		Board Participation	Debt Service	Market + 85 bps	Market + 100 bps	Revenues*	Coverage*
2019	\$ - \$		\$ -		\$ 288,116	\$ 953,797			-	\$ -	\$ -	\$ -	
2020	4,800,000	4,800,000	-		384,155	1,271,730	(384,155)	(1,271,730)	-	-	-	-	
2021	4,800,000	4,800,000			384,155	1,271,730	(384,155)	(1,271,730)	254.246	-	-	-	4.40
2022	5,079,780	4,800,000	279,780		384,155	1,271,730	(384,155)	(1,017,384)	254,346			254,346	1.10
2023	7,499,758	4,800,000	2,699,758		689,155	1,271,730		(1,017,384)	943,501	624,220	886,605	2,454,325	1.10
2024	8,739,432	4,800,000	3,939,432	731,088	687,384	1,271,730		(890,211)	1,799,991	902,705	878,607	3,581,302	1.10
2025	9,356,085	4,800,000	4,556,085	733,465	685,223	1,271,730		(763,038)	1,927,380	906,524	1,307,992	4,141,896	1.10
2026	9,723,799	4,800,000	4,923,799	730,373	687,726	1,271,730		(572,278)	2,117,550	1,049,535	1,309,096	4,476,181	1.10
2027	10,313,464	4,800,000	5,513,464	731,817	684,666	1,271,730		(381,519)	2,306,694	1,182,044	1,523,502	5,012,240	1.10
2028	10,994,816	4,800,000	6,194,816	732,836	686,317	1,271,730		(190,759)	2,500,123	1,394,213	1,737,316	5,631,651	1.10
2029	11,791,652	4,800,000	6,991,652	733,419	687,545	1,271,730		-	2,692,693	1,605,828	2,057,527	6,356,048	1.10
2030	12,364,522	4,800,000	7,564,522	728,106	687,920	1,271,730		-	2,687,756	1,812,008	2,377,075	6,876,838	1.10
2031	14,751,430	6,600,000	8,151,430	732,124	687,516	1,271,730			2,691,370	2,017,896	2,701,125	7,410,391	1.10
2032	16,413,604	6,600,000	9,813,604	730,235	686,379	1,271,730		1,189,975	3,878,318	2,023,634	3,019,506	8,921,458	1.10
2033	18,221,116	8,400,000	9,821,116	732,558	689,485	1,271,730		1,189,975	3,883,748	2,023,464	3,021,076	8,928,287	1.10
2034	19,645,968	8,400,000	11,245,968	729,034	686,766	1,271,730		1,189,975	3,877,505	3,324,540	3,021,562	10,223,607	1.10
2035	23,664,379	10,200,000	13,464,379	734,844	693,401	1,271,730		1,189,975	3,889,950	3,328,106	5,022,289	12,240,345	1.10
2036	23,649,644	10,200,000	13,449,644	729,679	689,079	1,271,730		1,189,975	3,880,462	3,325,830	5,020,657	12,226,949	1.10
2037	25,459,393	12,000,000	13,459,393	728,947	689,202	1,271,730		1,189,975	3,879,853	3,332,910	5,023,049	12,235,812	1.10
2038	25,454,122	12,000,000	13,454,122	732,465	688,587	1,271,730		1,189,975	3,882,756	3,328,978	5,019,286	12,231,020	1.10
2039	26,072,461	12,000,000	14,072,461	725,090	687,265	3,031,730			4,444,085	3,329,474	5,019,588	12,793,146	1.10
2040	26,079,623	12,000,000	14,079,623	727,163	690,225	3,029,250			4,446,637	3,329,189	5,023,831	12,799,657	1.10
2041	26,451,544	12,000,000	14,451,544	728,368	687,325	3,029,094			4,444,786	3,671,192	5,021,789	13,137,767	1.10
2042	26,884,506	12,000,000	14,884,506	728,693	688,734	3,026,045			4,443,472	3,675,479	5,412,419	13,531,370	1.10
2043	26,903,238	12,000,000	14,903,238	733,184	689,313	3,030,260			4,452,757	3,682,963	5,412,679	13,548,399	1.10
2044	26,888,182	12,000,000	14,888,182	731,649	684,056	3,026,348			4,442,052	3,680,899	5,411,761	13,534,711	1.10
2045	26,883,995	12,000,000	14,883,995	729,262	688,137	3,029,461			4,446,859	3,669,670	5,414,376	13,530,905	1.10
2046	26,884,320	12,000,000	14,884,320	731,015	686,181	3,029,204			4,446,399	3,674,448	5,410,354	13,531,200	1.10
2047	26,882,974	12,000,000	14,882,974	726,780	688,426	3,030,769			4,445,974	3,674,364	5,409,639	13,529,976	1.10
2048	26,889,739	12,000,000	14,889,739	741,670	684,618	3,023,721			4,450,008	3,679,376	5,406,743	13,536,127	1.10
2049	25,320,053	12,000,000	13,320,053		-	3,023,455			3,023,455	3,669,296	5,416,389	12,109,139	1.10
2050	25,355,216	12,000,000	13,355,216		-	3,028,828			3,028,828	3,694,237	5,418,041	12,141,106	1.10
2051	24,682,096	12,000,000	12,682,096		-	3,030,170			3,030,170	3,052,760	5,446,249	11,529,179	1.10
2052	23,670,319	12,000,000	11,670,319		-	3,027,461			3,027,461	3,052,078	4,529,843	10,609,381	1.10
2053	23,655,675	12,000,000	11,655,675		-	3,015,681			3,015,681	3,046,654	4,533,734	10,596,068	1.10
2054	20,345,060	12,000,000	8,345,060							3,051,467	4,534,951	7,586,418	1.10
2055	20,331,500	12,000,000	8,331,500							3,045,852	4,528,239	7,574,091	1.10
2056	16,986,920	12,000,000	4,986,920								4,533,564	4,533,564	1.10
Totals				\$ 18,273,858	\$ 19,321,209	\$ 70,528,129	\$ (1,440,581)	\$ - \$	106,682,615	\$ 90,861,827	\$ 135,810,455	\$ 333,354,897	l
													]

<sup>\*</sup> Preliminary, subject to change.

# Guadalupe-Blanco River Authority 2018 SWIFT Application - Contract Revenue Bonds, Series 2018 A, Series 2018 B and Master Repurchase Agreement (Gonzales Carrizo Water Supply Project) Gonzales Carrizo Water Supply Project Pro-Forma for New Braunfels' Portion\*

							FUNDING CYCLE*			2020*	2021*		
				Gross	Gross	Gross				Net	Net		
				\$12,035,000	\$11,625,000	\$34,270,000				\$43,815,000	\$63,830,000		
				2018 SWIFT	2018 SWIFT	2018 SWIFT	Less:	Adjustments:	Aggregate Net	2020 SWIFT	2021 SWIFT	Total Debt Paid	Projected
	Projected	Projected	Net Available	Deferred	Low Interest	Board Participation	Capital Interest	Related to	2018 SWIRFT	20% LI & 80% BP	20% LI & 80% BP	by Contract	Debt Service
FYE	Gross Revenues*	Expenses*	for Debt Service*	Market + 35 bps	Market + 35 bps	Market + 35 bps	on Low Interest	Board Participation	Debt Service	Market + 85 bps	Market + 100 bps	Revenues*	Coverage*
2019	\$ -		\$ -		\$ 135,796		\$ (135,796)		-	\$ -	\$ -	\$ -	
2020	2,560,000	2,560,000	-		181,062	701,743	(181,062)	(701,743)	-	-		-	
2021	2,560,000	2,560,000			181,062	701,743	(181,062)	(701,743)		-	-		
2022	2,714,383	2,560,000	154,383		181,062	701,743	(181,062)	(561,394)	140,349			140,349	1.10
2023	3,856,744	2,560,000	1,296,744		326,062	701,743		(561,394)	466,410	296,045	416,404	1,178,859	1.10
2024	4,520,257	2,560,000	1,960,257	388,764	322,843	701,743		(491,220)	922,129	447,260	412,663	1,782,052	1.10
2025	4,863,427	2,560,000	2,303,427	389,721	324,493	701,743		(421,046)	994,911	449,367	649,747	2,094,025	1.10
2026 2027	5,069,259 5,392,679	2,560,000	2,509,259	390,437	325,923	701,743		(315,784)	1,102,319	528,249	650,577	2,281,144	1.10 1.10
	5,768,720	2,560,000	2,832,679	390,849	322,079 323,158	701,743		(210,523)	1,204,148	601,887	769,127 887,391	2,575,163	
2028 2029		2,560,000	3,208,720	391,042	324,030	701,743		(105,261)	1,310,681 1,416,784	718,946 835,737		2,917,018	1.10 1.10
2029	6,208,601 6,525,640	2,560,000 2,560,000	3,648,601 3,965,640	391,011 390,511	324,492	701,743 701,743			1,416,746	947,313	1,064,390 1,241,068	3,316,910	1.10
2030	7,806,958	3,520,000	4,286,958	389,587	324,492	701,743			1,415,909	1,063,824		3,605,127 3,897,235	1.10
2031	8,721,982	3,520,000	5,201,982	388,266	324,312	701,743		656,631	2,070,951	1,064,437	1,417,502 1,593,687	4,729,074	1.10
2032	9,689,242	4,480,000	5,209,242	391,536	323,678	701,743		656,631	2,070,531	1,064,691	1,597,397	4,735,675	1.10
2033	10,476,183	4,480,000	5,996,183	389,291	322,721	701,743		656,631	2,070,385	1,785,196	1,595,494	5,451,075	1.10
2034	12,654,445	5,440,000	7,214,445	391,701	326,451	701,743		656,631	2,076,525	1,784,751	2,697,310	6,558,587	1.10
2036	12,650,768	5,440,000	7,210,768	388,613	324,711	701,743		656,631	2,071,697	1,783,985	2,699,561	6,555,244	1.10
2030	13,616,499	6,400,000	7,216,499	390,234	322,700	701,743		656,631	2,071,307	1,787,905	2,701,241	6,560,453	1.10
2038	13,614,736	6,400,000	7,214,736	391,386	325,413	701,743		656,631	2,075,172	1,786,326	2,697,353	6,558,851	1.10
2039	13,950,500	6,400,000	7,550,500	387,084	322,691	1,671,743		050,051	2,381,518	1,784,466	2,698,107	6,864,091	1.10
2040	13,957,186	6,400,000	7,557,186	387,499	324,703	1,672,308			2,384,510	1,787,320	2,698,339	6,870,169	1.10
2041	14,162,963	6,400,000	7,762,963	387,475	326,290	1,671,329			2,385,094	1,974,106	2,698,039	7,057,239	1.10
2042	14,397,050	6,400,000	7,997,050	387,006	322,446	1,668,785			2,378,237	1,978,722	2,913,087	7,270,045	1.10
2043	14,410,593	6,400,000	8,010,593	391,116	323,371	1,669,763			2,384,249	1,981,802	2,916,307	7,282,358	1.10
2044	14,403,748	6,400,000	8,003,748	389,619	323,881	1,669,065			2,382,564	1,977,482	2,916,089	7,276,135	1.10
2045	14,404,472	6,400,000	8,004,472	387,691	323,972	1,671,677			2,383,339	1,976,063	2,917,391	7,276,793	1.10
2046	14,406,705	6,400,000	8,006,705	390,330	323,640	1,672,397			2,386,366	1,977,321	2,915,137	7,278,823	1.10
2047	14,399,137	6,400,000	7,999,137	387,380	322,910	1,671,332			2,381,621	1,976,026	2,914,297	7,271,943	1.10
2048	14,403,448	6,400,000	8,003,448	388,988	326,750	1,668,344			2,384,081	1,977,156	2,914,625	7,275,862	1.10
2049	13,616,051	6,400,000	7,216,051	,		1,668,548			1,668,548	1,975,626	2,915,872	6,560,046	1.10
2050	13,633,164	6,400,000	7,233,164			1,671,334			1,671,334	1,991,271	2,913,000	6,575,604	1.10
2051	13,314,653	6,400,000	6,914,653			1,671,902			1,671,902	1,683,380	2,930,767	6,286,048	1.10
2052	12,833,471	6,400,000	6,433,471			1,670,241			1,670,241	1,680,094	2,498,275	5,848,610	1.10
2053	12,835,101	6,400,000	6,435,101			1,671,341			1,671,341	1,679,318	2,499,433	5,850,092	1.10
2054	11,000,452	6,400,000	4,600,452							1,680,826	2,501,403	4,182,229	1.10
2055	10,996,170	6,400,000	4,596,170							1,679,391	2,498,945	4,178,336	1.10
2056	9,157,744	6,400,000	2,757,744								2,507,040	2,507,040	1.10
Totals				\$ 9,737,133	\$ 9,107,270	\$ 38,919,530	\$ (678,981)	\$ - \$	57,084,952	\$ 48,706,284	\$ 72,857,066	\$ 178,648,302	1
													1

<sup>\*</sup> Preliminary, subject to change.

# Guadalupe-Blanco River Authority 2018 SWIFT Application - Contract Revenue Bonds, Series 2018 A, Series 2018 B and Master Repurchase Agreement (Gonzales Carrizo Water Supply Project) Gonzales Carrizo Water Supply Project Pro-Forma for Lockhart's Portion\*

					_		FUNDING CYCLE*			2020*	2021*	ł	
				Gross	Gross	Gross				Net	Net		
				\$12,035,000	\$11,625,000	\$34,270,000				\$43,815,000	\$63,830,000		
				2018 SWIFT	2018 SWIFT	2018 SWIFT	Less:	Adjustments:	Aggregate Net	2020 SWIFT	2021 SWIFT	Total Debt Paid	Projected
	Projected	Projected	Net Available	Deferred	Low Interest	Board Participation	Capital Interest	Related to	2018 SWIRFT	20% LI & 80% BP	20% LI & 80% BP	by Contract	Debt Service
FYE	Gross Revenues*	Expenses*	for Debt Service*	Market + 35 bps	Market + 35 bps	Market + 35 bps	on Low Interest	Board Participation	Debt Service	Market + 85 bps	Market + 100 bps	Revenues*	Coverage*
2019	\$ - 5		\$ -		\$ 50,960	\$ 197,325	\$ (50,960)		-	\$ -	\$ -	\$ -	
2020	960,000	960,000	-		67,946	263,100	(67,946)	(263,100)	-	-	-	-	
2021	960,000	960,000	-		67,946	263,100	(67,946)	(263,100)	-	-	-	-	
2022	1,017,882	960,000	57,882		67,946	263,100	(67,946)	(210,480)	52,620	-	-	52,620	1.10
2023	1,446,431	960,000	486,431		122,946	263,100		(210,480)	175,566	109,849	156,796	442,210	1.10
2024	1,694,720	960,000	734,720	145,303	121,725	263,100		(184,170)	345,957	166,594	155,377	667,927	1.10
2025	1,826,199	960,000	866,199	148,801	120,455	263,100		(157,860)	374,495	170,542	242,417	787,454	1.10
2026	1,900,580	960,000	940,580	147,135	119,146	263,100		(118,395)	410,985	198,200	245,888	855,073	1.10
2027	2,023,256	960,000	1,063,256	145,399	122,782	263,100		(78,930)	452,350	225,818	288,429	966,597	1.10
2028	2,161,516	960,000	1,201,516	148,628	121,264	263,100		(39,465)	493,526	267,845	330,916	1,092,287	1.10
2029	2,329,310	960,000	1,369,310	146,693	119,716	263,100			529,508	314,827	400,492	1,244,827	1.10
2030	2,447,511	960,000	1,487,511	144,631	123,066	263,100			530,796	356,636	464,852	1,352,283	1.10
2031	2,930,782	1,320,000	1,610,782	147,463	121,187	263,100			531,750	398,419	534,179	1,464,348	1.10
2032	3,271,045	1,320,000	1,951,045	145,055	119,231	263,100		246,186	773,571	401,794	598,313	1,773,677	1.10
2033	3,632,384	1,680,000	1,952,384	147,551	122,196	263,100		246,186	779,032	399,930	595,933	1,774,894	1.10
2034	3,924,825	1,680,000	2,244,825	144,814	119,942	263,100		246,186	774,041	668,254	598,455	2,040,750	1.10
2035	4,751,574	2,040,000	2,711,574	147,009	122,632	263,100		246,186	778,926	671,258	1,014,883	2,465,068	1.10
2036	4,739,676	2,040,000	2,699,676	143,976	120,105	263,100		246,186	773,366	669,026	1,011,859	2,454,251	1.10
2037	5,109,555	2,400,000	2,709,555	145,898	122,540	263,100		246,186	777,723	671,746	1,013,763	2,463,232	1.10
2038	5,101,915	2,400,000	2,701,915	147,602	119,764	263,100		246,186	776,650	669,230	1,010,406	2,456,287	1.10
2039	5,235,599	2,400,000	2,835,599	144,092	121,956	628,100			894,147	671,682	1,011,989	2,577,818	1.10
2040	5,234,536	2,400,000	2,834,536	145,542	123,938	625,142			894,622	668,903	1,013,326	2,576,851	1.10
2041	5,314,415	2,400,000	2,914,415	146,783	120,716	626,717			894,216	740,841	1,014,412	2,649,468	1.10
2042	5,402,626	2,400,000	3,002,626	147,812	122,467	627,638			897,917	740,666	1,091,078	2,729,660	1.10
2043	5,408,282	2,400,000	3,008,282	148,637	124,019	627,937			900,592	743,122	1,091,088	2,734,802	1.10
2044	5,404,893	2,400,000	3,004,893	144,257	120,369	627,607			892,232	744,627	1,094,862	2,731,721	1.10
2045	5,398,139	2,400,000	2,998,139	144,853	121,699	626,642			893,194	740,216	1,092,172	2,725,581	1.10
2046	5,399,119	2,400,000	2,999,119	145,241	122,824	625,037			893,102	740,088	1,093,282	2,726,472	1.10
2047	5,407,414	2,400,000	3,007,414	145,431	123,754	627,832			897,017	744,030	1,092,967	2,734,013	1.10
2048	5,405,983	2,400,000	3,005,983	150,409	124,476	624,790			899,675	741,823	1,091,215	2,732,712	1.10
2049	5,103,664	2,400,000	2,703,664		, 470	626,140			626,140	738,723	1,093,014	2,457,877	1.10
2050	5,110,860	2,400,000	2,710,860			626,536			626,536	739,669	1,098,214	2,464,419	1.10
2051	4,992,843	2,400,000	2,592,843			626,124			626,124	629,500	1,101,506	2,357,130	1.10
2052	4,815,144	2,400,000	2,415,144			624,900			624,900	632,723	937,962	2,195,585	1.10
2052	4,811,504	2,400,000	2,411,504			622,860			622,860	629,825	939,591	2,192,276	1.10
2053	4,127,670	2,400,000	1,727,670			022,800			022,800	631,016	939,594	1,570,610	1.10
2055	4,125,943	2,400,000	1,725,943							631,076	937,964	1,569,040	1.10
2055	3,422,663	2,400,000	1,022,663							031,076	929,694	929,694	1.10
Totals	3,422,003	2,400,000	1,022,003	\$ 3,659,010	\$ 3,419,706	\$ 14,590,216	\$ (254,798)	\$ - \$	21,414,134	\$ 18,268,491	\$ 27,326,886		1.10
rotais				010,550,50 ب	3,415,700 ب	14,050,210 پ	(4,798) پ	· - >	21,414,134	y 10,200,491	21,520,880 پ	2115,500,10 ب	1

<sup>\*</sup> Preliminary, subject to change.

# Guadalupe-Blanco River Authority 2018 SWIFT Application - Contract Revenue Bonds, Series 2018 A, Series 2018 B and Master Repurchase Agreement (Gonzales Carrizo Water Supply Project) Gonzales Carrizo Water Supply Project Pro-Forma for Goforth SUD's Portion\*

							FUNDING CYCLE*			2020*	2021*		
				Gross	Gross	Gross				Net	Net		
				\$12,035,000	\$11,625,000	\$34,270,000				\$43,815,000	\$63,830,000		
				2018 SWIFT	2018 SWIFT	2018 SWIFT	Less:	Adjustments:	Aggregate Net	2020 SWIFT	2021 SWIFT	Total Debt Paid	Projected
	Projected	Projected	Net Available	Deferred	Low Interest	Board Participation	Capital Interest	Related to	2018 SWIRFT	30% LI & 70% BP	30% LI & 70% BP	by Contract	Debt Service
FYE	Gross Revenues*	Expenses*	for Debt Service*	Market + 35 bps	Market + 35 bps	Market + 35 bps	on Low Interest	Board Participation	Debt Service	Market + 85 bps	Market + 100 bps	Revenues*	Coverage*
2019	\$ -	\$ -	\$ -		\$ 101,361	\$ 230,165	\$ (101,361)		-	\$ -	\$ -	\$ -	
2020	1,280,000	1,280,000	-		135,148	306,887	(135,148)	(306,887)	-	-	-	-	
2021	1,280,000	1,280,000	-		135,148	306,887	(135,148)	(306,887)	-	-	-	-	
2022	1,347,515	1,280,000	67,515		135,148	306,887	(135,148)	(245,510)	61,377	-	-	61,377	1.10
2023	2,196,582	1,280,000	916,582		240,148	306,887		(245,510)	301,525	218,327	313,405	833,256	1.10
2024	2,524,455	1,280,000	1,244,455	197,022	242,817	306,887		(214,821)	531,905	288,851	310,567	1,131,323	1.10
2025	2,666,459	1,280,000	1,386,459	194,943	240,276	306,887		(184,132)	557,973	286,616	415,828	1,260,417	1.10
2026	2,753,960	1,280,000	1,473,960	192,801	242,658	306,887		(138,099)	604,246	323,086	412,631	1,339,963	1.10
2027	2,897,529	1,280,000	1,617,529	195,569	239,806	306,887		(92,066)	650,195	354,340	465,946	1,470,481	1.10
2028	3,064,580	1,280,000	1,784,580	193,166	241,896	306,887		(46,033)	695,915	407,421	519,009	1,622,346	1.10
2029	3,253,741	1,280,000	1,973,741	195,715	243,800	306,887		, ,,,,,,	746,402	455,264	592,644	1,794,310	1.10
2030	3,391,371	1,280,000	2,111,371	192,965	240,363	306,887			740,214	508,059	671,155	1,919,428	1.10
2031	4,013,689	1,760,000	2,253,689	195,075	241,750	306,887			743,712	555,653	749,444	2,048,808	1.10
2032	4,420,577	1,760,000	2,660,577	196,914	242,837	306,887		287,159	1,033,797	557,403	827,507	2,418,706	1.10
2033	4,899,490	2,240,000	2,659,490	193,471	243,612	306,887		287,159	1,031,128	558,844	827,747	2,417,718	1.10
2034	5,244,959	2,240,000	3,004,959	194,929	244,104	306,887		287,159	1,033,078	871,090	827,614	2,731,781	1.10
2035	6,258,360	2,720,000	3,538,360	196,134	244,319	306,887		287,159	1,034,498	872,097	1,310,096	3,216,690	1.10
2036	6,259,200	2,720,000	3,539,200	197,090	244,264	306,887		287,159	1,035,399	872,819	1,309,237	3,217,454	1.10
2037	6,733,339	3,200,000	3,533,339	192,815	243,963	306,887		287,159	1,030,823	873,259	1,308,045	3,212,126	1.10
2038	6,737,470	3,200,000	3,537,470	193,478	243,411	306,887		287,159	1,030,934	873,421	1,311,527	3,215,882	1.10
2039	6,886,362	3,200,000	3,686,362	193,915	242,619	731,887		207,133	1,168,421	873,325	1,309,492	3,351,238	1.10
2033	6,887,901	3,200,000	3,687,901	194,122	241,584	731,800			1,167,506	872,966	1,312,166	3,352,637	1.10
2040	6,974,165	3,200,000	3,774,165	194,110	240,319	731,048			1,165,477	956,245	1,309,338	3,431,059	1.10
2041	7,084,831	3,200,000	3,884,831	193,876	243,821	729,622			1,167,319	956,092	1,408,254	3,531,665	1.10
2042		3,200,000		193,431	241,924	732,561			1,167,916	958,040	1,405,284	3,531,003	1.10
2043	7,084,363 7,079,542	3,200,000	3,884,363 3,879,542	197,773	239,807	729,676			1,167,916	958,040	1,405,284		1.10
2044	7,079,342	3,200,000	3,881,384	196,718	242,467	731,143			1,170,327	953,392	1,404,813	3,526,856 3,528,531	1.10
2045													1.10
2046	7,078,496	3,200,000	3,878,496	195,445	239,718	731,770			1,166,932 1,167,337	957,039	1,401,935	3,525,906	1.10
	7,076,422	3,200,000	3,876,422	193,970	241,763	731,605				954,309	1,402,375	3,524,020	- 1
2048 2049	7,080,308	3,200,000	3,880,308	202,274	233,393	730,587			1,166,253	960,398	1,400,903	3,527,553	1.10 1.10
	6,600,338	3,200,000	3,400,338			728,767			728,767	954,948	1,407,503	3,091,217	
2050	6,611,191	3,200,000	3,411,191			730,958			730,958	963,298	1,406,828	3,101,083	1.10
2051	6,374,601	3,200,000	3,174,601			732,144			732,144	739,881	1,413,976	2,886,001	1.10
2052	6,021,705	3,200,000	2,821,705			732,320			732,320	739,261	1,093,606	2,565,186	1.10
2053	6,009,070	3,200,000	2,809,070			721,480			721,480	737,511	1,094,710	2,553,700	1.10
2054	5,216,937	3,200,000	2,016,937							739,626	1,093,954	1,833,580	1.10
2055	5,209,387	3,200,000	2,009,387							735,386	1,091,330	1,826,716	1.10
2056	4,406,513	3,200,000	1,206,513								1,096,830	1,096,830	1.10
Totals				\$ 4,877,715	\$ 6,794,234	\$ 17,018,383	\$ (506,803)	\$ - \$	28,183,529	\$ 23,887,052	\$ 35,626,503	\$ 87,697,084	

<sup>\*</sup> Preliminary, subject to change.

#### Mary Ann Gennero (HTS)

From: Anne Burger Entrekin (HTS)
Sent: Thursday, May 03, 2018 5:49 PM

**To:** Mary Ann Gennero (HTS)

**Subject:** FW: Audit

Pursuant to the email below and as a result of this being a new system, no comparative operating statement can be provided.

**Anne Burger Entrekin** 

Regional Managing Director

Hilltop Securities

70 NE Loop 410, Suite 710, San Antonio, TX 78216

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Anne.Burgerentrekin@hilltopsecurities.com

Please note: Our email has changed. Please update your contact info.

From: Hector Estrada [mailto:Hector.Estrada@twdb.texas.gov]

Sent: Wednesday, April 25, 2018 12:23 PM

To: Anne Burger Entrekin (HTS) <Anne.BurgerEntrekin@hilltopsecurities.com>

Cc: Dain Larsen < Dain.Larsen@twdb.texas.gov>; Mary Ann Gennero (HTS) < MaryAnn.Gennero@hilltopsecurities.com>

Subject: RE: Audit

Hello, sorry for the delay

For Goforth, the audit is not ready (2017), not available until May 15 according to a lady I spoke with in the Utility. New Braunfels: I found the Utility audit, will need the City's audits (2017), they are not posted on their website, or in the MAC of TX.

29 OK (assuming GBRA does not provide water at all, who will this system be serving?)

30 OK (same as above)

31 OK

32-34 (33 We will need proposed rates for Water and or wastewater of the new system,)

We will also need average rates for water & wastewater for all three of the underlying entities...This can be sent in a separate email since they are underlying entities

35-37 ok

Your email states 35-37 YES, If Q 36 says Yes, then we will need: 38-41 answered since it is applicable 43-44 ok

45: Pro Forma, so assuming this will be joint and several, we would need proforma for the proposed projects for each entity, include existing debt of course and a general pro forma of the sources that GBRA will be using to repay the debt. 46: ok since it is a new system

47: 2017 Audits are needed for GBRA, primarily, however, since the structure of this project pertains to Goforth, New Braunfels (city, not utility) and Lubbock (I've got it already) 2017 information will be needed

48: For D/S purposes debt is debt, so we will need to review all of it. (make sure the Proforma has it too) Any applicable debt will be considered, both tax and revenue

49: No, only GBRA, I can research the debt for the underlying entities, but make sure a debt column is included in the Proforma for the underlying

50: For GBRA's service area, yes it is needed

51: Needed 52: OK

I hope this helps.

Best H

From: Anne Burger Entrekin (HTS) [mailto:Anne.BurgerEntrekin@hilltopsecurities.com]

Sent: Monday, April 23, 2018 9:32 AM

To: Hector Estrada < Hector. Estrada@twdb.texas.gov>

Cc: Dain Larsen < Dain.Larsen@twdb.texas.gov >; Mary Ann Gennero (HTS) < MaryAnn.Gennero@hilltopsecurities.com >

Subject: RE: Audit

Good Morning Dain and Hector,

I hope all is well!

As we are working through the financial assistance application for GBRA's project, I wanted to confirm what needs to be provided.

We will be sending Goforth's 2012 audited financials in a subsequent email. Have you been able to access all the other audits on the MAC? If not, please let us know which ones you need and we will get those to you as soon as possible.

In Part C, please confirm the following:

- 29 NA since this is a new system
- 30 NA since this is a new system
- 31- Yes, but with projections.
- 32 34 NA since those relate to retail providers.
- 35 37 Yes
- 38 42 NA
- 43 44 Yes
- 45 Since each of the three entities plans on utilizing mostly Board Participation do we still complete a pro-forma? Or is this where we provide the findings relative to growth projections?
- 46 NA
- 47 We will send you Goforth's 2012 audited financials and any other you were not able to locate. Do you need interim financials for any of the three entities?
- 48 Yes, however I believe the response on this will be no, since this debt for a new system. We can highlight GBRA does have outstanding, just not this pledge and security.
- 49 Do you need me to provide outstanding utility supported debt for each entity? Technically since this is a contract

revenue bond it is an operating expense and senior to any revenue bond debt they have outstanding.

50 - Do we complete this? If so, for each entity?

51 -Yes

52 - Yes we will include copies of the agreements.

We also have the current rate structures for each entity and when those rates were adopted. They have also provided proposed rate adjustments.

In advance, we greatly appreciate your assistance in guiding us on our questions!

If you think it would be helpful to schedule a call to discuss, please let me know. I will be back in the office on Thursday.

Thank you and hope you have a great day!

Anne

From: Hector Estrada < Hector. Estrada@twdb.texas.gov >

Sent: Thursday, April 5, 2018 8:08:49 AM

To: Anne Burger Entrekin (HTS)

**Cc:** Dain Larsen **Subject:** Audit

#### \*\*\* EXTERNAL SENDER \*\*\*

Hello Anne, after our call I went straight to my sources searching for audits. I was able to find Lubbock's most recent Audit (2017), however it appears GoForth SUD audit won't be ready until May 15<sup>th</sup> per my phone conversation with a person on the information line posted on their website. I was not able to find New Braunfels 2017 audit either. It is not posted on their website either, or MAC of Texas (2016 is). I sent an email requesting it but no response has been received yet.

As Dain mentioned, we would also need year 2012 Audit, Regards,

Hector R. Estrada

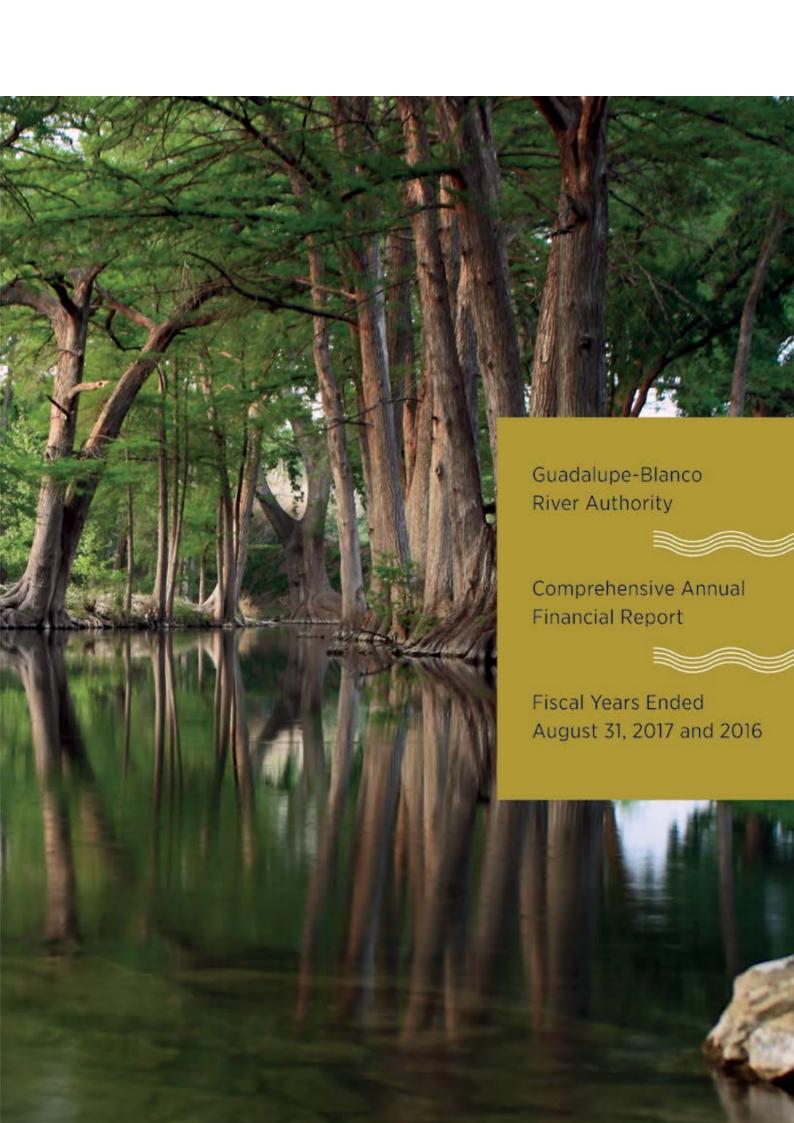
Financial Analyst

Texas Water Development Board

1700 N. Congress Ave, Austin, TX, 78701

<u>TEL: 512-463-7959</u> <u>FAX: 512-475-2053</u> CONFIDENTIALITY NOTICE: The information contained in this email communication (including any attachment(s)) is strictly confidential and intended solely for the person or entity named above. If you are not the intended recipient of this email, you are hereby notified that any disclosure, distribution, reproduction, or other use of this communication is strictly prohibited. If you have received this communication in error, please immediately notify the sender by return email and permanently delete this communication (including any attachment(s)) from your system.

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# GUADALUPE-BLANCO RIVER AUTHORITY TEXAS

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

## FISCAL YEARS ENDED AUGUST 31, 2017 AND 2016

Financial information compiled by the GBRA Accounting Department.



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#### **GUADALUPE-BLANCO RIVER AUTHORITY**

#### ESTABLISHED BY THE TEXAS LEGISLATURE

GBRA was created in 1933 as the Guadalupe River Authority under Section 59, Article 16 of the Constitution of Texas as a water conservation and reclamation district and a public corporation. It was reauthorized in 1935 as the Guadalupe-Blanco River Authority by an act of the Texas Legislature (VCS Art. 8280-106).

#### SOUND MANAGEMENT AND ADMINISTRATION

GBRA is governed by a board of nine directors who are appointed by the Governor and confirmed by the Texas Senate. Directors serve six-year terms, with three directors appointed or reappointed every two years. The Board meets monthly to review policies, programs and actions for consideration. Management and administrative duties are carried out by the general manager and staff in accordance with policies established by the board.

#### PLANNING FOR THE BASIN AND TEXAS

GBRA's primary responsibilities are to develop, conserve and protect the water resources within its 10-county statutory district, which begins near the headwaters of the Guadalupe and Blanco Rivers, ends at San Antonio Bay, and includes Kendall, Comal, Hays, Caldwell, Guadalupe, Gonzales, DeWitt, Victoria, Calhoun and Refugio counties. Planning and resource development efforts for the Guadalupe River basin are carefully coordinated within the broader consideration of regional and statewide water needs.

#### **SELF-SUPPORTING OPERATIONS**

GBRA cannot levy or collect taxes, assessments, or pledge the general credit of the State of Texas. Funding for special projects comes from state and federal grants. All other revenues for maintenance and operation as well as capital requirements are obtained from the products and services GBRA provides to customers throughout the basin.

#### **VISION**

The Guadalupe-Blanco River Authority leads as a regional partner managing watershed resources to protect and support the needs of a growing population, economy and healthy environment.

#### **MISSION**

The mission of GBRA is to support responsible watershed protection and stewardship, provide quality operational service, and a commitment to promote conservation and educational opportunities in order to enhance quality of life for those we serve.

#### **VALUES**

#### **SERVICE**

- GBRA will maintain high-quality services for our customers
- GBRA will remain steadfast to preserving the natural environment
- GBRA will retain and recruit qualified, professional employees

#### **STEWARDSHIP**

- GBRA is dedicated to the continued vitality of our communities
- GBRA will uphold responsible management of watershed resources
- GBRA will foster a supportive and respectful workforce

#### **COMMITMENT**

- GBRA will partner with customers and communities to ensure future water and wastewater needs are met
- GBRA will implement a basin-wide water management plan to protect water supplies and quality
- GBRA will invest in our capital and human assets to improve our services and infrastructure to increase the value to our customers

#### GBRA BOARD OF DIRECTORS

GBRA is governed by nine directors, appointed by the Governor of the State of Texas and confirmed by the Senate. The 10 counties in GBRA's statutory district are represented on a rotating basis. Each director serves a sixyear term with three directors appointed or re-appointed every two years.

Rusty Brockman, Chair Comal County

Dennis L. Patillo, Vice-Chair Victoria County

**Don B. Meador, Secretary/Treasurer** Hays County

**Ronald J. Hermes, Director** Guadalupe County

Oscar H. Fogle, Director Caldwell County

**Kenneth Motl, Director** Calhoun County

**William R. Carbonara, Director** DeWitt County

**Tommy Mathews, Director** Kendall County

#### **GBRA MANAGEMENT**

**Kevin Patteson** General Manager / CEO

**Darrell Nichols**Sr. Deputy General Manager

Jonathan Stinson Deputy General Manager

**Alvin Schuerg** Senior Advisor to the General Manager

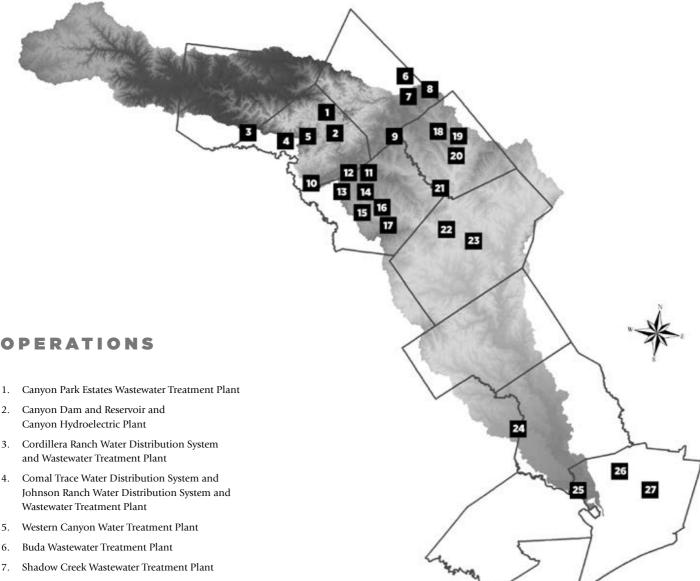
**Darel Ball**Executive Manager Operations and Water Quality

**Cindy Demers**Executive Manager of Finance and
Administration / Chief Financial Officer

LaMarriol Smith
Executive Manager of
Strategic Communications and Education

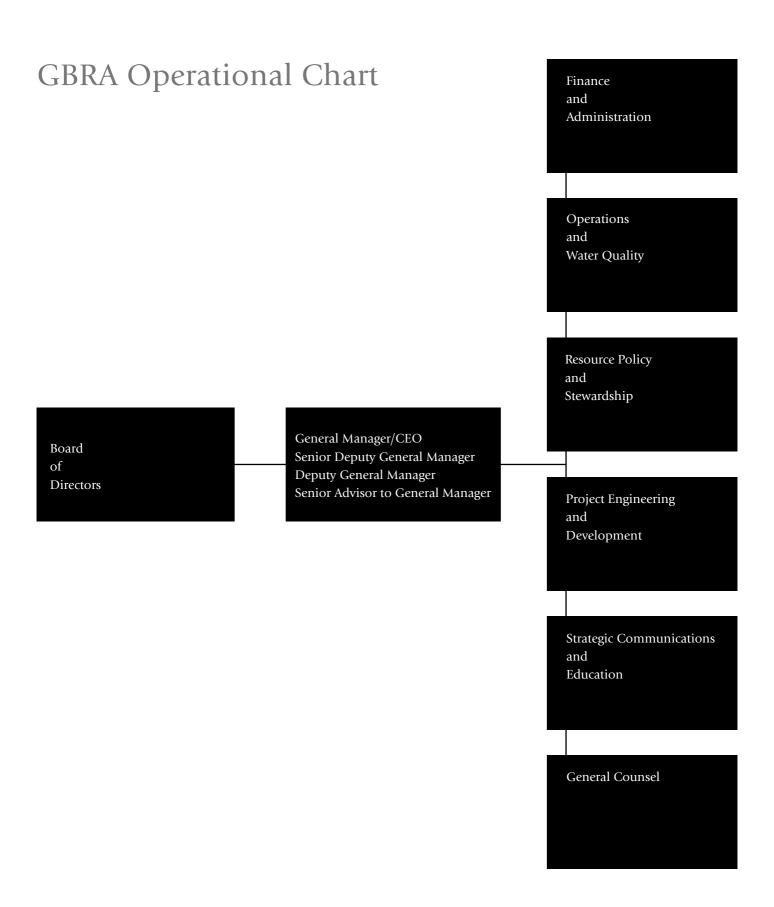
George "Tom" Bohl General Counsel

**Thomas Hill**Executive Manager of Project Engineering and Development, Chief Engineer



- 8. Sunfield Wastewater Treatment Plant
- 9. San Marcos Water Treatment Plant and IH-35 Treated Water Delivery System
- 10. Northcliffe Wastewater Treatment Plant
- Guadalupe Power Partners Raw Water Delivery System
- 12. Dunlap Wastewater Treatment Plant
- 13. Lake Dunlap (TP-1) Hydroelectric Plant and Regional Raw Water Delivery System
- 14. Lake McQueeney (TP-3) Hydroelectric Plant
- 15. Lake Placid (TP-4) Hydroelectric Plant
- 16. GBRA Main Office and Laboratory

- 17. Lake Nolte (TP-5) Hydroelectric Plant and Nolte Island Park
- 18. Lockhart Wastewater Treatment Plant #1
- 19. Lockhart Wastewater Treatment Plant #2
- 20. Lockhart Water Treatment Facility
- 21. Luling Water Treatment Plant and Luling to Lockhart Treated Water Delivery System
- 22. Lake Gonzales (H-4) Hydroelectric Power Plant
- 23. Lake Wood Park (H-5) Hydroelectric Power Plant
- 24. Coleto Creek Park and Reservoir
- 25. Diversion Dam and Salt Water Barrier
- 26. Crestview Subdivision Wastewater Treatment Plant
- 27. Port Lavaca Water Treatment Plant and Calhoun County Rural Water and Canal System Division





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

# **Guadalupe-Blanco River Authority Texas**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

August 31, 2016

Christopher P. Morrill

Executive Director/CEO



December 13, 2017

The Honorable Rusty Brockman, Chair and Members of the Board of Directors

Dear Chair Brockman and Directors,

The Comprehensive Annual Financial Report (CAFR) of the Guadalupe-Blanco River Authority (GBRA) for the fiscal year ended August 31, 2017, is hereby submitted. Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with GBRA. One of the principal foundations of GBRA's financial recording and reporting system is a framework of internal controls designed to better assure the appropriate use of all GBRA assets and the timely recording of each financial transaction. As a result of these controls, it is GBRA's assertion that the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds (divisions) of GBRA. All disclosures necessary to enable the reader to gain an understanding of GBRA's financial activities have also been included.

One of the important components of the CAFR is the Management Discussion and Analysis (MD&A) report included immediately following the Independent Auditor's Report. The MD&A provides an overview or executive summary of the information contained in the CAFR. As such it is an easily readable and easily understandable source of information related to GBRA's financial activities for fiscal year 2017. Furthermore, the MD&A information is presented in comparison to the two previous years thereby providing the CAFR reader a near term historical perspective of financial results. GBRA encourages all users of this CAFR to read the information contained in the MD&A.

#### PROFILE OF THE GUADALUPE-BLANCO RIVER AUTHORITY

The Texas Legislature created GBRA in 1933 as a political subdivision of the State of Texas with the mandate to develop, conserve and protect the water resources of the Guadalupe River Basin and to make those waters available for beneficial use. While there have been many milestones during GBRA's eighty four years of existence, perhaps none are more important than working with the U.S. Army Corps of Engineers in the creation of Canyon Reservoir during the 1950's and 1960's. GBRA now holds a Texas Commission on Environmental Quality permit to 90,000 acre-feet of water per year from Canyon Reservoir for use within the river basin. GBRA's permit to this water facilitates operations such as hydroelectric generation; water and wastewater treatment; treated water distribution; municipal, industrial and agricultural raw water supply; laboratory analyses; and recreation operations. These operations are accounted for in the following divisions.

The *General Division*, located in the general business office in Seguin, consists of technical, accounting, administrative and support staff working under the direction of the General Manager. Revenues are derived from interest earnings on investments as well as administrative and general charges that are paid by GBRA's operating divisions.

The Guadalupe Valley Hydroelectric Division operates six "low head" hydroelectric plants in Guadalupe and Gonzales counties capable of producing 16 megawatts. All electricity produced by the division is delivered to the Guadalupe Valley Electric Cooperative (GVEC) for consumption principally within the

river basin. The charge for the power delivered to GVEC includes a fixed monthly charge of \$125,000 and an energy charge of 3.14¢ per kilowatt hour of energy produced. GV Hydro Division personnel are responsible for the operation and maintenance of the generating stations as well as the associated dams, lakes, ancillary equipment and adjacent properties.

The *Rural Utilities Division* operates and maintains six wastewater treatment plants in Comal, Hays and Guadalupe counties. These small plants serve rural areas where septic tanks do not provide proper or safe wastewater disposal and the extension of wastewater services from nearby municipalities is not cost effective. The five wastewater plants include Canyon Park, Dunlap Northcliffe, Shadow Creek and Sunfield.

The development and operation of water supply sources and raw water delivery systems is the responsibility of the *Water Resource Division*. The division contracts with municipal, industrial and agricultural users throughout the river basin to provide a dependable supply of surface water. This division is anchored in the upper reaches of the river basin by Canyon Reservoir and in the lower reaches of the basin by the Guadalupe River Diversion Dam and Salt Water Barrier. Additionally, this division is responsible for GBRA's water quality program as well as the operation of a water quality laboratory located at the general office in Seguin. The water quality laboratory provides services to GBRA's other operations as well as to individuals, municipalities, industries and private entities throughout the region. Other operations recognized within the Water Resource Division are the Calhoun Canal System, the City of San Marcos Water Treatment Plant, the City of Buda Wastewater Treatment Plant, the Western Canyon Water Treatment Plant, and retail, treated water delivery and wastewater treatment systems in Comal County. Included within these Comal County operations are the Comal Trace, Johnson Ranch, and Cordillera real estate developments and starting in FY 2015, the Singing Hills Wastewater Plant on behalf of the City of Bulverde.

GBRA's *Port Lavaca Water Treatment Plant Division* operates and maintains a water treatment plant that supplies treated water to the City of Port Lavaca, the Calhoun County Rural Water Supply System, and the Port O'Connor Improvement District (ID). The division, which commenced operation in 1969, receives raw water from the Guadalupe River delivered through 20 miles of canals. GBRA then treats and disinfects the water to drinking water standards before delivering it to the City, Rural Water System, and ID.

The *Calhoun County Rural Water Supply Division* began in 1974 and currently operates and maintains a treated water distribution system to supply approximately 1,473 homes and businesses located throughout a large portion of the unincorporated areas of Calhoun County.

The *Coleto Creek Division* operates and maintains the Coleto Creek Reservoir located thirteen miles southwest of Victoria just off State Highway 59. The reservoir, which was completed and filled in 1981, serves as a cooling pond for a coal-fired electric generating plant owned by Dynegy, Inc. This division also operates and maintains recreation facilities that provide grounds for camping and picnicking as well as public access to the lake for fishing, swimming, and boating.

Surface water from the San Marcos River is treated by the *Luling Water Treatment Plant Division* and delivered to the City of Luling and the City of Lockhart for distribution. The plant was constructed in 1978 and has a treatment capacity of 2.5 MGD.

The *Canyon Hydroelectric Division* operates the electric generating plant located at Canyon Dam in Comal County. All power generated by the plant is sold to New Braunfels Utilities for the benefit of the City of New Braunfels. The plant, completed in 1989 with a capacity of 6 megawatts, provides a beneficial use of waters passed through the dam without interfering with the reservoir's primary purposes of flood control and water supply.

GBRA added the *Lockhart Division* to its list of operations on October 1, 1994. After signing a contract with the City of Lockhart during 1994, GBRA assumed the operation of the City's 1.1 million-gallon per day (MGD) wastewater treatment plant and began construction of a new 1.5 MGD plant that became fully

operational in February 1999. On October 1, 2000, the Lockhart Division was expanded further when GBRA assumed operation of the City's water well system and water treatment plant.

#### ECONOMIC CONDITION AND OUTLOOK

The Texas Economy. The economy of the State of Texas is diverse and continues to grow year over year, While oil and gas development and production continue to be a prevalent sector in Texas, other sectors of the economy are well represented in Texas including technology, education, manufacturing and tourism.

The population growth within Texas continues to outpace the national average. In May 2017, a U.S. Census bureau report indicated that from 2015-2016 five of the top ten fastest growing cities in America were located in Texas. These include cities in Houston, Dallas, Austin, and San Antonio, metro areas, including the City of New Braunfels located in the GBRA service area.. In addition to some of the State's attributes listed above, other reasons for this pace of growth are a diverse labor market, "corporate-friendly" tax structure, and affordable housing. According to Dr. Ray Perryman, noted Baylor University economist, the number of jobs within the State will grow by 11.29% over the next 5 years as compared to a projected growth of 8.47% for the remainder of the country. Similarly, total output is expected to grow by 22.31% during the same time period while the output of the country at large is projected to grow by only 15.70%. At least one additional factor that is seen as continuing growth in population and output is the recent lifting of the national ban on crude oil exports. In response to this regulatory change, a number of new facilities are being constructed along the Texas Gulf Coast in close proximity to the Eagle Ford Shale oil discovery in order to more easily and cost effectively provide access for this oil to foreign markets.

Reports and data produced by Texas Comptroller of Public Accounts shows the State's economy continuing to remain strong. Comptroller Glenn Hegar's Fiscal Notes State Revenue Watch for November 2017 shows an increase in year-over-year sales tax collections of 8.61% and the tax on natural gas production of 36.89%. Total state net revenue increased 7.20% during the same period.

Over the last decade, the State has seen more drought years than years with average or above average rainfall. During 2011, for all practical purposes a drought covered the western two-thirds of the State and rainfall records were in many cases the lowest in recorded history. Then in calendar years 2012, 2013 and 2014, rainfall became more plentiful and ground moisture had recovered to some degree, however rainfall did not appreciably change the low conversation storage in the State's water supply reservoirs. Several reservoirs, principally in West Texas, had less than 5% of capacity remaining behind the dam. This caused agricultural losses which when coupled with losses in agricultural support industries were in the billions of dollars. Fortunately, due to the effects of El Nino, rainfall during 2015 and 2016 has resulted in reservoirs recovering to full or nearly full levels for much of the State. While this is a welcome change, the State as well as various regional water providers, have recognized the need to implement additional water management strategies identified in the State's regional water planning process.

The Local Economy. GBRA's service area is geographically part of south central Texas. It stretches from the Texas Hill Country through the IH-35, IH10, and State Highway 130 Corridors and onto the Texas Gulf Coast. This geographic diversity provides economic diversity with a unique combination of agriculture, oil and gas, defense, high tech, higher education centers, tourism, seawater ports, and heavy industry. This diversity allows the regional economy to be among the State's growth leaders and outpace the national economy. For reporting purposes, the State Comptroller places most of the GBRA service area into the Alamo Region. The counties in and around the Cities of San Antonio and Austin are the most populous of this area.

The northern region of the GBRA district is lies between the Austin and San Antonio Metropolitan Statistical Areas (MSAs). This location and the vibrant economies of these two cities have correspondingly elevated the economy of the northern Guadalupe River Basin over the last several decades. Both of these cities are ranked in the top twenty nationally when judged on job growth and this will obviously float the economic possibilities of the surrounding areas of the GBRA district along with them. Consistent with the exceptional growth of its larger neighbors, the City of San Marcos has been named by Forbes magazine as

"America's Next Metropolis". Forbes cites the astounding 37% growth rate as the reason for its declaration as well as the recent construction of Amazon's newest distribution center in San Marcos.

Another noteworthy growth factor for the local economy has been the oil and gas exploration boom related to the Eagle Ford Shale discovery over the last decade. This formation stretches across 23 Texas counties and two of those counties, Gonzales and DeWitt, are located in the middle stretch of the GBRA district. The impact of this discovery is still evident but due to the drop in global oil prices, the \$61 billion per year economic impact this discovery has produced in previous years has diminished somewhat. Nevertheless, the economic ripple effects can be seen in everything from new housing to new commercial developments. Just north of Gonzales and DeWitt Counties lies Guadalupe County. This is another county within the GBRA district that is experiencing considerable job growth. This job growth is attributed to the construction of several new manufacturing and distribution centers including Caterpillar and Continental Automotive which in the aggregate have invested \$459 million and brought in over 2,000 jobs. Further south in GBRA's district lies the City of Victoria. With its location near the Texas Gulf Coast, the Eagle Ford oil discovery, and a number of large petrochemical plants within a 30 mile radius, the City of Victoria is an economic standout. In fact, according to the Milken Institute's 2014 report entitled "2014 Best Performing Cities: Where America's Jobs Are Created and Sustained", the City of Victoria was ranked number three in the country. Within an easy commute from Victoria, just south in Calhoun County, Formosa Plastics is in the process of expanding its petrochemical plant by more than \$1 billion which should further continue the area's economic expansion and job growth.

To continue these results and economic positioning for years into the future, it is GBRA's mission and role to assist the area's economy and population growth by providing high quality water and wastewater treatment while also developing future water supplies in order to better assure the district's continued economic vitality.

#### **MAJOR INITIATIVES**

For the Year. GBRA's major initiative for Fiscal Year 2017, is the provision of ample water resources for the Guadalupe River Basin along with the planning that is necessary to permit, finance, construct and commit additional, future supplies of water. This initiative was evident in GBRA's work with committees and stakeholder groups established by the Texas Legislature related to instream surface water flows, fresh water flows for bays and estuaries, future desalination of seawater, future desired conditions for Texas groundwater aquifers, and the proper regulation of the Edwards Aquifer. Because of the Guadalupe River's dependency upon water emanating from the Edwards Aquifer's Comal and San Marcos springs, GBRA helped in recent years to establish a Recovery Implementation Plan (RIP) for the aquifer. During the past year, GBRA continued to work with various stakeholder groups in implementing the provisions of a Habitat Conservation Plan (HCP) which was an outgrowth of the RIP and which was subsequently approved by the United States Fish and Wildlife Service. It will be important for years to come that the region diligently monitor the use of water from the Edwards Aquifer to ensure that the goals of the HCP are met. Throughout Fiscal Year 2017, GBRA's staff was actively exploring future water supply projects including both groundwater and surface water sources.

From an operational perspective, in many respects Fiscal Year 2017 was reasonably routine. However, in late August 2017, GBRA operations prepared for and did sustain some damage due to Hurricane Harvey. Wind and storm damage were sustained at the Port Lavaca and Coleto Creek Recreational operations. In addition, some wind damage and debris clean-up was required in Seguin at GBRA's Nolte Island. All damage was filed for insurance reimbursement. Another, 2017 initiative included conducting a major log jam removal project along the Guadalupe River.

For the Future. As noted above, GBRA's efforts to ensure adequate water supplies have complemented the work of the Texas State Legislature. Emanating from the 1997 Legislative Session was a new State Water Policy labeled Senate Bill One (SB1). One of the principal provisions of that new water plan was the establishment of regional water planning areas and the development of "updated" water plans every five years. GBRA has been actively involved in and helps to underwrite the administrative costs of the South

Central Texas Regional Water Planning Group which is charged with developing an updated fifty-year water plan for this area of Texas. While a new water plan has been completed and approved by the Texas Water Development Board for the current cycle, the regional planning group continues to update projected future water demands and the water supply projects that are anticipated to meet those demands. The current plan includes several major water supply projects within the Guadalupe River Basin that will require GBRA's future participation.

While much of GBRA's water supply planning has traditionally focused on developing additional surface water supplies within the Guadalupe River Basin, GBRA's focus in recent years has been on committing existing surface water supplies that are currently not fully utilized. Consistent with this focus, GBRA has worked with a number of entities and potential water customers to determine how GBRA's run-of-river water rights located near the mouth of the river may be beneficially used. GBRA has also developed other possible water supply alternatives including the use of groundwater. In FY 2016 GBRA entered into a contract to purchase Texas Water Alliance, a company owning approximately 15,000 acre-feet per year in groundwater leases in Gonzales County. GBRA is in contract negotiations with potential customers to treat and deliver this new source of firm water.

It is incumbent on both GBRA and the regional water planning group to continue to study and ultimately implement various water supply projects in order to meet the water demands of the rapidly growing population of the Guadalupe River Basin.

In addition to the effort focused on future water supply alternatives, GBRA also worked to ensure existing water supplies are used efficiently and wisely. GBRA actively worked with water users and local governments located within the Basin to educate them on water conservation efforts. GBRA also worked closely with the Edwards Aquifer Authority, Guadalupe Basin Coalition, and the Edwards Aquifer Recovery Implementation Group to ensure the Edwards aquifer was managed effectively and in accordance with state law thereby ensuring adequate springflow into the Guadalupe and San Marcos Rivers.

#### FINANCIAL INFORMATION

Management of GBRA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of GBRA are protected from loss, theft or misuse and to ensure adequate accounting data is compiled to allow for 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, GBRA continues to meet its responsibility for sound financial management. GBRA recommends readers pay close attention to each section of this report including the oversight review provided by the management discussion and analysis in order to have a thorough understanding of GBRA, its activities, financial position and results of operations.

In addition to other internal controls, GBRA also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with contractual provisions and to properly manage resources. Since GBRA does not have the power of taxation, there is no appropriated budget or encumbrance accounting system nor any legal requirement to include comparative budget to actual expenditure statements in this report. Nevertheless, the GBRA staff diligently prepares the Annual Work Plan and Budget to assure projects are prioritized and the use of funds is effective and efficient.

GBRA's financial policies and the resulting rates and financial structure provide support to the management and decision making of the organization. Since GBRA is not a taxing district, it must rely solely upon the service rates that are adopted and the customer revenue that is generated to support GBRA's projects and operations. One strategy that GBRA has adopted through the years to mitigate the volatility of its revenue stream is to diversify operations. One group of operations are "rate-based" and these operations are structured

in such a way that financial gains and losses may result. A second group of operations are "contract-based" and these operations are structured to yield an exact cost of service to customers with no corresponding financial gain or loss to GBRA. This strategy has allowed GBRA to expand its operations through the years, meet its legislative mandate of providing water and wastewater services, mitigate financial risk, while still accumulating the financial reserves important to any viable organization. Another rate strategy that GBRA has employed is the requirement of a debt coverage factor on all bond issuances that are of a regional, multicustomer nature. This coverage factor has allowed GBRA to expand its financial reserves and position the organization to better assimilate the monetary impacts of natural disasters, unscheduled repair projects, and any customer defaults while also providing funds for new project start up. These strategies have been particularly useful this past year in dealing with the effects of the flood and studies to determine the most appropriate new water supply project.

#### OTHER INFORMATION

Independent Audit. Section 50.371 of the Texas Water Code requires an annual audit of the GBRA's accounting records by the state auditor or by an independent certified public accountant selected by the Board of Directors. The firm of Alonzo, Bacarisse, Irvine & Palmer P.C. (ABIP) was selected by the Board for the 2017 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, the county clerk of each county within the GBRA district as well as many other information repositories located throughout the State.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to GBRA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2016. 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. GBRA has received a Certificate for the last 43 consecutive fiscal years (1973-2016). 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 the high level of service to the residents of the GBRA service area. The preparation of the CAFR on a timely basis was made possible by the dedicated efforts of the accounting department and public communications department. Each member has our sincere appreciation for the contributions made in the preparation of this report. In closing, we would be remiss to not recognize the leadership and support each GBRA Director has provided to the staff and this organization. Without that leadership, another successful year and the preparation of this report would not have been possible. We thank you for your dedicated public service.

Sincerely,

Kevin Patteson

General Manager/CEO

Cindy Demers

Executive Manager of Finance and

Administration/CFO

# **Financial Section**





#### Independent Auditor's Report

To the Board of Directors Guadalupe- Blanco River Authority

We have audited the accompanying financial statements of Guadalupe-Blanco River Authority as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Guadalupe-Blanco River Authority's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Guadalupe-Blanco River Authority, as of August 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

#### **Other Matters**

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, and schedule of employer contributions 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.

#### Other Information

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

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

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of Guadalupe-Blanco River Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Guadalupe-Blanco River Authority's internal control over financial reporting and compliance.

Certified Public Accountants San Antonio, Texas

December 13, 2017

ABIP, PC

## **Management Discussion and Analysis**

The Guadalupe-Blanco River Authority's (GBRA) financial statements are presented within the financial section of this Comprehensive Annual Financial Report (CAFR). The components of the basic financial statements include this Management Discussion and Analysis (MD&A), the Basic Financial Statements, and Other Supplementary Information.

The MD&A, as Required Supplemental Information, introduces the basic financial statements and provides an analytical overview of GBRA's financial activities. GBRA implemented the provisions of the Government Accounting Standards Board Statement Number 34 (GASB 34) in 2002 and as such, the MD&A that follows presents a comparison of each of the last three years.

#### **Overview of the Basic Financial Statements**

GBRA was created in 1935 as a political subdivision of the State of Texas and structured as a conservation and reclamation district under Article 16, Section 59 of the Texas Constitution. GBRA's principal functions are to control, store, preserve, and distribute the waters of the Guadalupe River Basin for all useful purposes within the ten county district that GBRA serves. In meeting these principal functions, GBRA does not have the power of taxation and instead must rely upon user fees to provide these services.

GBRA's financial statements consist entirely of one enterprise fund because of the nature of GBRA's activities, the reliance upon user fees, and the fact that GBRA does not have any separate component units to report. The major features of enterprise fund reporting are:

- > Scope All GBRA activities are included in the enterprise fund, the reporting format of which is similar to private businesses.
- ➤ Required Financial Statements The financial statements prepared for the enterprise fund include a Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows.
- > Accounting Basis and Measurement Focus Accrual accounting and economic resources focus are utilized.
- > Type of Asset/Liability Information The enterprise fund reports all current and long-term assets and liabilities, both financial and capital.
- > Type of Inflow/Outflow Information The enterprise fund records all revenues and expenses during the year, regardless of when the cash is received from the revenue or when the cash is paid for the expense.

The remaining information that is included within GBRA's basic financial statements are the Notes to the Financial Statements. These Notes are included to provide additional information to assist the readers of the CAFR attain a more complete understanding of GBRA's financial position.

#### **Condensed Financial Information**

The financial statements are designed to provide readers with a broad overview of GBRA's financial position. The Statement of Net Position presents information on all of GBRA's Assets and Deferred Outflows of Resources as well as GBRA's Liabilities and Deferred Inflows of Resources. The difference between these two groups of accounts is then reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of GBRA is improving or deteriorating. In Fiscal Years 2017, 2016 and 2015 respectively, Assets and Deferred Outflows of Resources exceeded Liabilities and Deferred Inflows of Resources by \$89,368,405; \$80,257,492; and \$74,519,264. Between August 31, 2015 and August 31, 2017, Net Position amounts have increased \$14,849,141 which indicates a continued improvement in GBRA's financial position. The single most significant reason for this increase in Net Position is positive operating results that have averaged

\$6,546,364 per year during the period. This has been further manifested in an increase of \$9,613,452 in Cash, Cash Equivalents, and Unrestricted Investments during the period. Unrestricted Cash increased \$4,159,745. Unrestricted Investments increase is principally reflected in the 2015 – 2017 increase in Other Assets – Investments Unrestricted of \$4,091,450. Another noteworthy item for the three year period relates to the changing pension plan reporting requirements. Starting in 2015, GASB Statement 68 requires that governmental organizations recognize in their financial statements any Unfunded Actuarial Accrued Liability associated with a defined benefit pension plan. The net result of this altered accounting includes recording in FY 2017, FY 2016 and FY 2015 respectively, a Net Pension Liability of \$7,716,205; \$6,588,043: and \$4,320,626. Disclosure requirements that further explain GBRA's pension plan and the requirements of GASB 68 are found in Footnote C and Required Supplemental Information. GBRA emphasizes that despite the financial statement consequences of these altered Pension Plan accounting requirements, GBRA's operations and their financial statement impacts has been positive over the period herein presented as previously stated. The following table presents a Condensed Statement of Net Position for August 31, 2017, 2016 and 2015:

STATEMENT OF NET POSITION						
AUGUST 31, 2017, 2016, AND 2015						
ASSETS		2017		2016		2015
Current Assets						
Unrestricted Assets	\$	26,942,992	\$	18,577,210	\$	20,117,330
Restricted Assets		8,922,169		10,334,471		6,413,173
Long-Term Assets						
Restricted Assets		1,353,511		2,983,782		3,936,693
Capital Assets		159,584,640		165,632,254		169,048,256
Other Assets		30,035,726		20,446,470		15,217,372
Total Assets		226,839,038		217,974,187		214,732,824
DEFERRED OUTFLOWS OF RESOURCES		4,080,644		3,834,731		2,323,333
Total Assets and Deferred Outflows of Resources	\$	230,919,682	\$	221,808,918	\$	217,056,157
LIABILITIES AND NET POSITION						
Current Liabilities						
	\$	4,824,044	\$	4,140,103	\$	2 560 271
Payable from Current Assets Payable from Restricted Assets	Ф	5,979,412	Ф	6,412,616	Ф	3,568,271 7,299,682
·		5,979,412		0,412,010		7,299,002
				114,754,269		118,960,641
Long-Term Liabilities		111 220 200		114,754,269		417,875
Bonds and Loans Payable		114,328,208		E21 020		
Bonds and Loans Payable Advances for Operations		571,276		521,038		,
Bonds and Loans Payable Advances for Operations Net Pension Liability		571,276 7,716,205		6,588,043		4,320,626
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites		571,276 7,716,205 133,419,145		6,588,043 132,416,069		4,320,626 134,567,095
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites  DEFERRED INFLOWS OF RESOURCES		571,276 7,716,205		6,588,043	_	4,320,626
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites DEFERRED INFLOWS OF RESOURCES NET POSITION		571,276 7,716,205 133,419,145 8,132,132		6,588,043 132,416,069 9,135,357	<u> </u>	4,320,626 134,567,095 7,969,798
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets	\$	571,276 7,716,205 133,419,145 8,132,132 39,900,766	\$	6,588,043 132,416,069 9,135,357 45,212,346	\$	4,320,626 134,567,095 7,969,798 43,492,246
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets Restricted for Debt Service	\$	571,276 7,716,205 133,419,145 8,132,132 39,900,766 9,450,962	\$	6,588,043 132,416,069 9,135,357 45,212,346 8,546,152	\$	4,320,626 134,567,095 7,969,798 43,492,246 10,899,622
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets	\$	571,276 7,716,205 133,419,145 8,132,132 39,900,766	\$	6,588,043 132,416,069 9,135,357 45,212,346	\$	4,320,626 134,567,095 7,969,798 43,492,246

The Total Net Position amount in the above statement is subdivided into an Unrestricted Net Position amount, a Restricted Net Position amount, and a final amount described as Net Investments in Capital Assets. The restricted Net Position is debt service payments.

The following table presents a Condensed Statement of Revenues, Expenses and Changes in Net Position for years ending August 31, 2017, 2016 and 2015:

GUADALUPE-BLANCO RIVER AUTHORITY			
COMBINED STATEMENT OF REVENUES, EXPENSES,	AND CHANGES IN	NET POSITION	
FISCAL YEARS ENDED AUGUST 31, 2017, 2016, AND 20	15		
REVENUE	2017	2016	2015
Program Revenues	\$ 3,130,212	\$ 3,044,658	\$ 2.794.114
General Operating Recreation and Land Use	\$ 3,130,212 1,653,155	\$ 3,044,658 1,661,061	\$ 2,794,114 1,717,763
Hydroelectric Generation	3,989,554	4,208,761	2,958,807
Water Treatment & Distribution	39,820,981	38,115,128	37,811,058
Waste Water Treatment	6,248,343	6,130,200	4,364,064
Interfund Eliminations	(3,115,380)	(2,943,855)	(2,788,639)
Total Revenues	51,726,865	50,215,953	46,857,167
EXPENSES			
Program Expenses			
General Operating	3,607,722	3,095,963	2,417,356
Recreation and Land Use	1,669,325	1,654,519	1,730,238
Hydroelectric Generation	4,185,833	4,213,145	4,048,269
Water Treatment & Distribution	30,134,673	29,022,026	26,858,363
Waste Water Treatment	4,974,699	5,702,320	4,850,971
Interfund Eliminations	(3,115,380)	(2,943,855)	(2,788,639)
Total Expenses	41,456,872	40,744,118	37,116,558
NON OPERATING REVENUES (EXPENSES)			
Grant Income	3,539,362	1,531,700	891,457
Investment Income	222,968	365,520	124,228
Gain (Loss) on Disposal of Capital Assets	72,037	8,594	17,392
Interest Expense	(4,381,843)	(4,387,175)	(4,553,127)
Total Non Operating Revenues (Expenses)	(547,476)	(2,481,361)	(3,520,050)
Net Income Before Recognition of Deferrals	9,722,517	6,990,474	6,220,559
Costs (Revenue) to be Recognized in Future Years	(611,604)	(1,252,246)	(1,209,707)
Income Before Special Items	9,110,913	5,738,228	5,010,852
SPECIAL ITEMS			
Costs for the Whooping Crane Endangered Species Lawsuit	-	-	(220,901)
Change in Net Position	9,110,913	5,738,228	4,789,951
Net Position September 1, 2016 and 2015 and 2014	80,257,492	74,519,264	69,729,313
•			
Net Position August 31, 2017 and 2016 and 2015	\$ 89,368,405	\$ 80,257,492	\$ 74,519,264

As stated above, changes to GBRA's Net Position is one measure of whether GBRA's financial position is improving or not. The Fiscal Years 2017, 2016, and 2015 increases in Net Position are \$9,110,913; \$5,738,228; and \$4,789,951. The above Changes in Net Position are indicative of strong financial performance and a stable financial position. The components of Net Position and the means in which it is calculated are apparent in the above Condensed Statement of Revenues, Expenses and Changes in Net Position.

Contributing to the increase in Net Position was an increase in Program Revenues between FY 2015 and FY 2017 of approximately \$4.3M and an increase in Non-Operating Revenues of \$2.8M which was

adequate to offset the \$4.2M increase in Program Expenses and Interest Expense. While various factors caused this result, principal among them was a commitment to increase customer rates when necessary, an increase in state and federal grant income, an aggressive plan to control discretionary spending, and the reduction of interest expense through the amortization and periodic refunding of long-term debt.

#### **Capital Asset and Long-Term Debt Activity**

As of August 31, 2017, 2016, and 2015 respectively, GBRA's total investment in Long-Term Capital Assets net of depreciation were \$159,584,640; \$165,632,254; and \$169,048,256. These capital assets which are shown in the long-term asset section of GBRA's Statement of Net Position are comprised of a number of different types of assets. Included in this asset type are water rights, dams, canals, water treatment plants, wastewater treatment plants, park facilities, hydroelectric plants, pipelines, and electric transmission facilities. The amount of capital assets recognized by GBRA declined by 5.6% or \$9,463,616 during period FY 2015-2017. During FY 2017 the Springs Hills Waste Water Treatment Plant was sold to the City of Seguin resulting in a decrease in net capital assets of \$135,729. Also during FY 2017 the Series 2010 Contract Revenue Refunding Bonds that were for the City of Lockhart Waste Water Treatment Plant were retired. The contract with the City of Lockhart stated that once the bonds that were used to build the treatment plant were fully retired, title to the land and plant would revert to the City. This resulted in a decrease in net capital assets of \$2,365,295.

GBRA's long-term debt is comprised of outstanding revenue bond issues, bank loans, and a loan from the United States Government related to the construction of Canyon Reservoir. The total revenue bonds outstanding, exclusive of bond discounts and premiums, as of August 31, 2015, 2016, and 2017 respectively were \$111,815,000; \$108,465,000; and \$107,995,000. Between Fiscal Years 2015 and 2017, revenue bonds outstanding decreased by a net amount of \$3,820,000.

GBRA's long-term loans outstanding as of fiscal year end 2015, 2016 and 2017 respectively amounted to \$7,294,084; \$6,054,591; and \$6,042,597. These varying amounts represent the annual principal repayments of the various loans including a lump-sum payment on one loan in GBRA's Rural Utilities Division following the payoff of a \$2.5M Letter of Credit which was collateral from a developer on a wastewater treatment plant expansion. During FY 2017, GBRA obtained a loan of \$505,000 that was used to finance an emergency generator and a mobile belt press truck and trailer.

More information on GBRA's capital assets and long-term debt is available in footnotes to the Basic Financial Statements. Capital asset information is presented in Footnote E and information about GBRA's long-term debt is available in Footnote B.

#### Infrastructure

GBRA recognizes all equipment and infrastructure with an original cost greater than \$2,000 and with a life exceeding one year as Capital Assets. Since all of GBRA's activity is accounted for in an enterprise fund similar to the accounting businesses, GBRA has always recorded the historical cost of Capital Assets and depreciated that cost over the estimated life of the asset.

In FY 2017, GBRA began a comprehensive review of all infrastructure it currently owns and/or operates to develop a long-term repair and replacement capital plan. While the condition of GBRA's infrastructure and capital assets is generally good, proactively addressing aging infrastructure is a top priority. One area of immediate concern is the infrastructure within the Guadalupe Valley Hydroelectric System (GV Hydro). This system is comprised of six low-head hydroelectric dams, power houses and ancillary equipment all of which was originally constructed in the 1920's and 1930's. Due to the age of many of the GV Hydro components a major emphasis on repair and rehabilitation is required. In FY 2017, \$3,768,000 was budgeted and funded for the spill gate rehabilitation. The project was begun in FY 2017 and will continue in FY 2018. Due to drought conditions in recent years resulting in decreased Hydroelectric Power Sales Revenue as well as a general impediment to increased hydroelectric energy charges due to a stable wholesale electric market, the project is being funded by the General Division.

#### **Other Potentially Significant Matters**

The GBRA Board of Directors established on October 1, 2017 a rate of \$145 per acre-foot per year for committed, firm raw water. Presently, GBRA contracts with about 100 customers throughout the GBRA district to commit approximately 90,000 acre-feet of firm, raw water. Currently the source of this water is water stored in Canyon Reservoir. The permitted yield of Canyon Reservoir is 90,000 acre-feet per year which means that GBRA has fully committed the Reservoir to customers.

In FY 2016 GBRA entered into a contract to purchase Texas Water Alliance, a company owning approximately 15,000 acre-feet per year in groundwater leases in Gonzales County. While originally the transaction was scheduled to close in December 2016, subsequent amendments moved the close to November 2017. GBRA is in contract negotiations with potential customers to treat and deliver this new source of firm water.

As discussed above, GBRA's net position has continued to increase year over year since 2015. Funds accumulated during this time period are designated for operating reserves and identified future projects. While these funds are not legally restricted for accounting reporting purposes, the sources and uses of those funds are designated for specific programs and projects and in some cases may span multiple years.

## GUADALUPE-BLANCO RIVER AUTHORITY STATEMENT OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS	2017	2016
CURRENT ASSETS	<u> </u>	
Unrestricted Assets		
Cash and Cash Equivalents	\$ 14,727,002	\$ 8,384,471
Investments-Unrestricted		7,140,096
Interest Receivable.		87,161
Accounts Receivable-Operating		2,494,546
Other Current Assets		470,936 18,577,210
Restricted Assets	20,942,992	10,377,210
Cash and Cash Equivalents	4,810,272	7,643,028
Investments-Restricted		2,655,467
Interest Receivable		35,976
Total Restricted Assets	8,922,169	10,334,471
Total Current Assets	35,865,161	28,911,681
LONG-TERM ASSETS		
Restricted Assets		
Investments-Restricted	,,,,,,	2,983,782
Total Restricted Assets		2,983,782
Capital Assets		
Land, Water and Storage Rights		35,538,587
Dams, Plants and Equipment		212,374,711
Construction In Progress  Less Accumulated Depreciation		1,293,941
Total Capital Assets		(83,574,985)
Other Assets	139,384,040	105,032,234
Investments-Unrestricted	14,134,701	13,151,296
Long-Term Loans Receivable		186,971
Contract Development Costs (Net of Amortization)		1,304
Permits and Licenses (Net of Amortization)		445,742
Project Development Costs	10,292,303	6,661,157
Total Other Assets	30,035,726	20,446,470
TIL T A (	100 072 077	189,062,506
Total Long-Term Assets	190,973,877	107,002,500
DEFERRED OUTFLOWS OF RESOURCES	4,080,644	3,834,731
· · · · · · · · · · · · · · · · · · ·	4,080,644	
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources	4,080,644	3,834,731
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION	4,080,644	3,834,731
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES	4,080,644	3,834,731
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets	4,080,644 \$ 230,919,682	3,834,731 \$ 221,808,918
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable	\$ 230,919,682 \$ 390,667	3,834,731
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets	\$ 230,919,682 \$ 390,667 41,035	3,834,731 \$ 221,808,918 \$ 350,636
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets  Current Portion of Long-Term Loans Payable	\$ 390,667 41,035 4,392,342	3,834,731 \$ 221,808,918 \$ 350,636 45,057
DEFERRED OUTFLOWS OF RESOURCES	\$ 390,667 41,035 4,392,342	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410
DEFERRED OUTFLOWS OF RESOURCES	\$ 390,667 41,035 4,392,342 4,824,044	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410
DEFERRED OUTFLOWS OF RESOURCES	\$ 390,667 4,1035 4,392,342 4,824,044 4,860,000	\$ 350,636 45,057 3,744,410 4,140,103 5,210,000 105,000
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable Interest Payable Accounts Payable-Operating  Total Current Unrestricted Liabilities Payable from Restricted Assets Current Portion of Revenue Bonds Current Portion of Long-Term Loans Payable Interest Payable	\$ 390,667 4,080,644 \$ 230,919,682 \$ 390,667 41,035 4,392,342 4,824,044 4,860,000 105,000 1,014,412	\$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable Interest Payable Accounts Payable-Operating Total Current Unrestricted Liabilities Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable Interest Payable Total Current Restricted Liabilities	\$ 390,667 \$ 1,035 \$ 4,392,342 4,824,044 4,860,000 105,000 1,014,412 5,979,412	\$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable Interest Payable Accounts Payable-Operating Total Current Unrestricted Liabilities Payable from Restricted Assets Current Portion of Revenue Bonds Current Portion of Long-Term Loans Payable Interest Payable Total Current Restricted Liabilities Total Current Restricted Liabilities Total Current Liabilities	\$ 390,667 \$ 1,035 \$ 4,392,342 4,824,044 4,860,000 105,000 1,014,412 5,979,412	\$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets  Current Portion of Long-Term Loans Payable  Interest Payable  Accounts Payable-Operating  Total Current Unrestricted Liabilities  Payable from Restricted Assets  Current Portion of Revenue Bonds  Current Portion of Long-Term Loans Payable.  Interest Payable  Total Current Restricted Liabilities  Total Current Liabilities  Total Current Liabilities  LONG-TERM LIABILITIES	\$ 390,667 41,035 4,392,342 4,824,044 4,860,000 105,000 1,014,412 5,979,412 10,803,456	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets  Current Portion of Long-Term Loans Payable  Interest Payable  Accounts Payable-Operating  Total Current Unrestricted Liabilities  Payable from Restricted Assets  Current Portion of Revenue Bonds  Current Portion of Long-Term Loans Payable  Interest Payable  Total Current Restricted Liabilities  Total Current Liabilities  Total Current Liabilities  LONG-TERM LIABILITIES  Revenue Bonds Payable	\$ 390,667 41,035 4,392,342 4,824,044 4,860,000 105,000 1,014,412 5,979,412 10,803,456	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets  Current Portion of Long-Term Loans Payable  Interest Payable  Accounts Payable-Operating  Total Current Unrestricted Liabilities  Payable from Restricted Assets  Current Portion of Revenue Bonds  Current Portion of Long-Term Loans Payable.  Interest Payable  Total Current Restricted Liabilities  Total Current Liabilities  Total Current Liabilities  LONG-TERM LIABILITIES	\$ 390,667 \$ 1,035 \$ 4,392,342 \$ 4,860,000 \$ 105,000 \$ 1,014,412 \$ 5,979,412 \$ 10,803,456 \$ 113,641,278 \$ 6,042,597	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 105,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable.	\$ 390,667 \$ 1,035 \$ 4,392,342 \$ 4,824,044 4,860,000 \$ 105,000 \$ 1,014,412 \$ 5,979,412 \$ 10,803,456 \$ 113,641,278 \$ 6,042,597 \$ 119,683,875	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating  Total Current Unrestricted Liabilities Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable.	\$ 390,667 \$ 1,080,644 \$ 230,919,682 \$ 390,667 \$ 41,035 \$ 4,392,342 \$ 4,824,044 \$ 4,860,000 \$ 105,000 \$ 1,014,412 \$ 5,979,412 \$ 10,803,456 \$ 113,641,278 \$ 6,042,597 \$ 119,683,875 \$ (5,355,667)	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636)
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating. Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Liabilities. Total Current Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable. Less Current Portion. Total Bonds and Loans Payable.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating  Total Current Unrestricted Liabilities Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable.	\$ 390,667 \$ 1,035 \$ 4,392,342 \$ 4,824,044 4,860,000 105,000 1,014,412 5,979,412 10,803,456 113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating. Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Less Current Portion. Total Bonds and Loans Payable. Advances for Operations.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating. Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Restricted Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Less Current Portion. Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating. Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Less Current Portion. Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability Total Long-Term Liabilities.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689 133,419,145	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating  Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable.  Total Current Restricted Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable.  Less Current Portion Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability. Total Long-Term Liabilities. Total Liabilities.	\$ 390,667 41,035 4,392,342 4,824,044 4,860,000 105,000 1,014,412 5,979,412 10,803,456 113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689 133,419,145	3,834,731 \$ 221,808,918  \$ 350,636 45,057 3,744,410 4,140,103  5,210,000 1,097,616 6,412,616 10,552,719  114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350 132,416,069
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Less Current Portion Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability. Total Long-Term Liabilities. Total Liabilities. Total Liabilities. DEFERRED INFLOWS OF RESOURCES.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689 133,419,145 8,132,132	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350 132,416,069
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating.  Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable.  Total Current Restricted Liabilities. Total Current Liabilities.  LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable.  Less Current Portion.  Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability.  Total Long-Term Liabilities.  DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets Restricted for Debt Service.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689 133,419,145 8,132,132  39,900,766 9,450,962	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350 132,416,069 9,135,357 45,212,346 8,546,152
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating. Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable. Long-Term Loans Payable. Advances for Operations. Net Pension Liability. Total Long-Term Liabilities. Total Long-Term Liabilities. DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets Restricted for Debt Service. Unrestricted	\$ 390,667 \$ 1,035 \$ 4,392,342 \$ 4,824,044 4,860,000 105,000 1,014,412 5,979,412 10,803,456 113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689 133,419,145 8,132,132 39,900,766 9,450,962 40,016,677	3,834,731 \$ 221,808,918  \$ 350,636 45,057 3,744,410 4,140,103  5,210,000 1,097,616 6,412,616 10,552,719  114,365,314 6,0554,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350 132,416,069 9,135,357  45,212,346 8,546,152 26,498,994
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating.  Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable.  Total Current Restricted Liabilities. Total Current Liabilities.  LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable.  Less Current Portion.  Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability.  Total Long-Term Liabilities.  DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets Restricted for Debt Service.	\$ 390,667 \$ 1,035 \$ 4,392,342 \$ 4,824,044 \$ 4,860,000 \$ 105,000 \$ 1,014,412 \$ 5,979,412 \$ 10,803,456 \$ 113,641,278 \$ 6,042,597 \$ 119,683,875 \$ (5,355,667) \$ 114,328,208 \$ 571,276 \$ 7,716,205 \$ 122,615,689 \$ 133,419,145 \$ 8,132,132 \$ 39,900,766 \$ 9,450,962 \$ 40,016,677 \$ 89,368,405	3,834,731 \$ 221,808,918  \$ 350,636 45,057 3,744,410 4,140,103  5,210,000 1,097,616 6,412,616 10,552,719  114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350 132,416,069 9,135,357  45,212,346 8,546,152

The accompanying notes are an integral part of this statement.

## GUADALUPE-BLANCO RIVER AUTHORITY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

### FISCAL YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
REVENUE		
Power Sales	\$ 3,868,917	\$ 3,980,284
Water Sales, Capacity Charge, Pipeline Transmission and Lake Operations		36,351,390
Recreation and Land Use	780,403	752,100
Waste Water Treatment Services	3,737,942	4,481,509
Laboratory Services.	1,006,168	965,329
Rental	251,676	312,628
Miscellaneous		3,372,713
Total Operating Revenue	51,726,865	50,215,953
EXPENSES		
Personnel Operating Costs	15,785,404	14,335,153
Operating Supplies and Services	16,821,406	17,397,816
Maintenance and Repairs		3,393,746
Depreciation and Amortization	5,532,587	5,617,403
Total Operating Expenses	41,456,872	40,744,118
Operating Income	10,269,993	9,471,835
NONOPERATING REVENUES (EXPENSES)		
Grant Income		1,531,700
Investment Income	222,968	365,520
Gain (Loss) on the Disposal of Capital Assets	72,037	8,594
Interest Expense	(4,381,843)	(4,387,175)
Total Nonoperating Revenues (Expenses)	(547,476)	(2,481,361)
Income Before Recognition of Deferrals.	9,722,517	6,990,474
Costs (Revenue) to be Recognized in Future Years	(611,604)	(1,252,246)
Change in Net Position.	9,110,913	5,738,228
Net Position at September 1, 2016 and 2015	80,257,492	74,519,264
Net Position at August 31, 2017 and 2016	\$ 89,368,405	\$ 80,257,492

The accompanying notes are an integral part of this statement.

## GUADALUPE-BLANCO RIVER AUTHORITY STATEMENT OF CASH FLOWS

FISCAL YEARS ENDED AUGUST 31, 2017 AND 2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers		\$ 50,178,121
Cash Received from Interfund Administrative Charges		2,943,855
Cash Paid for Personnel Operating Costs		(12,257,607)
Cash Paid for Other Operating and Maintenance Costs		(21,392,487)
Cash Paid for Interfund Administrative Charges		(2,849,629)
Net Cash Flows From Operating Activities		16,622,253
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	2 520 262	1 521 700
Cash Received from Grants  Net Cash Flows Used by Noncapital and Related Activities		1,531,700 1,531,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Advances from Customers, Developers, and Other Governmental Units		25,833
Proceeds from Revenue Bonds and Loans for Capital Assets and Plant Expansion		2,000,000
Proceeds from Sale of Capital Assets.		13,137
Purchase of Capital Assets.		(1,034,202)
Cash Paid for Construction in Progress and Project Development		(3,333,824)
Interest Paid.		(4,432,417)
Principal Payments on Revenue Bonds		(5,906,793)
Principal Payments on Loans.		(1,239,493)
Net Cash Flows Used by Capital and Related Financing Activities		(13,907,759)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received from Investments		2,063,649
Investment Income Received		328,916
Cash Paid for Investments	(4,752,273)	(5,115,933)
Net Cash Flows Used by Investing Activities	(1,430,019)	(2,723,368)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,509,775	1,522,826
CURRENT CASH AND CASH EQUIVALENTS:		
At Beginning of Year		10,567,257
At End of Year		8,384,471
Net Increase	6,342,531	(2,182,786)
RESTRICTED CASH AND CASH EQUIVALENTS:	<b>=</b> 442.020	
At Beginning of Year		3,937,416
At End of Year		7,643,028
Net Decrease	(2,832,756)	3,705,612
TOTAL CASH AND CASH EQUIVALENTS: At Beginning of Year	16 027 400	14504672
At End of Year		14,504,673
		16,027,499
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 3,509,775	\$ 1,522,826
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
FROM OPERATING ACTIVITIES:		
Operating Income	\$ 10,269,993	\$ 9,471,835
Adjustments to Reconcile Operating Income to Net Cash Flows		
From Operating Activities:		
Depreciation and Amortization	5,532,587	5,617,403
Actuarially Determined Net Pension Expense		513,330
Costs Associated with Whooping Crane Endangered Species Lawsuit		-
Net Change in Assets and Liabilities from Operating Activities:		
Operating Accounts Receivable	(3,311,734)	189,036
Other Current Assets	(20,271)	43,223
Operating Accounts Payable		626,890
Net Pension Liability	<del>-</del>	160,536
Net Pension Liability		7,150,418

#### NON-CASH TRANSACTIONS SCHEDULE

 $\label{the accompanying notes are an integral part of this statement.}$ 

 $<sup>1. \</sup> During \ fiscal \ year \ 2017 \ and \ 2016, an \ adjustment \ of \ (\$100,130) \ and \ \$37,281 \ respectively, \ was \ made \ to \ adjust \ investments \ to \ fair \ value.$ 

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of Guadalupe-Blanco River Authority's (GBRA) more significant accounting policies is presented to assist the reader in interpreting the financial statements. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

- 1. Reporting Entity. Guadalupe-Blanco River Authority is a political subdivision of the State of Texas, created by the Texas Legislature in 1935 by Article 8280-106 Vernon's Texas Civil Statutes. GBRA is a separate self-supporting governmental unit serving a ten county area and is administered by a nine member board of directors who are appointed by the Governor of the State of Texas. The State of Texas does not have a financial accountability with GBRA; therefore, GBRA is not a part of the State's reporting entity. In evaluating the governmental activities and entities to be included in the Authority's financial statements, the management has considered all potential component units. According to the criteria as set forth by the Governmental Accounting Standards Board and based upon the significance of their operational or financial relationships with the Authority there are no separate component units included in the financial statements
- 2. **Principles of Accounting.** The accompanying financial statements have been prepared on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.
- 3. **Fund Reporting.** GBRA's accounting system is one enterprise fund consisting of ten divisions. These divisions account for the acquisition, construction, operation and maintenance of GBRA's facilities and services which are entirely or predominately self-supporting through charges to customers.
- 4. **Budgets and Budgetary Accounting.** GBRA is not required under its enabling act to adopt a budget; therefore, comparative statements of actual expenses to budget expenses are not included within the financial statements.
- 5. **Accounts Receivable.** GBRA considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operating expenses when that determination is made.
- 6. **Restricted Assets.** Contractually restricted cash, investments, interest receivable and accounts receivable balances are reported as separate line items in the asset section of the statement of net position. Such amounts are physically segregated from other enterprise fund assets pursuant to provisions of the applicable bond indentures. It is GBRA's policy to first apply restricted resources when an expense is incurred for which both unrestricted and restricted assets are available.
- 7. Capital Assets. Land is not depreciated since it is considered to have an indefinite useful life. Land rights, storage rights and water rights were primarily acquired prior to November 1, 1970. Since these assets have no evident limited life, no amortization is recognized. Property, plant and equipment are recorded at their historical cost. Contributed assets should be recorded at acquisition value at the time of acquisition. GBRA Board Policy, 411-Capital Assets, provides guidelines for safeguarding and disposing of GBRA's capital assets. This policy identifies capital assets as all equipment and machinery with a useful life exceeding one year and with an original cost exceeding \$2,000. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives as follows:

Asset	Service Lives	Depreciation Method
Dams	30-50 Years	Straight-Line
Plants	30-50 Years	Straight-Line
Equipment	3-15 Years	Straight-Line

- 8. Other Assets. Included within other assets are contract development costs, permits and licenses and project development costs. With the exception of project development costs, these assets are amortized on a straight-line basis over the life of the related contract, or license. Project development costs represent the capitalization of expenditures during the initial stage of a new project. These costs are accumulated until the viability of the new project is determined. If a project is determined to be viable, the costs are either transferred to capital or intangible assets. If a project is determined not to be viable, the costs are expensed.
- 9. **Unbilled Revenue.** Revenue relating to unbilled rural water and waste water treatment services has not been recognized since the amounts are immaterial.
- 10. Administrative and General Charges. The operating divisions of GBRA pay administrative and general charges to the General Division for the administrative oversight the General Division provides. These interdivision charges and revenues have been eliminated in the combined statements.
- 11. Vacation and Sick Leave. GBRA allows employees to accumulate vacation and sick leave within certain limitations. Pursuant to Governmental Accounting Standards Board pronouncements, GBRA does not accrue nor record as an expense non-vested sick leave rights. GBRA does record as an expense and liability the value of vested vacation rights which as of August 31, 2017 and 2016 amounted to \$681,128 and \$616,557, respectively.
- 12. **Contingent Liabilities.** GBRA provides for contingent liabilities when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. At August 31, 2017 and August 31, 2016, GBRA had no contingencies.
- 13. Operating and Nonoperating Activities. Proprietary funds, like GBRA, distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating activities result from providing services in connection with GBRA's principal ongoing operations. GBRA's primary operating revenues include charges for water sales and lake operations, power sales, wastewater treatment services, and other services. Operating expenses include the costs of sales and services, general and administrative expenses, and depreciation expense. Nonoperating revenues and expenses are all other activities not meeting the above definitions.
- 14. Management's Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as, reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, allowance for doubtful accounts, realization of project development costs, and other accounts. Actual results may differ from these estimates.
- 15. **Restricted Net Position.** GBRA recognizes net position restricted for future construction costs, debt service payments, and insurance in divisions or funds in which assets exceed the related liabilities in accordance with bond issue and debt covenants and other externally imposed restrictions.

- 16. Capitalization of Interest. It is GBRA's policy to capitalize net interest costs on funds borrowed to finance the construction of capital assets. GBRA recorded no interest expense or interest income for construction in progress.
- 17. **Deferred Expenses/Revenue.** Certain utility expenses that do not require funds currently are deferred to such periods as they are intended to be recovered in rates charged to customers. Likewise, certain utility revenue is deferred to such periods in which the costs related to that revenue is recognized. Deferred expenses and revenue will be recognized in future years by setting rates sufficient to provide funds for the related debt service requirements.
- 18. **Deferred Outflows/Inflows.** GBRA adopted the provisions of GASB #63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The statement requires governments to account for deferred outflows of resources, deferred inflows of resources and net position as they relate to derivatives and service concession arrangements. Under the provisions of this statement, governments will already present a Statement of Net Position and changes the caption "Net Assets" to "Net Position". GBRA has no deferred outflows or inflows of resources as they relate to derivatives and service concession agreements.
- 19. **Debt Issue Costs**. The Authority also adopted the provisions of GASB #65 items previously reported as Assets and Liabilities. The GASB requires that the Debt issuance costs (except for any portion that is a prepayment of insurance) should be recognized as an expense in the period incurred and no longer be reported in statements of net position. The financial statements have been restated to reflect the provisions of GASB #65.
- 20. Change in Accounting Policy. During fiscal year 2015, GBRA changed accounting policies related to reporting of net pension liability, deferred outflows of resources, and deferred inflows of resources in a statement of net position by adopting GASB Statement No. 68 "Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No. 27."

#### NOTE B - LONG TERM LIABILITIES

GBRA currently has \$114,037,597 of debt outstanding from long-term loans and revenue bonds. This is exclusive of defeasance, discounts and premiums associated with these bonds.

The loans and revenue bonds outstanding at August 31, 2017 mature serially through 2039 as follows:

	L	ONG-TERM LO	ANS		F	EVENUE BONI	os	
Year				Balance of				Balance of
Ending				Principal				Principal
August 31	Total	Interest	Principal	Outstanding	Total	Interest	Principal	Outstanding
				\$6,042,597				\$107,995,000
2018	682,797	187,130	495,667	5,546,930	9,353,122	4,493,122	4,860,000	103,135,000
2019	684,207	171,722	512,485	5,034,445	9,367,834	4,382,834	4,985,000	98,150,000
2020	670,310	156,003	514,307	4,520,138	9,362,271	4,197,271	5,165,000	92,985,000
2021	666,466	140,055	526,411	3,993,727	9,371,476	3,996,476	5,375,000	87,610,000
2022	636,897	123,908	512,989	3,480,738	9,367,510	3,782,510	5,585,000	82,025,000
2023	607,161	109,096	498,065	2,982,673	9,377,498	3,552,498	5,825,000	76,200,000
2024	607,899	94,165	513,734	2,468,939	9,603,543	3,358,543	6,245,000	69,955,000
2025	608,475	78,748	529,727	1,939,212	8,970,134	3,095,134	5,875,000	64,080,000
2026	608,878	62,829	546,049	1,393,163	8,963,572	2,843,572	6,120,000	57,960,000
2027	256,850	46,808	210,042	1,183,121	8,973,172	2,578,172	6,395,000	51,565,000
2028	235,610	39,625	195,985	987,136	8,668,116	2,298,116	6,370,000	45,195,000
2029	235,683	32,404	203,279	783,857	8,655,532	2,015,532	6,640,000	38,555,000
2030	240,506	24,830	215,676	568,181	8,243,634	1,718,634	6,525,000	32,030,000
2031	240,074	16,893	223,181	345,000	8,113,663	1,433,663	6,680,000	25,350,000
2032	178,684	8,684	170,000	175,000	7,870,267	1,125,267	6,745,000	18,605,000
2033	177,923	2,923	175,000		7,871,175	806,175	7,065,000	11,540,000
2034					3,025,499	475,499	2,550,000	8,990,000
2035					3,027,251	377,251	2,650,000	6,340,000
2036					2,819,581	274,581	2,545,000	3,795,000
2037					2,164,104	174,104	1,990,000	1,805,000
2038					969,742	89,742	880,000	925,000
2039					971,068	46,068	925,000	
_	\$ 7,338,420	\$ 1,295,823	6,042,597		\$155,109,764	\$ 47,114,764	\$ 107,995,000	

#### NOTE B – LONG-TERM LIABILITIES (CONTINUED)

GBRA had the following changes in long-term liabilities for the fiscal years ended August 31, 2017 and 2016.

0	Date of	Final	Effective Interest	Original	Outs tanding	Retired During	Outstanding	Retired During	Outs tanding	Amounts Due Within	n
Series OBLIGATIONS PAYABLE DIRECTL	Is s ue V BY GBR	Maturity A	Rate	Amount	8/31/2015	FY 2016	8/31/2016	FY 2017	8/31/2017	One Year	-
RURAL UTILITIES DIVISION	I DI ODK										
Regions Loan, Dunlap Expansion Refunding	03/15/2012	2015	2.3%	\$ 3,590,000	\$ 710,748	\$ 710,748	\$	\$	\$	\$	
Regions Loan, Dunlap Collection System	03/15/2012	2032	3.3%	2,600,000	2,410,000	100,000	2,310,000	105,000	2,205,000	105,000	1
Regions Loan, Emergency Generator-032	08/29/2014	2019	3.12%	33,000	26,777	6,379	20,398	6,584	13,814	6,798	;
Regions Loan, Emergency Generator-033	08/29/2014	2019	3.12%	37,000	30,023	7,152	22,871	7,384	15,487	7,621	1
Regions Loan, Emergency Generator-035	08/29/2014	2019	3.12%	70,000	56,801	13,531	43,270	43,270			
Wells Fargo Loan, Emergency Generator-033	12/01/2016	2026	3.45%	97,050				6,161	90,889	8,463	
Wells Fargo Loan, Belt Press/Truck-041 WATER RESOURCE DIVISION	12/01/2016	2026	3.45%	407,950		==		25,899	382,051	35,578	
U.S. Government Loan	01/01/1977	2026	2.5%	8,979,862	2,938,847	235,419	2,703,428	241,305	2,462,123	247,337	
JPMorgan Chase Loan, Office Expansion	05/09/2006	2016	4.18%	1,600,000	106,667	106,667	==				
A. Us s ery, Water Rights	09/26/2006	2031	4.50%	343,496	252,768	11,126	241,642	11,626	230,016	12,149	
Luling Foundation, Water Rights	09/26/2006	2031	4.50%	584,706	430,258	18,938	411,320	19,790	391,530	20,681	ı
General Improvement & Ref. Rev. Bonds, 2011	03/01/2011	2030	3.0-4.625%	10,745,000	8,375,000	490,000	7,885,000	505,000	7,380,000	520,000	(1)
General Improvement Revenue Bonds, 2012	04/04/2012	2031	0.14-1.86%	4,400,000	3,725,000	220,000	3,505,000	220,000	3,285,000	220,000	,
General Improvement Revenue Bonds, 2015	12/01/2015	2035	2.088-3.38%	2,000,000			2,000,000		2,000,000		_
Total Obligations Payable Directly by	GBRA			\$ 35,488,064	\$ 19,062,889	\$ 1,919,960	\$ 19,142,929	\$ 1,192,019	\$ 18,455,910	\$ 1,183,627	_
CONTRACT REVENUE BONDS ANI	LOANS										
WATER RESOURCE DIVISION RRWDS Combination Contract Revenue Bon											
2007A	09/15/2007	2039	5.00%	\$ 9,180,000	\$ 8,235,000	\$ 185,000	\$ 8,050,000	\$ 8,050,000	\$	\$	
RR WDS Combination Contract Revenue Bon 2007B	09/15/2007	2039	7.10%	5,775,000	5,335,000	90,000	5,245,000	100,000	5,145,000	105,000	,
RRWDS Contract Rev Ref Bonds, San Marco 2010		2024	2.0-3.25%	\$6,895,000	4,745,000	460,000	4,285,000	470,000	3,815,000	490,000	
IH35 Project Combination Contract Revenue	Bonds										
2013	04/17/2013	2037	2.0-5.0%	19,470,000	17,880,000	560,000	17,320,000	565,000	16,755,000	585,000	(3)
Western Canyon Regional Water Supply Projection 2013A	07/10/2013	onds 2033	1.0-5.0%	55,265,000	50,980,000	1,915,000	49,065,000	1,995,000	47,070,000	2,030,000	(4)
Western Canyon Regional Water Supply Projection			1.0-3.070	33,203,000	30,780,000	1,915,000	49,005,000	1,993,000	47,070,000	2,030,000	(4)
2013B	07/10/2013	2033	1.909-4.63%	6,830,000	6,265,000	265,000	6,000,000	265,000	5,735,000	270,000	(4)
San Marcos Water Treatment Plant Revenue	Bonds 11/22/2016	2036	2.0-5.0%	4,850,000	_		_		4,850,000	90,000	(5)
RRWDS Contract Revenue Refunding Bonds	11/22/2010	2030	2.0-3.0 %	4,830,000	_	_	_		4,850,000	50,000	(3)
2017	07/20/2017	2039	2.0-4.0%	7,745,000					7,745,000	290,000	(6)
PORT LAVACA WATER TREATMENT Frost National Bank, Clearwell	Γ P LA N T D	IVIS ION									
	03/04/2008	2022	4.00%	400,000	331,195	29,533	301,662	49,975	251,687	52,040	1
Water Supply Revenue Refunding Bonds 2011	08/16/2011	2016	2.00%	1,205,000	305,000	305,000	_				(7)
LULING WATER TREATMENT PLANT		2010	2.00%	1,203,000	303,000	505,000					(/)
Treated Water Delivery System Contract Reve		g Bonds (	City of Lock!	nart)							
2014	01/15/2014	2030	3.45%	4,950,000	4,715,000	245,000	4,470,000	255,000	4,215,000	260,000	(8)
LOCKHART WASTEWATER RECLAM	ATION DIV	ISION									
Regional Wastewater Treatment System Contr	ract Revenue	Refunding	Bonds								
2010	09/08/2010	2017	1.5%-2.5%	4,025,000	1,255,000	615,000	640,000	640,000			(9)
Total Contract Revenue Bonds and L	oans			\$ 126,590,000	\$ 100,046,195	\$ 4,669,533	\$ 95,376,662	\$ 12,389,975	\$ 95,581,687	\$ 4,172,040	_
Total Bonds & Loans Payable Prior to	De fe as anc	and Ac	cretion of	Inte rest	\$ 119,109,084		\$ 114,5 19,591	•	\$ 114,037,597	\$5,355,667	_
							8/31/2016		8/31/2017		
Total Bonds and Loans Payable Prior to Defeas Less Revenue Bond Discounts and Deferred De		retion of li	nterest				\$ 114,5 19,591 (420,350)		\$ 114,037,597 (389,460)		
Plus Revenue Bond Premiums	icasance						6,320,664		6,035,738		
Net Revenue Bonds and Long-Term Lo	ans Payabl	e					120,419,905	_	119,683,875		
Less Current Portion							(5,665,636)	<u>-</u>	(5,355,667)		
TOTAL BONDS AND LOANS PAY	ABLE						\$ 114,754,269	:	\$ 114,328,208		
INTERDIVISION LOANS ELIMINATED F	ROM COM	BINED I	BALANCE	SHEET							
Long-term loans payable to the Gene	ral Divis io	are as i	fo llo ws :				8/31/2016		8/31/2017		
Guadalupe Valley Hydro electric Divis ion							\$4,301,357		\$3,873,357		
Rural Utilities Division							2,285,057		2,285,057		
Water Supply Division  Total Long-term loans payable to th	e Generali	Division					995,829 \$7,582,243	-	\$6,474,343		
Total Long-term loans payable to th	. General	, 13 10 11					Ψ1,302,243	1	ψ0,+74,543		

#### NOTE B - LONG-TERM LIABILITIES (CONTINUED)

- 1. GBRA issued in Fiscal Year 2011 General Improvement and Refunding Revenue Bonds, Series 2011. These bonds were issued to retire the General Improvement Revenue Bonds, Series 2002 and to provide funds for the lump sum buy-out of the Water Right Subordination Agreement between GBRA and the City of Seguin. The refunding of the 2002 General Improvement Revenue Bonds produced an economic loss of \$27,473, but was necessary to remove bond covenants in the 2002 bonds to facilitate the new money portion of the bond. GBRA's buy-out of the Water Right Subordination agreement effectively produced a savings of approximately \$4,295,500. Bonds outstanding that are considered defeased as a result of the 2011 refunding are \$0.
- 2. GBRA issued in Fiscal Year 2011 Regional Raw Water Delivery System Contract Revenue Refunding Bonds, Series 2010 (City of San Marcos portion). These bonds were issued to retire the 1998 bonds, except for the September 1, 2010 payment of \$340,000. As a result of the refunding, GBRA reduced its total debt service requirement by \$842,606 and produced a net present value savings (economic gain) of \$848,929. Bonds outstanding that are considered defeased as a result of the 2011 refunding are \$0.
- 3. GBRA issued in Fiscal Year 2013 Contract Reveue Refunding Bonds (IH35 Treated Water Delivery Bonds), Series 2013. These bonds were issued to retire the Series 2004 bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$4,307,567 and produced a net present value savings (economic gain) of \$2,877,554. Bonds outstanding that are considered defeased as a result of the 2013 refunding are \$0.
- 4. GBRA issued in Fiscal Year 2013 Contract Revenue Refunding Bonds (Western Canyon Regional Water Supply Project), Series 2013A and Series 2013B. As a result of the refunding, GBRA reduced its total debt service requirements by \$9,669,586 and produced a net present value savings (economic gain) of \$6,741,092. Bonds outstanding that are considered defeased as a result of the 2013 refunding are \$0.
- 5. GBRA issued in Fiscal Year 2017 Contract Revenue Refunding Bonds (San Marcos Water Treatment Plant Project), Series 2016. As a result of the refunding, GBRA reduced its total debt service requirements by \$1,371,317 and produced a net present value savings (economic gain) of \$1,031,267. Bonds outstanding that are considered defeased as a result of the 2016 refunding are \$0.
- 6. GBRA issued in Fiscal Year 2017 Subordinate Lien Contract Revenue Refunding Bonds, Series 2017 (Regional Raw Water Delivery System Expansion Project). As a result of the refunding, GBRA reduced its total debt service requirements by \$2,049,534 and produced a net present value savings (economic gain) of \$1,418,630. Bonds outstanding that are considered defeased as a result of the 2017 refunding are \$0 as of August 22, 2017.
- 7. GBRA issed in Fiscal Year 2011 Water Supply Revenue Refunding Bonds, Series 2011 (Port Lavaca Water Treatment Plant Project). These bonds were issued to retire the Series 2000 bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$44,115 and produced a net present value savings (economic gain) of \$39,856. Bonds outstanding that are considered defeased as a result of the 2011 refunding are \$0.
- 8. GBRA issued in Fiscal Year 2014 Treated Water Delivery System Contract Revenue Refunding Bonds, Series 2014 (City of Lockhart Project). These bonds were issued to retire the Series 2004 bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$634,189 and produced a net present value savings (economic gain) of \$478,361. Bonds outstanding that are considered defeased as a result of the 2014 refunding are \$0.
- 9. GBRA issued in Fiscal Year 2011 Contract Revenue Refunding Bonds, Series 2010 (City of Lockhart Wastewater Treatment System Project). These bonds were issued to retire the Series 1996 bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$248,321 and produced a net present value savings (economic gain) of \$220,321. Bonds that are considered defeased as a result of the current year refunding are \$0.

The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service retirement, construction, contingencies, etc. These accounts are reported as restricted assets in the accompanying financial statements. The bond indentures contain flow of funds requirements which generally provide the order in which funds are to be applied. These requirements have been met. The following bond indentures of GBRA contain bond coverage requirement provisions: 1) General Improvement and Refunding Revenue Bonds, Series 2011; 2) Contract Revenue Bonds (IH35), Series 2013; 3) Combined Contract Revenue Bonds (Western Canyon), Series 2013; 4) Combined Contract Revenue Bonds (RRWDS), Series 2007; 5) Subordinate Lien Contract Revenue Refunding Bonds, Series 2017 (RRWDS); 6) RRWDS Contract Revenue Refunding Bonds (City of San Marcos), Series 2010; and 7) Treated Delivery System Contract Revenue Refunding Bonds (City of Lockhart), Series 2014.

#### NOTE C - DEFINED BENEFIT PENSION PLAN

#### A. GENERAL INFORMATION ABOUT THE PENSION PLAN

#### 1. Plan Description

GBRA contributes to the Retirement Plan for Employees of Guadalupe-Blanco River Authority which was established June 1, 1966, and restated effective January 1, 2008. The Plan is a single employer, non-contributory, defined benefit plan. The Plan's benefit provisions were established and may be amended by GBRA's Board of Directors. The Plan is administered by the Retirement and Benefit Committee appointed by the GBRA Board. GBRA does not have access to nor can it utilize assets within the Retirement Plan Trust. The plan issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Retirement and Benefit Committee at 933 East Court Street, Seguin, Austin, Texas 78155. See that report for all information about the plan fiduciary net position.

#### 2. Funding Policy

All full-time GBRA employees who were hired before January 1, 2011 participate in the plan. Employees are 100% vested in the accrued benefit upon completion of five (5) years of service. Normal retirement age is 65. The plan also provides benefits for early and late retirement, death, and disability. The retirement benefit at normal retirement is equal to 1.3% of final average earnings times the number of years of credited service. The normal form of payment is a ten (10) year certain and lifetime monthly benefit. Other lifetime monthly benefit optional forms are available, but there is no partial lump sum option.

There is no provision for automatic postretirement benefit increases. The plan has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

#### 3. Employees Covered by the Plan

In the January 1, 2016 actuarial valuation, the following numbers of employees were covered by the plan:

Inactive employees or beneficiaries currently receiving benefits	75
Inactive employes entitled to but not yet receiving benefits	43
Active Employees	93
	211

#### 4. Funding Policy

The GBRA Board of Directors has sole authority to establish or amend the obligations to contribute to the plan by participants or the employer. Employees are not required to contribute to the plan. GBRA makes a regular annual contribution which is not actuarially determined but which is expected to be adequate to pay the plan's total cost. GBRA contributes this regular amount, usually in December, equal to the sum of the normal cost using the entry age actuarial cost method plus an amount that will amortize the unfunded actuarial accrued liability (UAAL) over an open period that can vary from year to year. The regular annual employer contribution according to the current funding policy which began in 2011 is 12.00% of total projected annual beginning-of-year participant compensation plus a percent (12% - normal cost percent) of total projected annual beginning-of-year compensation for non- participating full-time employees hired after 2010. The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of employee compensation method. All of the costs of administering the plan, except investment management fees, are paid by GBRA and are not considered in the determination of the employer contribution.

Based on this funding policy, the actuaries' recommended contribution for the plan year ending December 31, 2017 is \$1,067,716 payable as of December 31, 2017. This amount will fund the plan's normal cost for the year and is expected to amortize the UAAL as a level percent of employee compensation over nine years. There are no required contributions by the participants.

Ultimately, the funding policy also depends upon the total return of the plan's assets, which varies from year to year. Investment policy decisions are established and maintained by the Retirement and Benefit Committee. The committee selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2016, the money-weighted rate of return on pension plan investments was 2.58%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

#### B. NET PENSION LIABILITY

The Employer's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

Total pension liability Plan fiduciary net position	\$ 34,348,580 26,632,375
Employer's net pension liability	\$ 7,716,205
Plan fiduciary net position as a percentage of the total pension liability	77.5%

#### NOTE C - DEFINED BENEFIT PENSION PLAN

#### 1. Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.00 percent

Salary increases 3.00 percent, plus merit and promotion increases that vary by age and service Investment rate of return 7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments is reviewed annually and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.29%) and by adding expected inflation (3.0%). In addition, the final 7.0% assumption was selected by "rounding down" and thereby reflects a reduction of 0.29% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	30%	5.65%
Small cap domestic	7	5.91
International developed	12	6.06
Emerging Markets	3	7.60
Hedge fund of funds	10	2.75
Real estate	12	3.54
Fixed income	26	2.04
Cash	_0	0.35
Total	$1\overline{00}\%$	
Weighted Average		4.29%

#### 2. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. No projection of cash flows was used to determine the discount rate because the January 1, 2017 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in nine years. That UAAL was based on an actuarial value of assets that was 10% more than the plan fiduciary net position as of December 31, 2016. Because of the nine-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

#### ${\bf 3}.$ Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Employer, calculated using the discount rate of 7.00%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	(6%)	Rate (7%)	(8%)
Employer's Net Pension Liability	\$11,589,344	\$7,716,205	\$4,400,374

#### 4. Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the plan. Detailed information about the plan fiduciary net position is available in the plan's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

#### NOTE C - DEFINED BENEFIT PENSION PLAN

#### C. CHANGES IN THE NET PENSION LIABILITY

	Increase (Decrease)						
	Total	Pension	Plan	Fiduciary	Net Pension		
	Lia	ability	Ne	t Position		Liability	
		(a)		<b>(b)</b>		(a) – (b)	
Amounts as of August 31, 2016	\$	32,356,203	\$	25,768,160	\$	6,588,043	
Changes for the year:						2 42 222	
Service cost		363,322				363,322	
Interest		2,251,021				2,251,021	
Differences between expected and actual experience		502,207				502,207	
Contributions by the employer				1,338,202		(1,338,202)	
Contributions by the participant				0		0	
Net investment income				650,186		(650,186)	
Benefit payments		(1,124,173)		(1,124,173)		0	
Administrative expenses				0		0	
Assumption changes		0				0	
Other		0		0		0	
Net changes		1,992,377		864,215	_	1,128,162	
Amounts as of August 31, 2017 <sup>2</sup>	\$	34,348,580	\$	26,632,375	\$	7,716,205	

 $<sup>^{1}</sup>$  Measurements for the fiscal year ended August 31, 2016 were taken as of December 31, 2015

### D. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended August 31, 2017, the Employer GASB 68 pension expense was \$2,184,282. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

#### 1. Components of Pension Expense for the Fiscal Year Ended August 31, 2017

Service Cost	\$ 363,322
Interest	2,251,021
Amortization of differences between expected and actual experience	213,432
Amortization of changes of assumptions	197,226
Projected earnings on pension plan investments	(1,764,425)
Amortization of differences between projected and actual earnings	923,706
Pension plan administrative expenses	0
Other	0
Total pension expense	\$ 2,184,282

#### 2. Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in Pension Expense in Future Years

	Deferred	Deferred
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 736,203	\$ 0
Changes of assumptions	598,068	0
Net difference between projected and actual		
earnings on pension plan investments	 2,746,373	 0
Total	\$ 4,080,644	\$ 0

 $<sup>^2</sup>$  Measurements for the fiscal year ended August 31, 2017 were taken as of December 31, 2016  $\,$ 

#### NOTE C - DEFINED BENEFIT PENSION PLAN

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

	Net of Deferred
Year Ended	<b>Outflows Minus</b>
August 31	Deferred Inflows
2018	\$ 1,334,365
2019	1,334,365
2020	1,071,184
2021	340,730
2022	0
Thereafter	 0
Total	\$ 4.080.644

#### 3. Deferred Outflow of Resources to be Recognized Next Year

No supplemental contribution was contributed subsequent to the measurement date of the net pension liability, as shown in Section III. So there is no deferred outflow of resourses that will be recognized as a reduction in the net pension liability in the fiscal year ending August 31, 2018.

#### NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS

The monetary assets of GBRA are held in various forms and accounts. These assets are described and presented in the combined financial statements in two groups. One group is described as "Cash and Cash Equivalents". This group is characterized as having high liquidity with little market risk and includes cash, checking accounts, money market accounts and bank time deposits with an original maturity of less than three months. The second group of monetary assets is presented in the financial statements as "Investments". Investments are recorded at their fair value as based upon quoted market prices with the exception of bank certificates of deposit which are recorded at their historical cost which approximates fair value.

#### 1. CASH AND DEPOSITS

At August 31, 2017, GBRA held \$3,379,209 in restricted and unrestricted cash. Included in this amount was \$1,850 of cash on hand and the remainder was on deposit at various banks in demand accounts.

GBRA bank deposits were entirely insured or collateralized with securities held by GBRA's agent in GBRA's name.

#### 2. INVESTMENTS

Investments for GBRA are stated at fair value. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the River Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- •Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- •Inputs other than quoted prices that are observable for the asset or liability.
- •Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

 $Level \ 3 - Inputs \ to \ the \ valuation \ methodology \ are \ unobservable \ and \ significant \ to \ the \ fair \ value \ measurement.$ 

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the GBRA believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In March 2003 the GASB issued No. 40 "Deposits and Investment Risk Disclosures", which GBRA has implemented. Risk disclosures in previous financial reports (under the provisions of GASB 3) focused only on custodial credit risk. GASB 40 not only addresses custodial credit risk, but other common areas of investment risk as well (e.g. interest rate risk, credit risk, and concentration of credit risk).

#### NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS

GBRA customarily invests its funds in certificates of deposit, mortgage backed securities, direct obligations of the United States or money market investment funds such as the Texas State Treasury's TexPool Fund and the Texas Cooperative Liquid Assets Securities System (Texas CLASS). GBRA usually holds its investments until maturity.

<u>Custodial Credit Risk</u>: Investments which may be purchased pursuant to Texas state law and GBRA's investment policy are direct or indirect obligations of the United States of America, any "A" rated obligation of a state of the United States or political subdivision thereof, investment grade repurchase agreements, prime commercial paper rated A-1 or P-1, obligations of the Federal National Mortgage Association and Government National Mortgage Association, and bank time deposits to the extent collateral is pledged on the amount exceeding Federal Deposit Insurance Corporation (FDIC) coverage.

	2017				2016				
			Weighted Average			Weighted Average			
	C	arry Amount	t Maturity in Months		arry Amount	Maturity in Months			
U.S. Agencies			_						
Federal Agricultural Mtg Corp	\$	998,270	27.77	\$	-	0.00			
Federal Farm Credit Bank		599,730	15.30		604,212	27.02			
Federal Home Loan Bank		7,315,292	22.07		6,998,257	18.07			
Federal National Mortgage Assn.		8,811,374	18.53		7,910,681	31.76			
Federal Home Loan Mortgage			0.00		1,703,655	6.20			
U. S. Treasury		5,671,093	15.11		6,784,660	18.63			
Certificates of Deposit		4,130,970	6.56		4,959,244	10.06			
Bank Money Market Funds		10,327,077	0.00		6,000,270	0.00			
Texas Class		166,349	1.07		164,705	1.00			
TexPool		5,545,988	2.63		4,691,309	1.00			
Total Investments	\$	43,566,143		\$	39,816,993	=			
Portfolio weighted average maturity			11.04			14.86			

Interest Rate Risk: GBRA'S investment policy calls for maximum final maturity of any operating investments to be 5 years, with at least 50% of all operating investments maturing within 3 years. Bond funds may be invested with maturities of less than 5 years, and construction funds may be invested in accordance with a construction draw schedule. The weighted average maturities noted above are in compliance with this policy.

#### Investments are rated as follows:

	Moody's	S&P
Federal Home Loan Bank	Aaa	AA+
Federal Home Loan Mortgage	Aaa	AA+
Federal National Mortgage Assn.	Aaa	AA+
Texas Class	Aaa	AAAm
TexPool	Aaa	AAAm

TexPool has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, under an agreement with the Comptroller, acting on behalf of the Trust Company. The Comptroller maintains oversight of the services provided to TexPool by Federated Investors. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases.

Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAm' by Standard and Poor's Ratings Services. The 'AAAm' principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management.

The investment pools seek to maintain a net asset value of \$1.00 and are designed to be used for investment of funds which may be needed at any time.

#### NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS

Concentration of Credit Risk: GBRA's investment policy provides for diversification to reduce overall portfolio risk. The portfolio should consist of no more than 75% government or mortgage backed securities, 50% certificates of deposits, or 50% other types of eligible instruments. The investment portfolio concentrations are as follows:

	2017			2016	
Description	Carrying Amount % of Portfolio		Car	rying Amount	% of Portfolio
U.S. Agencies	\$ 17,724,666	37.75%		17,216,805	41.04%
U.S. Treasury	5,671,093	12.08%		6,784,660	16.17%
Certificates of Deposit	4,130,970	8.80%		4,959,244	11.82%
Bank Money Market Funds	10,327,077	22.00%		6,000,270	14.30%
Public Funds Investment Pools	5,712,337	12.17%		4,856,014	11.57%
Cash	3,379,209	7.20%		2,141,147	5.10%
Total	\$ 46,945,352	100.00%	\$	41,958,140	100.00%

#### **Investment Valuation**

GBRA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. GBRA's investments for all funds at fiscal year-end are listed below at fair value, net of accruals. GBRA has the following recurring fair value measurements as August 31, 2017:

	A	august 31, 2017	 Level 1	Level 2	L	evel 3
Investments by Fair Value Level:			 _	_		
Debt Securities						
Federal Agricultural Mtg Corp	\$	998,270	\$ 	\$ 998,270	\$	
Federal Farm Credit Bank		599,730		599,730		
Federal Home Loan Bank		7,315,292		7,315,292		
Federal National Mortgage Assn.		8,811,374		8,811,374		
U.S. Treasury Notes		5,671,093	 	5,671,093		
Total Debt Securities	\$	23,395,759	\$ 	\$ 23,395,759	\$	
Total Investments Measured at Fair Value Level	\$	23,395,759	\$ 	\$ 23,395,759	\$	
Investments Measured at Amortized Cost:						
Money Market Funds		10,327,077				
Certificate of Deposits		4,130,970				
TexPool		5,545,988				
Total Investments Measured at Amortized Costs		20,004,035				
Investments Measured at Net Asset Value:						
Texas Class		166,349				
Total	\$	43,566,143				

#### NOTE E - CAPITAL ASSETS

Capital asset activity for FY 2017 and 2016 was as follows:

FY 2017 ASSETS					TS			
	Balance							Balance
Classification	Au	gust 31, 2016		Additions	]	Removals	Au	gust 31, 2017
Land,Water & Storage Rights	\$	35,538,587	\$		\$	(131,470)	\$	35,407,117
Construction in Progress		1,293,941		790,857		(1,244,367)		840,431
Total Assets Not Being Depreciated		36,832,528		790,857		(1,375,837)		36,247,548
Structures & Improvements		191,392,072		1,183,949		(5,880,384)		186,695,637
Specialized Equipment		7,382,951		59,289		(159,609)		7,282,631
Office Buildings & Communications		2,324,819				(2,556)		2,322,263
Shops & Storerooms		83,673						83,673
Auto & Heavy Equipment		4,372,478		591,189		(160,387)		4,803,280
Office Furniture & Equipment		1,496,146		44,949 (56,241		(56,241)		1,484,854
Miscellaneous Equipment		5,322,572		556,056		(497,684)		5,380,944
Total Dams, Plants and Equipment		212,374,711		2,435,432		(6,756,861)		208,053,282
Total Capital Assets	\$	249,207,239	\$	3,226,289	\$	(8,132,698)	\$	244,300,830
				DEPRECL	ATION			
		Balance						Balance
Classification	Au	gust 31, 2016		Additions	1	Removals	Au	gust 31, 2017
Structures & Improvements	\$	(67,380,237)	\$	(4,547,017)	\$	3,665,578	\$	(68,261,676)
Specialized Equipment		(6,362,123)		(86,954)		158,536		(6,290,541)
Office Buildings & Communications		(1,819,292)		(40,803)		1,803		(1,858,292)
Shops & Storerooms		(52,560)		(1,815)				(54,375)
Auto & Heavy Equipment		(3,283,553)		(324,906)		145,162		(3,463,297)
Office Furniture & Equipment		(1,369,732)		(48,365)		47,294		(1,370,803)
Miscellaneous Equipment		(3,307,488)		(444,205)		334,487		(3,417,206)
Total Accumulated Depreciation	\$	(83,574,985)	\$	(5,494,065)	\$	4,352,860	\$	(84,716,190)
NET CAPITAL ASSETS	\$	165,632,254	\$	(2,267,776)	\$	(3,779,838)	\$	159,584,640

#### NOTE E - CAPITAL ASSETS CONTINUED

FY 2016			ASSE	TS			
		Balance					Balance
Classification	Au	gust 31, 2015	 Additions	Removals		August 31, 2016	
Land, Water & Storage Rights	\$	35,538,587	\$ 	\$		\$	35,538,587
Construction in Progress		165,344	1,128,597				1,293,941
Total Assets Not Being Depreciated		35,703,931	1,128,597				36,832,528
Structures & Improvements		191,324,267	67,805				191,392,072
Specialized Equipment		7,312,897	70,054				7,382,951
Office Buildings & Communications		2,310,551	14,268				2,324,819
Shops & Storerooms	83,673						83,673
Auto & Heavy Equipment	4,123,128		335,544		(86,194)		4,372,478
Office Furniture & Equipment	1,469,474		26,672				1,496,146
Miscellaneous Equipment		4,809,941	 519,859		(7,228)		5,322,572
Total Dams, Plants and Equipment		211,433,931	1,034,202		(93,422)		212,374,711
Total Capital Assets	\$	247,137,862	\$ 2,162,799	\$	(93,422)	\$	249,207,239
			DEPRECL	ATION			
		Balance					Balance
Classification	Au	gust 31, 2015	 Additions	emovals	Au	gust 31, 2016	
Structures & Improvements	\$	(62,707,724)	\$ (4,672,513)	\$		\$	(67,380,237)
Specialized Equipment		(6,284,866)	(77,257)				(6,362,123)
Office Buildings & Communications		(1,776,931)	(42,361)				(1,819,292)
Shops & Storerooms		(50,745)	(1,815)				(52,560)
Auto & Heavy Equipment		(3,079,211)	(285,992)		81,650		(3,283,553)
Office Furniture & Equipment		(1,300,124)	(69,608)				(1,369,732)
Miscellaneous Equipment		(2,890,005)	(424,711)		7,228		(3,307,488)
Total Accumulated Depreciation	\$	(78,089,606)	\$ (5,574,257)	\$	88,878	\$	(83,574,985)
NET CAPITAL ASSETS	\$	169,048,256	\$ (3,411,458)	\$	(4,544)	\$	165,632,254

#### NOTE F - POLLUTION CONTROL

GBRA has assisted industries within the GBRA service area by providing tax-exempt financing for pollution control facilities and private industrial development.

For the pollution control and industrial development bonds listed below, GBRA acted as an issuing conduit so that the user of the bond proceeds benefited from reduced debt service requirements. In each case, the user of the bond proceeds pledge their credit, bear sole responsibility for all debt service, make all payments directly to the trustee, and completely indemnify GBRA for any costs incurred. Due to the character of these bonds, GBRA considers them debts of the third party users rather than debts of GBRA. Therefore, these bonds and the related receivables have been excluded from the combined financial statements in order to avoid misrepresenting the nature of the bonds and distorting GBRA's financial statements. This exclusion is in conformity with the Texas State Auditor's Report dated October 6, 1986 for Water Districts and River Authorities reporting third party conduit financings. The Pollution Control and Industrial Development Bonds outstanding at August 31, 2017 total \$0 and are as follows:

	Date	e of	Interest	O	riginal	(	Outstanding	Outst	anding
Series	Issue	Maturity	Rate	A	mount	:	8/31/2016	8/31	/2017
Pollution Cont	rol Revenue Refunding	Bonds (AEP Texas Co	entral, formerly	Central F	Power & Light	, Comp	oany Project)		
2008	4/1/2008	2017	Variable	\$	40,890,000	\$	40,890,000	\$	-

#### NOTE G - RISK MANAGEMENT

GBRA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, natural disasters, and job-related injuries or illnesses to employees for which GBRA carries commercial insurance or participates in the Texas Water Conservation Association Risk Management Fund (Fund). GBRA's relationship with the Fund parallels that with a commercial insurance company. The Fund has the responsibility to defend any suit seeking damages on account of any liability up to the applicable limits of the agreement. GBRA on the other hand has the responsibility to notify the Fund of all potential claims and to reimburse the Fund for amounts paid within the agreement's deductible. GBRA does not have the responsibility to reimburse the Fund for amounts related to the claims of other Fund participants. During the past three years, no settlements have exceeded insurance coverage.

#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS

Under the continuing disclosure agreements of the 1) General Improvement and Refunding Revenue Bonds, Series 2011; 2) General Improvement Revenue Bonds, Series 2012; 3) General Improvement Revenue Bonds, Series 2015; 4) Combined Contract Revenue Refunding Bonds (Western Canyon), Series 2013A and 2013B; and 5) Water Supply Revenue Refunding Bonds (Port Lavaca WTP), Series 2011, GBRA is obligated to provide certain updated financial information and operating data annually. None of the other bonds require additional disclosure of annual financial information and operating data from GBRA; however, GBRA has included general information and the debt service paid by participants for the i) Contract Revenue Refunding Bonds (IH35), Series 2013, ii) Contract Revenue Refunding Bonds, Series 2016 (San Marcos Water Treatment Plant Project) and iii) Subordinate Lien Contract Revenue Refunding Bonds, Series 2017 (RRWDS). The required information is identified below, in the preceding footnotes and in the amortization schedules.

#### General information related to all bonds (1-3 below):

#### 1. DEBT SERVICE REQUIREMENTS

The amortization schedules associated with these bonds are included in the Other Supplemental Information section of this report.

#### 2. OTHER OBLIGATIONS

#### Obligations Payable Directly by GBRA

The long-term obligations payable directly by GBRA are disclosed in "Note B-Long Term Liabilities" in the "Notes to Combined Financial Statements" section of this report.

#### Contract Revenue Bonds

The contract revenue bonds which are payable from revenue derived from contracts between GBRA and the various parties securing payment to GBRA for debt service payments on the bonds are disclosed in "Note B – Long Term Liabilities" in the "Notes to Combined Financial Statements" section of this report.

#### Pollution Control Bonds

GBRA has assisted industries within the GBRA service area by providing tax-exempt financing for pollution control facilities which is disclosed in "Note F – Pollution Control Bonds" in the "Notes to Combined Financial Statements" section of this report.

#### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS OF GBRA

The percentages of GBRA's unrestricted investable funds by category is included in Note D - Cash, Cash Equivalents and Investments of this report.

#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

4. The General Improvement and Refunding Revenue Bonds, Series 2011, General Improvement Revenue Bonds, Series 2012, and General Improvement Revenue Bonds, Series 2015 constitute special obligations of GBRA that are payable from and secured by an irrevocable parity lien on and pledge of the "Pledged Revenues" and the Pledged Revenues are further pledged to the establishment and maintenance of certain funds created in the Resolutions authorizing such Bonds. "Pledged Revenues" generally consist of the gross revenues received by GBRA from the sale or commitment of raw water currently stored in Canyon Reservoir and from other sources of firm, dependable supplies of water as they are acquired and developed in the "Water Supply System" of GBRA's Water Resources Division but specifically excludes any revenues received from the sale or commitment of raw water from "run-of-the-river" rights and from any future ground water projects developed by GBRA or in which GBRA has an ownership interest.

#### GENERAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2011

On September 18, 2002, GBRA authorized the issuance of General Improvement Revenue Bonds, Series 2002 in the amount of \$4,390,000 with a delivery date of September 27, 2002. The proceeds were used for the expansion and construction of the GBRA headquarters, meeting room and office facilities, and an operations warehouse.

On April 13, 2011, GBRA issued and delivered General Improvement and Refunding Revenue Bonds, Series 2011 to refund the Series 2002 General Improvement Revenue Bonds and provide funds for the lump sum buy-out of the Water Right Subordination Agreement between GBRA and the City of Seguin.

Moody's Investors Service, Inc. assigned an underlying rating on the Bonds of "Aa2".

#### GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2012

On January 18, 2012, GBRA authorized the issuance of General Improvement Revenue Bonds, Series 2012 in the amount of \$4,400,000 with a delivery date of April 4, 2012. The bonds were sold to the Texas Water Development Board and as such, no rating was required on these bonds. The bond proceeds were used to complete a study and feasibility assessment related to a new firm water supply for GBRA referred to as the Mid-Basin Project and subsequently identified as the Gonzales Carrizo Groundwater Project. The Project is invisioned as a conjunctive use project, utilizing both surface and ground water supplies within the basin.

#### GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2015

On October 21, 2015, GBRA authorized the issuance of General Improvement Revenue Bonds, Series 2015 in the amount of \$2,000,000 with a delivery date of December 1, 2015. The bonds were sold to the Texas Water Development Board through the SWIRFT Program and as such, no rating was required on these bonds. The bond proceeds were used to fund a feasibility study in connection with the development of an integrated water-power project (IWPP Project) along the Texas Gulf Coast to provide a regional solution that would create a new source of water supply for the Coastal Bend (Region N) and South Central (Region L) and potentially Central Texas (Region K) regional water planning areas, and to pay costs of issuance.

### GENERAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2011 AND GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2012, GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2015 - FUND BALANCES AND COVERAGE

GENERAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2011

GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2012

AND GENERAL IMPROVEMENT	Γ REVENUE BONDS, SERIES 2015
-------------------------	------------------------------

\$ 734,632	
\$ 260,119	
-	(1)
\$ 994,751	-
13.78	times
6.11	times
\$ 837,750	
\$ 262,522	
204,747	
\$ 1,305,019	
10.51	times
4.66	times
\$ 68,626	
\$ 18,802	
-	
\$ 87,428	
\$ 13,710,485	(2)
\$ 6,075,789	(3)
\$ \$ \$ \$ \$ \$	\$ 260,119  \$ 994,751  13.78 6.11 \$ 837,750 \$ 262,522 204,747 \$ 1,305,019  10.51 4.66 \$ 68,626 \$ 18,802  \$ 87,428 \$ 13,710,485

- (1) GBRA General Improvement Revenue Bonds, Series 2015 will be included into this table in 2024, when debt payments begin.
- (2) See "Raw Water Sales" under "Raw Water Sales" table.
- (3) See "Net Revenues" under "Raw Water Sales" table.

#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

#### RAW WATER SALES COMPONENT OF WATER RESOURCES DIVISION - HISTORICAL OPERATING STATEMENT

	Fiscal Year Ended August 31									
(1)		2017		2016		2015		2014		2013
Revenue										
Raw Water Sales (2)	\$	13,710,485	\$	13,102,085	\$	12,655,121	\$	12,182,862	\$	11,887,664
Total Operating Revenue	\$	13,710,485	\$	13,102,085	\$	12,655,121	\$	12,182,862	\$	11,887,664
Expense										
Operating Expenses (3)	\$	6,386,579	\$	6,886,569	\$	6,415,926	\$	6,019,642	\$	5,726,454
Maintenance and Repairs		348,492		452,271		451,251		373,427		412,304
Administrative and General		899,625		853,048		710,352		617,124		592,432
Total Operating Expense	\$	7,634,696	\$	8,191,888	\$	7,577,529	\$	7,010,193	\$	6,731,190
Net Revenue	\$	6,075,789	\$	4,910,197	\$	5,077,592	\$	5,172,669	\$	5,156,474
Less Debt Service for Senior Lien Bonds (4)										
General Imp & Ref Rev Bonds, 2011	\$	823,656	\$	823,357	\$	817,457	\$	815,457	\$	817,857
General Imp Rev Bonds, 2012		257,603		257,603		262,603		262,603		262,603
General Imp Rev Bonds, 2015 (5)										
Total Debt for Senior Lien Bonds	\$	1,081,259	\$	1,080,960	\$	1,080,060	\$	1,078,060	\$	1,080,460
Debt Service Coverage Factor		5.619		4.542		4.701		4.798		4.772
Subordinate Revenues Available	\$	4,994,530	\$	3,829,237	\$	3,997,532	\$	4,094,609	\$	4,076,014

- (1) The FY 2013-2016 have been restated to eliminate revenues not included within the term "Pledged Revenues," and expenses not included within the term "Operating Expenses," as defined in the bond resolutions.
- (2) Pledged Revenues.
- (3) Pursuant to GASB 65 debt issuance costs are expensed; however, they are removed from operating expenses in this table because they were paid using bond proceeds.
- (4) Senior liens include the General Improvement Bonds, Series 2002, which were refunded with Series 2011 General Improvement and Revenue Refunding Bonds, the General Improvement Revenue Bonds, Series 2012 (Mid-Basin WIF Project), and the General Improvement Revenue Bonds, Series 2015 (IWPP Project).
- (5) Debt service payments for the General Improvement Revenue Bonds, Series 2015 begin in 2024.

#### CUSTOMER BASE BY TYPE

GBRA receives revenues from the sale or commitment of raw water currently stored in Canyon Reservoir. Such raw water is sold in accordance with various long-term contracts between GBRA and the purchaser where the purchaser agrees to pay for stored water whether or not it ultimately is delivered. There are four types of purchasers: municipal, domestic, industrial and irrigation. The total acre-feet of firm raw water contracted with each type of customer is shown below:

	August 31, 2017 August 31, 2016		August 3	1, 2015	August 3	1, 2014	August 31, 2013			
=	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total
Municipal	73,197	80.09%	72,327	79.90%	72,479	79.91%	72,479	79.90%	72,279	81.67%
Domestic	4	0.00%	5	0.01%	6	0.01%	8	0.01%	9	0.01%
Industrial	17,828	19.51%	17,827	19.69%	17,827	19.65%	17,838	19.66%	15,827	17.88%
Irrigation	363	0.40%	363	0.40%	388	0.43%	393	0.43%	389	0.44%
Contracted	91,392	100.00%	90,522	100.00%	90,700	100.00%	90,718	100.00%	88,504	100.00%

#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

#### MAJOR FIRM WATER CUSTOMERS (1,000 ACRE-FEET PER YEAR OR MORE)

Municipal and Industrial customers account for the majority of the total acre-feet under contract between GBRA and purchasers, and purchasers with contracts for 1,000 acre-feet or more per year account for 93.9% of the total acre-feet currently under contract. For this reason, major firm water customers have been identified as those with contracts for the sale of firm raw water in the amount of 1,000 or more acre-feet per year. Major firm water customers, as well as, smaller customers that are part of a large regional project, for the fiscal year ended August 31, 2017 are shown below:

	Contract Information						
		Total	·-	Contract	Expiration	Renewal	
Customer	Туре	AF/YR	Revenue (2)	Date	Date	Option	
Municipal & Retail						*	
Canyon Regional Water Authority	Regional Water Authority		\$ 1,664,785	10/31/1998	12/31/2039	(1)	
City of Marion	City	100	Ψ 1,001,703	10/31/1//0	12/31/2039		
City of Cibolo	City	1,350					
Green Valley SUD	Special Utility District	1,800					
Springs Hill WSC	Water Supply Corporation	1,925					
East Central WSC	Water Supply Corporation	1,400					
SAWS	City	4,000					
New Braunfels Utilities	City	9,720	1,374,570	01/26/1989	02/25/2050	20 Yrs	
City of Seguin	City	1,000	141,417	09/01/2012	08/31/2022	5 Yrs	
Canyon Lake WSC	Water Supply Corporation	2,000	282,760	10/01/1994	12/31/2044	(1)	
Canyon Lake WSC II	Water Supply Corporation	2,000	282,760	08/27/2001	12/31/2050	(1)	
Canyon Lake WSC III	Water Supply Corporation	2,000	282,760	09/29/2006	12/31/2050	(1)	
SHWSC I	Water Supply Corporation	1,850	261,621	06/26/1967	12/31/2050	(1)	
SHWSC II	Water Supply Corporation	1,000	141,417	06/01/2000	12/31/2050	(1)	
Green Valley SUD	Special Utility District	1,000	141,417	12/01/2008	12/31/2040	(1)	
Regional RWDS Project	-F	-,	,				
City of San Marcos	City	10,000	1,414,167	10/10/1989	07/01/2047	(1)	
City of Kyle	City	5,443	769,731	05/20/2005	12/31/2038	20 Yrs	
City of Buda	City	1,680	237,580	04/09/2002	12/31/2042	(1)	
CRWAHays Project	Regional Water Authority	2,038	288,207	06/04/2003	12/31/2039	(1)	
GoForth SUD	Special Utility District	2,243	317,252	03/01/2004	12/31/2039	(1)	
Sunfield MUD	Municipal Utility District	1,943	274,719	09/08/2005	12/31/2050		
Monarch	Utility Company	560	79,193	01/01/2008	12/31/2037		
GBRA Western Canyon	yy		.,,				
Boerne	City	3,611	508,549	02/22/2000	12/31/2037	40 Yrs (2x20 Yrs)	
Fair Oaks Ranch	City	1,850	260,542	02/10/2000	12/31/2037	40 Yrs (2x20 Yrs)	
SAWS	City	4,000 (3)	1,312,032	03/17/2000	12/31/2037	40 Yrs (2x20 Yrs)	
Cordillera Ranch	Housing Development	1,500	211,250	10/11/2001	12/31/2037	40 Yrs (2x20 Yrs)	
Kendall & Tapatio	Housing Development	750	105,625	03/18/2002	12/31/2037	40 Yrs (2x20 Yrs)	
Johnson Ranch	Housing Development	900	126,750	03/28/2003	12/31/2037	40 Yrs (2x20 Yrs)	
Miralomas MUD (Lerin Hills)	Municipal Utility District	750	105,625	09/18/2009	12/31/2036	40 Yrs (2x20 Yrs)	
GBRA-Comal Trace	River Authority	75	10,414				
Bremer Ranch LTD	Municipal	100	14,083	11/01/2013	12/31/2043	20 Yrs	
Couser Ranch	Municipal	100	14,083	11/01/2013	12/31/2043	20 Yrs	
CLWSC-Bulverde	Water Supply Corporation	400	56,552	02/06/2009	12/31/2040	10 Yrs	
CLWSC-Park Village	Water Supply Corporation	322	45,348	03/24/2009	12/31/2040	10 Yrs	
Total Major Municipal Customers		69,410	\$ 10,725,209				
Industrial							
Calpine-Guadalupe Energy Center	Electric Generation	6,840	\$ 967,290	03/17/1999	12/31/2021	30 Yrs (6x5 Yrs)	
Coleto Creek Power LP	Electric Generation	6,000	848,500	09/01/1975	09/01/2025	(1)	
Hays Energy Limited Partners	Electric Generation	2,464	348,451	06/25/1999	12/31/2025	(1)	
Ineos USA LLC	Chemical Company	1,100	155,558	02/11/1980	02/11/2020	40 Yrs (15 Yrs + (5x5 Yrs))	
Total Major Industrial Customers	Chemical Company	16,404	\$ 2,319,799	02/11/1980	02/11/2020	40 118 (13 118 + (3x3 118))	
i otai wiajoi industriai Customers		10,404	φ 2,319,199				
Total Major Customers		85,814	\$ 13,045,008				
Total Firm Water Sales		91,392	\$ 13,710,485				
Major Customers as a Percenta	ge of Total	93.90%	95.15%				
major Customers as a refeelta	ge or rotar	73.70 /0	73.13 /0				

- (1) Contract does not provide for specific renewal options
- (2) Includes Out-of-District Charges
- (3) Includes returnable and additional water charges

#### NOTE H – CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

#### FIRM WATER SALES RATE HISTORY

Price Per	Effective				
Acre-Foot (1)	Date				
\$38.75	10/1/1980				
44.76	10/1/1985				
53.03	10/1/1990				
61.00	10/1/1997				
69.00	10/1/2000				
80.00	10/1/2002				
84.00	11/1/2003				
88.00	10/1/2004				
92.00	10/1/2005				
96.00	10/1/2006				
100.00	10/1/2007				
105.00	10/1/2008				
110.00	10/1/2010				
114.00	10/1/2011				
125.00	10/1/2012				
130.00	10/1/2014				
135.00	10/1/2015				
142.00	10/1/2016				
145.00	10/1/2017				

<sup>(1)</sup> Excludes out-of-district charges.

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#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

#### 5. CONTRACT REVENUE REFUNDING BONDS (WESTERN CANYON REGIONAL WATER SUPPLY PROJECT), SERIES 2013A & 2013B

On February 20, 2013, GBRA authorized the issuance of Combined Contract Revenue Refunding Bonds, Series 2013A and 2013B in the amount of \$55,265,000 and \$6,830,000, respectively. The proceeds were used to i) refund the Contract Revenue Bonds, Series 2003 (Western Canyon Regional Water Supply Project) to achieve debt service net present value savings of \$6,741,092, ii) fund a related account in the debt service reserve fund surety policies from Assured Guaranty Municipal Corporation and iii) pay issuance costs on the current bonds. The original proceeds from the Series 2003 bonds were used for the construction and equipping a regional treated surface water supply project to serve portions of Comal, Kendall and Bexar Counties, Texas.

Moody's Investors Service, Inc. ("Moody's") and Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), rated the bonds "Aa1" and "AA+", respectively.

The bonds constitute special obligations of GBRA payable, both as to principal and interest, and secured soley by a first lien on and pledge of the Gross Revenues of GBRA, which primarily are derived from payments made to GBRA under the Water Supply Agreements entered into with the Participants in the Western Canyon Regional Water Supply Project.

#### WESTERN CANYON REGIONAL WSP - ANNUAL WATER DELIVERY BY PARTICIPANTS

#### COMBINED CONTRACT REVENUE REFUNDING BONDS

(WESTERN CANYON REGIONAL WATER SUPPLY PROJECTS), SERIES 2013A & 2013B

	Current *	% of	Ultimate	% of
	(Acre-Feet)	Total	(Acre-Feet)	Total
In District				
City of Boerne	975	8.71%	3,611	21.29%
City of Fair Oaks	942	8.41%	1,850	10.91%
GBRA - Cordillera	425	3.79%	1,500	8.84%
Johnson Ranch MUD	300	2.68%	900	5.31%
Miralomas MUD (Lerin Hills)	225	2.01%	750	4.42%
Kendall West Utilities	200	1.79%	750	4.42%
Canyon Lake WSC-Bulverde	400	3.57%	400	2.36%
Canyon Lake WSC-Park Village	322	2.88%	322	1.91%
GBRA - Comal Trace	75	0.66%	100	0.59%
Bremer Ranch LTD	20	0.18%	100	0.59%
Couser Ranch	20	0.18%	100	0.59%
Future Participants		0.00%	2,577	15.19%
Total In District	3,904		12,960	
Out of District				
SAWS (Initial & Additional)	7,296	65.14%	4,000	23.58%
Total Out of District	7,296		4,000	
Total	11,200	100.00%	16,960	100.00%

<sup>\*</sup> Annual Water Delivery is based on contractual commitments of each participant

#### WESTERN CANYON REGIONAL WSP - SOURCES OF PLEDGED REVENUES

COMBINED CONTRACT REVENUE REFUNDING BONDS

(WESTERN CANYON REGIONAL WATER SUPPLY PROJECT), SERIES 2013A & 2013B

		Fiscal Year Ended August 31									
	2017	2016	2015	2014	2013						
Western Canyon O&M Revenue	\$ 3,911,323	\$ 3,852,141	\$ 3,737,294	\$ 3,460,286	\$ 3,368,656						
Western Canyon Debt Service Revenue	5,290,894	5,334,466	5,285,307	5,306,500	5,791,241						
	\$ 9,202,217	\$ 9,186,607	\$ 9,022,601	\$ 8,766,786	\$ 9,159,897						
Operating Expenses	\$ 3,004,197	\$ 3,229,970	\$ 2,548,014	\$ 2,557,111	\$ 2,651,498						
Maintenance & Repair	227,908	253,229	285,637	360,449	328,632						
Administrative & General	164,028	155,616	134,416	148,256	150,666						
Total Operating & Maintenance Expenses	\$ 3,396,133	\$ 3,638,815	\$ 2,968,067	\$ 3,065,816	\$ 3,130,796						
Net Revenue	\$ 5,806,084	\$ 5,547,792	\$ 6,054,534	\$ 5,700,970	\$ 6,029,101						
Debt Service	\$ 4,837,859	\$ 4,839,518	\$ 4,835,186	\$ 4,835,965	\$ 5,320,675						
Debt Service Coverage Factor	1.2001	1.1464	1.2522	1.1789	1.1331						

#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

#### 6. WATER SUPPLY REVENUE REFUNDING BONDS (PORT LAVACA WATER TREATMENT PLANT PROJECT), SERIES 2011

On August 1, 2011, GBRA authorized the issuance of Water Supply Revenue Refunding Bonds (Port Lavaca WTP), Series 2011 in the amount of \$1,205,000. The proceeds were used to refund a portion of the outstanding Water Supply Revenue Refunding Bonds (Port Lavaca WTP), Series 2000 in order to provide a new present value savings of \$39,856.

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P")" rated the bonds "A+".

The bonds are special obligations of GBRA payable, both as to principal and interest, and secured soley by the "Net Revenues" derived by GBRA from the operation of its Water Treatement Plant located in or near the City of Port Lavaca, Texas. The Net Revenues are derived from (i) payments received by GBRA from two separate water supply contracts with the City of Port Lavaca, Texas and the Port O'Connor Improvement District pursuant to which GBRA provides treated water to the City of Port Lavaca and the Port O'Connor Improvement District on a wholesale basis, and (ii) revenues of GBRA's Calhoun County Rural Water Supply Division which are received from the sale of treated water by GBRA, on a retail basis, to members of Calhoun County Rural Water Supply Corporation.

### HISTORIC TREATMENT OF WATER BY THE AUTHORITY FOR THE CITY OF PORT LAVACA, THE CALHOUN COUNTY RURAL WATER SUPPLY CORPORATION AND THE PORT O'CONNOR IMPROVEMENT DISTRICT

	City o	f Port Lava	ca	Calhoun County	Rural Water	Supply Corp.	. Port O'Connor Improvement District (1)			
Fiscal										
Year	Total Annual			Total Annual			Total Annual	Customer		
Ended	Water Treated	Customer		Water Treated	Customer		Water Treated	Count		
8/31	(Gallons)	Count	% of Total	(Gallons)	Count	% of Total	(Gallons)	(approx.)	% of Total	
2013	472,101,000	4,463	70.87%	84,865,000	1,368	12.74%	109,228,000	1,600	16.40%	
2014	463,762,000	5,390	75.13%	77,509,000	1,388	12.56%	76,004,000	1,680	12.31%	
2015	553,128,000	5,390	77.31%	75,275,000	1,420	10.52%	87,048,000	1,686	12.17%	
2016	508,841,000	5,390	73.32%	82,845,000	1,443	11.94%	102,295,000	1,707	14.74%	
2017	438,787,000	5,390	70.07%	79,208,000	1,473	12.65%	108,252,000	1,708	17.29%	
(1) App	roximate figures.									

CALHOUN COUNTY WATER SUPPLY CORPORATION MONTHLY WATER RATES (through 10,000 gallons)								
5/8" Meter	First	2,000 gal.	\$40.00 (minimum)					
	Next	up to 5,000 gal.	\$40.00 base, plus volume charge of \$6.05/1,000 gal					
	Next	up to 10,000 gal.	\$58.15 base, plus volume charge of \$10.05/1,000 gal					
PORT O'CONNOR IMPRO	VEMENT D	ISTRICT MONTH	LY WATER RATES (through 10,000 gallons)					
Up to 5/8" Meter	Flat		\$79.80 (minimum)					
	First	6,000 gal.	\$79.80 base, plus volume charge of \$2.25/M Gallons					
	Next	10,000 gal.	\$79.80 base, plus voulume charge of $$2.75/M$ Gallons					

#### GBRA PORT LAVACA WATER TREATMENT PLANT - HISTORICAL OPERATING STATEMENT

	For Fiscal Year Ended August 31,								
	2017	2016	2015	2014	2013				
Revenues:									
Water Sales and Lake Operations	\$1,562,635	\$1,542,213	\$1,813,857	\$1,700,693	\$1,649,342				
Miscellaneous	1,959	307	20,313	10,965	2,079				
Total	1,564,594	1,542,520	1,834,170	1,711,658	1,651,421				
Expenses: (1)									
Personnel Operating Costs	\$ 566,087	\$ 477,836	\$ 529,417	\$ 478,754	\$ 464,377				
Operating Supplies and Services	560,809	616,815	664,006	535,886	538,039				
Maintenance and Repairs	246,065	185,355	145,230	181,997	142,972				
Administrative and General	130,341	126,012	137,284	126,594	125,861				
Total	1,503,302	1,406,018	1,475,937	1,323,231	1,271,249				
Net Income Available for Debt Service	\$ 61,292	\$ 136,502	\$ 358,233	\$ 388,427	\$ 380,172				
Outstanding Average Annual Debt Service	\$ -	\$ -	\$ 308,050	\$ 308,575	\$ 307,383				
Coverage <sup>(2)</sup>	-	-	1.16	1.26	1.24				

- (1) Excludes depreciation expense
- (2) Bonds paid in full in January 2016

#### 7. CONTRACT REVENUE REFUNDING BONDS, SERIES 2013

On November 28, 2012, GBRA authorized the issuance of Contract Revenue Refunding Bonds, Series 2013 in the amount of \$19,470,000. Proceeds from the sale of the Bonds were used to i) refund all of the Combination Contract Revenue, Subordinate Water Resources Division Revenue, and Surplus Water Project Revenue Bonds, Series 2004A and 2004B and ii) pay issuance costs on the current bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$4,307,567 and produced a net present value savings (economic gain) of \$2,877,554. The original proceeds from the Series 2004A and 2004B bonds were used to construct and equip facilities and acquire rights-of-ways necessary for delivering treated water from a water treatment plant located in San Marcos, Texas to portions of Hays and Caldwell Counties, Texas.

Moody's Investors Service, Inc. ("Moody's") and Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), assigned an underlying rating on the Bonds of "A1" and "A+" respectively.

The bonds constitute special obligations of GBRA that are secured by a first lien on and pledge of the "Pledged Revenues," which generally consist of the "Gross Contract Revenues," received by GBRA from various public and private entities pursuant to certain "Water Supply Agreements" related to the delivery of treated water from a water treatment plant located in San Marcos, Texas to portions of Hays and Caldwell Counties, Texas through a treated water delivery system and the interest income from funds on deposit in the Interest and Sinking Fund, the Reserve Fund and the Rate Stabilization Fund. The Pledged Revenues are further pledged irrevocably to the establishment and maintenance of the Interest and Sinking Fund, the Reserve Fund and the Rate Stabilization Fund.

#### CONTRACT REVENUE REFUNDING BONDS, SERIES 2013 (IH35) - DEBT SERVICE PAYABLE BY PARTICIPANTS

CONTRACT REVENUE REFUNDING BONDS, SERIES 2013 (IH35 TREATED WATER DELIVERY SYSTEM PROJECT)

	Fiscal Year Ended August 31							
	2017			2016		2015		2014
		Debt		Debt		Debt		Debt
Debt Service Component of Gross Contract Revenues	MGD	Payments	MGD	Payments	MGD	Payments	MGD	Payments
From City of Buda, Texas	1.50	\$ 167,523	1.50	\$ 167,523	1.50	\$ 167,523	1.50	\$ 167,523
From City of Kyle, Texas	4.86	542,774	4.86	542,774	4.86	542,774	4.86	542,774
From GoForth Special Utility District *	2.46	274,990	2.46	274,990	1.46	166,536	1.38	146,695
From Sunfield Municipal Utilities District *	2.48	276,720	2.48	276,720	3.48	385,174	3.56	405,014
From Monarch	0.50	55,841	0.50	55,841	0.50	55,841	0.50	55,841
Total Debt Service Commitment & Revenues	11.80	\$1,317,848	11.80	\$1,317,848	11.80	\$1,317,848	11.80	\$1,317,847
Annual Debt Service Requirements		\$1,192,656		\$1,201,656		\$1,197,556		\$1,203,356
Debt Service Coverage Factor		1.10		1.10		1.10		1.10

<sup>\*</sup> Sunfield MUD's Purchase Commitment is being incrementally transferred to GoForth SUD.

#### IH35 TREATED WATER DELIVERY SYSTEM - HISTORICAL OPERATING STATEMENT

#### CONTRACT REVENUE REFUNDING BONDS, SERIES 2013 (IH35 TREATED WATER DELIVERY SYSTEM PROJECT)

	2017		2016		2015		2014
IH35 O&M Transmission Revenue	\$	409,839	\$	403,268	\$	328,441	\$ 307,053
IH35 Debt Revenue		1,317,848		1,317,848		1,317,848	1,317,847
IH35 Interest Earnings		12,551		14,070		3,070	8,273
Total Revenue	\$	1,740,238	\$	1,735,186	\$	1,649,359	\$ 1,633,173
IH35 Operating Expenses	\$	247,391	\$	247,819	\$	249,398	\$ 207,227
IH35 Maintenance & Repair Expenses		46,108		69,296		61,019	41,021
IH 35 Administrative & General Expenses		9,795		10,752		9,893	9,239
Total Expenses	\$	303,294	\$	327,867	\$	320,310	\$ 257,487
Net Revenue	\$	1,436,944	\$	1,407,319	\$	1,329,049	\$ 1,375,686
Debt Service	\$	1,192,656	\$	1,201,656	\$	1,197,556	\$ 1,203,356
Debt Service Coverage		1.205		1.171		1.110	1.143

#### 8. CONTRACT REVENUE REFUNDING BONDS, SERIES 2016 (SAN MARCOS WATER TREATMENT PLANT PROJECT)

On July 20, 2016, GBRA authorized the issuance of Contract Revenue Refunding Bonds, Series 2016 (San Marcos Water Treatment Plant Project) in the amount of \$4,850,000. Proceeds from the sale of the Bonds were used to i) refund the City of San Marcos, Texas outstanding Waterworks and Waste Water System Revenue Bonds, Series 2006 and Taxable Series 2006A, ii) purchase a surety bond to fund the Series 2016 Account of the Reserve Fund provided by Assured Guaranty Municipal Corp., and iii) pay issuance on the Bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$1,371,317 and produced a net present value savings (economic gain) of \$1,031,267. The original proceeds from the Series 2006 and 2006AB bonds were used to expand the capacity of the existing water treatment plant located in San Marcos, Texas.

Moody's Investors Service, Inc. ("Moody's") assigned an underlying rating on the Bonds of "Aa3".

The bonds constitute special obligations of GBRA that are secured by a first lien on and pledge of the "Pledged Revenues," which generally consist of (i) the "Gross Contract Revenues," received by GBRA from various public and private entities pursuant to certain "Water Supply Agreements" related to the treatment of water at a water treatment plant located in San Marcos, Texas and (ii) the interest income from funds on deposit in the Revenue Fund, the Interest and Sinking Fund and the Reserve Fund.

#### CONTRACT REVENUE REFUNDING BONDS, SERIES 2016 (SMWTP)

	Fiscal Year Ended August 31										
_		017	2	016	2	015	2	014	2013		
Debt Service Component of Gross Contract		Debt		Debt		Debt		Debt		Debt	
Revenues	MGD	Payments	GMY	Payments	GMY	Payments	GMY	Payments	GMY	Payments	
From City of Buda, Texas	1.50	\$ 83,137	1.50	\$ 107,421	1.50	\$ 107,421	1.50	\$ 107,127	1.50	\$ 107,127	
From City of Kyle, Texas	4.86	269,364	4.86	346,344	4.86	348,044	4.86	347,093	4.86	347,093	
From GoForth Special Utility District (1)	2.46	136,470	2.46	176,332	2.46	176,332	1.38	98,323	1.26	90,302	
From Sunfield Municipal Utilities District (1)	2.48	137,329	2.48	177,442	2.48	177,442	3.56	253,674	3.68	262,505	
From Monarch Utilities	0.50	27,712	0.50	35,807	0.50	35,807	0.50	35,709	0.50	35,709	
Total Debt Service Commitment & Revenues	11.80	\$ 654,012	11.80	\$ 843,346	11.80	\$ 845,046	11.80	\$ 841,926	11.80	\$ 842,736	
Annual Debt Service Requirements											
City of San Marcos, Texas, Series 2006 and 2006	6A (2)	\$ -		\$ 391,883		\$ 394,063		\$ 391,543		\$ 613,393	
City of San Marcos, Texas, Series 2011 (2)		451,823		451,463		450,983		450,383		229,343	
GBRA Contract Revenue Refunding, Series 201	6	127,614		-		-		-		_ '	
Total Debt Service Requirements		\$ 579,437		\$ 843,346		\$ 845,046		\$ 841,926		\$ 842,736	
GBRA Debt Service Coverage Factor		1.1		1.0		1.0		1.0		1.0	

 $<sup>^{(1)}</sup>$  Sunfield MUD's Purchase Commitment is being incrementally transferred to GoForth SUD.

 $<sup>^{(2)}</sup>$  Includes a 20% debt coverage factor

#### 9. SUBORDINATE LIEN CONTRACT REVENUE REFUNDING BONDS, SERIES 2017 (REGIONAL RAW WATER DELIVERY)

On April 19, 2017, GBRA authorized the issuance of Subordinate Lien Contract Revenue Refunding Bonds, Series 2017 (Regional Raw Water Delivery System Expansion Project) in the amount of \$7,745,000. Proceeds from the sale of the Bonds were used to i) refund a portion of the Authority's outstanding obligations (Combination Contract Revenue, Subordinate Water Resources Division Revenue and Surplus Water Project Revenue Bonds, Series 2007A) which were issued to finance or refinance the Authority's "Raw Water Delivery System Expansion Project" for debt service savings, ii) purchase a surety bond to fund the Series 2017 Account of the Subordinate Lien Reserve Fund, and iii) pay the costs associated with the issuance of the Bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$2,049,534 and produced a net present value savings (economic gain) of \$1,418,630. The original proceeds from the Series 2007A and 2007B bonds were used to refund an outstanding loan and expanding the capacity of the existing Raw Water Delivery System from approximately 16 MGD to 25 MGD to a water treatment plant located in San Marcos, Texas.

Moody's Investors Service, Inc. ("Moody's") assigned an underlying rating on the Bonds of "Aa3".

The bonds constitute special obligations of GBRA that are equally and ratably payable from and secured by an irrevocable lien on and pledge of the "Pledged Revenues," which generally consist of the "Gross Contract Revenues," received by GBRA from various public and private entities pursuant to certain "Water Supply Agreements" related to the "Raw Water Delivery System" which are subordinate to the first and prior lien on such Gross Contract Revenue that have been pledged to GBRA's "Senior Lien Bonds" [Combination Contract Revenue, Subordinate Water Resources Division Revenue, and Surplus Water Project Revenue Bonds, Taxable Series 2007B] that remain outstanding following the issuance of the Bonds. Gross Contract Revenue generally consists of the revenues derived by the Authority from the Participants which constitute the payment of principal and interest requirements and the "Operation and Maintenance Expenses" of the Raw Water Delivery System.

### COMBINATION CONTRACT REVENUE REFUNDING BONDS, SERIES 2007A & 2007B (RRWDS) CONTRACT REVENUE REFUNDING BONDS, SERIES 2017 (RRWDS)

	Fiscal Year Ended August 31										
-	2017		2	016		015		014	2013		
Debt Service Component of Gross Contract		Debt		Debt		Debt		Debt		Debt	
Revenues	GMY	Payments	GMY	Payments	GMY	Payments	GMY	Payments	GMY	Payments	
From Canyon Regional Water Authority	1,390	\$ 146,339	1,390	\$ 147,020	1,390	\$ 147,020	1,390	\$ 147,020	1,390	\$ 147,020	
From City of Buda, Texas	1,041	109,567	1,041	110,107	1,041	110,107	1,041	110,107	1,041	110,107	
From City of Kyle, Texas	3,383	356,162	3,383	357,820	3,383	357,820	3,383	357,820	3,383	357,820	
From GoForth Special Utility District *	1,707	179,719	1,707	180,555	990	109,230	953	96,184	875	84,022	
From Sunfield Municipal Utilities District *	1,719	180,970	1,719	181,813	2,436	253,138	2,473	266,184	2,551	278,346	
From Hays Energy, LLC	1,528	160,868	1,528	161,617	1,528	161,617	1,528	161,617	1,528	161,617	
From Monarch	350	36,848	350	37,020	350	37,020	350	37,020	350	37,020	
Total Debt Service Commitment & Revenues	11,118	\$1,170,473	11,118	\$1,175,952	11,118	\$1,175,952	11,118	\$1,175,952	11,118	\$1,175,952	
•											
Annual Debt Service Requirements		\$1,068,322		\$1,063,935		\$1,063,694		\$1,067,850		\$1,066,153	
Debt Service Coverage Factor		1.1		1.1		1.1		1.1		1.1	

<sup>\*</sup> Sunfield MUD's Purchase Commitment is being incrementally transferred to GoForth SUD.

#### NOTE I - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

GBRA is unique in that the majority of its outstanding bond issues are contract revenue bonds. In order to match revenues received from customers for the debt service of those bonds with expenditures for capital assets related to those bonds, GBRA records costs and revenues to be recognized in future period. Deferred inflows of resources related to operations totaled \$8,132,132

Deferred outflows of resurces related to the implementation of GASB 68 reporting for pension plans totaled \$4,080,644.

#### NOTE J - RELATED PARTY TRANSACTIONS

The Guadalupe Blanco River Trust is a 501c.3 non profit company affiliated with the GBRA that was developed to conserve land in the Guadalupe River Watershed for its natural, recreational, scenic, historic and productive value. During FY 2017, the Guadalupe Blanco River Trust, through federal, state, and foundation grants, purchased the development rights for property owned by one of the Board members of GBRA for \$3,050,000. The property was appraised by an independent appraiser and had a pre-easement value of \$5,820,000.

#### NOTE K - SUBSEQUENT EVENTS

On August 25, 2017, Hurricane Harvey hit the Texas coast causing widespread damage from Corpus Christi to the Texas-Louisiana border. GBRA's Port Lavaca Water Treatment Plant and Coleto Creek Park sustained damage, though none considered to be major. The Port Lavaca Plant was operational within one day of the storm passing. The Coleto Creek Park was closed for approximately two weeks after the storm for debris removal and cleanup. Insurance claims are being filed for all covered damage.

On November 15, 2017, GBRA issued Contract Revenue Bonds, Series 2017 totaling \$4,105,000. The proceeds from these Bonds will be used for designing, acquiring, and constructing improvements to the Western Canyon Regional Water Supply Project, consisting primarily of aeration facilities to mitigate disinfection by-products.

On November 15, 2017, GBRA closed on Genreal Improvement Subordinate Lien Revenue Bonds, Series 2017 totaling \$31,140,000. The proceeds from these Bonds will be used to purchase ground water rights, to fund one year's lease payments, to fund a portion of monitoring well construction and operating costs, capitalizes interest, purchase of certain real property and to fund costs of issuance of the Bonds. The bonds mature on November 15, 2020 and are callable on November 15, 2018.

On November 16, 2017, GBRA purchased 100% of the outstanding equity interests of Texas Water Alliance LLC. for \$31,000,000. The underlying assets include approximately 160 ground water leases located in Gonzales County along with 50 acres of land also located in Gonzales County.

#### NOTE L - SEGMENT INFORMATION, INCLUDING INTERFUND RECEIVABLES/PAYABLES

GBRA is comprised of ten (10) enterprise funds. These funds provide various services including raw and treated water supply, wastewater treatment and disposal, water quality monitoring, cooling reservoir operation, parks and recreational opportunities, as well as, hydroelectric generation. Governments that use enterprise funds accounting and reporting standards to report their activities are required to present segment information. A segment is an identifiable activity reported as or within an enterprise fund or another stand-alone entity that has one or more bonds outstanding with a revenue stream pledged in support of that debt, and the activity is externally required to maintain separate accounts.

All operating revenues result from charges for services.

Segment information at August 31, 2017 and 2016 are as follows:

AUGUST 31, 2017		Water Sales	W	Luling ater Plant	Lockhart WWTP			Total
REVENUES, EXPENSES AND CHANGES IN NET POS	SITIC	ON						
Operating Revenue	\$	24,836,179	\$	1,401,791	\$	1,267,622	\$	27,505,592
Operating Expenses		(13,162,878)		(958, 161)		(995,608)		(15,116,647)
Depreciation and Amortization Exp		(3,536,616)		(130,804)		(79,057)		(3,746,477)
Operating Income		8,136,685		312,826		192,957		8,642,468
Nonoperating Revenue (Expenses)		(463,262)		(144,227)		(792,699)		(1,400,188)
Costs to be Recovered (Deferred Rev)		(874,124)		(92,153)				(966,277)
Change in Net Position	\$	6,799,299	\$	76,446	\$	(599,742)	\$	6,276,003
NET POSITION ACTIVITIES								
Current Assets	\$	20,043,056	\$	880,454	\$	477,156	\$	21,400,666
Capital Assets		125,807,196		4,691,471		38,026		130,536,693
Other Assets		26,788,635		150,300		761		26,939,696
Total Assets		172,638,887		5,722,225		515,943		178,877,055
Deferred Outflow of Resources								
Total Assets and Deferred Outflows of Resources	\$	172,638,887	\$	5,722,225	\$	515,943	\$	178,877,055
Current Liabilities	\$	9,007,581	\$	516,476	\$	453,164	\$	9,977,221
Long Term Liabilities	-	108,023,659	-	3,983,249	_	30,412	_	112,037,320
Total Liabilities		117,031,240		4,499,725		483,576		122,014,541
Deferred Inflows of Resources		2,453,926		55,984		100,070		122,011,011
Net Investments in Capital Assets		12,908,641		483,027		38.027		13,429,695
Restricted		8,962,127		168,502				9,130,629
Unrestricted		31,282,953		514,987		(5,660)		31,792,280
Total Net Position		53,153,721		1,166,516		32,367	\$	54,352,604
Total Liabilities, Deferred Outflows and Net Position	\$	172,638,887	\$	5,722,225	\$	515,943	_	178,877,055
D D		100 100 001	•	4 200 444	Φ.		Φ.	112 641 270
Revenue Bonds Payable	\$	109,432,834	\$	4,208,444	\$		\$	113,641,278
Loans Payable		3,465,721						3,465,721
Interfund Balances:		1.711.701		110,000		150,000		1071701
Accounts Receivable		1,711,781		110,000		150,000		1,971,781
Accounts Payable		1,436,094		141,999		149,737		1,727,830
CASH FLOW ACTIVITIES								
Cash Flows								
Operating Activities	\$	10,583,019	\$	512,646	\$	289,520	\$	11,385,185
Capital & Related Financing Activites		(7,905,239)		(413,115)		931,280		(7,387,074)
Noncapital Financing Activities		3,335,263						3,335,263
Investing Activities		(7,244,373)		113,424		(1,202,629)		(8,333,578)
	\$	(1,231,330)	\$	212,955	\$	18,171	\$	(1,000,204)
Current Cash and Cash Equivalents								
At Beginning of Year		3,841,683		93,898	\$	248,183	\$	4,183,764
At End of Year		5,414,856		306,842		266,354		5,988,052
Net Increase (Decrease)	\$	1,573,173	\$	212,944	\$	18,171	\$	1,804,288
Restricted Cash and Cash Equivalents								
At Beginning of Year		6,929,955		7,706				6,937,661
At End of Year		4,125,452		7,717				4,133,169
Net Increase (Decrease)		(2,804,503)		11				(2,804,492)
	\$	(1,231,330)	\$	212,955	\$	18,171	\$	(1,000,204)

#### NOTE L - SEGMENT INFORMATION, INCLUDING INTERFUND RECEIVABLES/PAYABLES

AUGUST 31, 2016				Port Lavaca Water Plant		Luling Water Plant		Lockhart WWTP		Total
REVENUES, EXPENSES AND CHANGES IN NET POSITION										
Operating Revenue	\$	24,010,146	\$	1,542,520	\$	1,340,238	\$	1,739,188	\$	28,632,092
Operating Expenses	-	(11,982,968)	_	(1,406,018)	-	(860,163)	_	(1,077,469)	_	(15,326,618)
Depreciation and Amortization Exp		(3,516,622)		(205,834)		(135,137)		(200,359)		(4,057,952)
Operating Income	_	8,510,556		(69,332)		344,938		461,360		9,247,522
Nonoperating Revenue (Expenses)		(2,332,612)		(14,863)		(150,348)		(21,018)		(2,518,841)
Costs to be Recovered (Deferred Rev)		(782,562)		(221,324)		(82,153)		(424,419)		(1,510,458)
Change in Net Position	\$	5,395,382	\$	(305,519)	\$	112,437	\$	15,923	\$	5,218,223
NET POSITION ACTIVITIES						•				
Current Assets	\$	17,675,400	\$	400,992	¢	495,892	¢	843,065	\$	19,415,349
	Ф	128,876,782	Ф		Ф	4,813,976	Ф	2,481,835	Ф	
Capital Assets				2,177,956						138,350,549
Other Assets Total Assets		14,775,992		2.579.049		102,633		1,304		14,879,929
Deferred Outflow of Resources		161,328,174		2,578,948		5,412,501		3,326,204		172,645,827
Total Assets and Deferred Outflows of Resources	\$	161,328,174	\$	2,578,948	\$	36,169 5,448,670	\$	3,326,204	\$	36,169 172,681,996
	<u> </u>									
Current Liabilities	\$	7,545,246	\$	· · · · · ·	\$	415,855	\$	1,084,403	\$	9,389,378
Long Term Liabilities	_	108,071,894		279,937		4,242,745		30,412		112,624,988
Total Liabilities	_	115,617,140		623,811		4,658,600		1,114,815		122,014,366
Deferred Inflows of Resources	_	1,579,801		665,948				1,579,280		
Net Investments in Capital Assets		16,258,016		1,876,293		351,036		1,841,834		20,327,179
Restricted		4,188,199				169,307		374,699		4,732,205
Unrestricted	_	23,685,018		(587,104)		569,727		(1,584,424)		22,083,217
Total Net Position	_	44,131,233		1,289,189		1,090,070		632,109	\$	47,142,601
Total Liabilities, Deferred Outflows and Net Position	\$	161,328,174	\$	2,578,948	\$	5,748,670	\$	3,326,204	\$	172,981,996
Revenue Bonds Payable	\$	109,262,374	\$		\$	4,462,940	\$	640,000	\$	114,365,314
Loans Payable		3,356,391		301,662						3,658,053
Interfund Balances:										
Accounts Receivable		1,076,472		169,640		7,187		152,345		1,405,644
Accounts Payable		812,463		198,491		41,930		45,288		1,098,172
CASH FLOW ACTIVITIES										
Cash Flows										
Operating Activities	\$	12,161,137	\$	163,002	\$	461,983	\$	593,819	\$	13,379,941
Capital & Related Financing Activites	-	(9,631,537)	-	(365,699)	-	(403,442)	_	(649,958)	-	(11,050,636)
Noncapital Financing Activities		909,289								909,289
Investing Activities		(1,826,587)		231,509		(51,168)		(12,028)		(1,658,274)
9	\$	1,612,302	\$	28,812	\$	7,373	\$	(68,167)	\$	1,580,320
Cument Cook and Cook Equivalents										
Current Cash and Cash Equivalents At Beginning of Year	\$	6,622,761	¢	19,064	¢	87,103	¢	316,350	\$	7,045,278
At End of Year	Ф		Ф	52,887	Ф	93,898	Ф		Ф	
Net Increase (Decrease)	\$	3,841,683 (2,781,078)	¢	33,823	\$	6,795	\$	248,183 (68,167)	¢	4,236,651 (2,808,627)
	φ	(2,761,076)	ф	33,623	ф	0,793	Ф	(00,107)	φ	(2,000,027)
Restricted Cash and Cash Equivalents		0.50		- ^-						2.546.511
At Beginning of Year	\$	2,536,575	\$	5,011	\$	7,128	\$		\$	2,548,714
At End of Year	_	6,929,955		 (5.010		7,706				6,937,661
Net Increase (Decrease)	_	4,393,380	ċ	(5,011)		578	ė.	(60.165)	^	4,388,947
	\$	1,612,302	\$	28,812	\$	7,373	\$	(68,167)	\$	1,580,320

# **Required Supplemental Information**

## GUADALUPE-BLANCO RIVER AUTHORITY REQUIRED SUPPLEMENTAL INFORMATION AUGUST 31, 2017

### A. Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Last 10 Fiscal Years¹

		Fiscal Year Ending 8/31/2017	Fiscal Year Ending 8/31/2016	Fiscal Year Ending 8/31/2015
1.	<ul> <li>Total Pension Liability</li> <li>a. Service cost</li> <li>b. Interest</li> <li>c. Changes of benefit provisions</li> <li>d. Differences between expected and actual experience</li> </ul>	\$ 363,322 2,251,021 0 502,207	\$ 383,820 2,146,011 0 552,928	\$ 357,786 2,027,051 0
	<ul> <li>e. Changes of assumptions</li> <li>f. Benefit payments</li> <li>g. Net Change</li> <li>h. Beginning</li> <li>i. Ending</li> </ul>	\$ 0 (1.124.173) 1,992,377 32,356.203 34,348,580	\$ 477,891 (841,560) 2,719,090 29,637,113 32,356,203	 $\begin{array}{r} 620,672 \\ \underline{(698.521)} \\ 2,306,988 \\ \underline{27,330.125}^{3} \\ 29,637,113 \end{array}$
2.	Plan Fiduciary Net Position a. Contributions by the employer b. Contributions by the participants c. Net investment income d. Benefit payments e. Administrative expenses f. Net Change g. Beginning h. Ending	\$ $1,338,202 \\ 0 \\ 650,186 \\ (1,124,173) \\ \underline{0^2} \\ 864,215 \\ \underline{25,768,160} \\ 26,632,375$	\$ $1,733,464$ $0$ $(440,231)$ $(841,560)$ $0^{2}$ $451,673$ $25,316,487$ $25,768,160$	\$  $1,684,302 \\ 0 \\ 486,549 \\ (698,521) \\ \underline{0^2} \\ 1,472,330 \\ \underline{23,844,157} \\ 25,316,487$
3.	Employer's Net Pension Liability [Item 1(i) – 2(h)]	\$ 7,716,205	\$ 6,588,043	\$ 4,320,626
4.	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.5%	79.6%	85.4%
5.	Covered Payroll	\$ 7,096,581	\$ 7,565,168	\$ 7,423,408
6.	Employer's Net Pension Liability as a Percentage of Covered Payroll	108.7%	87.1%	58.2%

### Notes to Schedule:

Until a full 10-year trend is compiled, only available information is shown. The measurement date is the December 31 eight months prior to the fiscal year end. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

The plan pays only money management fees and bank custody fees. GBRA pays all administrative expenses.

Determined from the ending total pension liability based on the discount rate of 7.50% (the investment return assumption for the January 1, 2014 actuarial valuation) using the roll back procedure allowed for the initial year of implementing GASB 68.

### GUADALUPE-BLANCO RIVER AUTHORITY REQUIRED SUPPLEMENTAL INFORMATION AUGUST 31, 2017

#### B. Schedule of Employer Contributions for the Last 10 Fiscal Years<sup>1</sup>

		-	Fiscal Year Ending 8/31/2017	]	Fiscal Year Ending 8/31/2016		Fiscal Year Ending 8/31/2015
1.	Actuarially determined contribution (ADC)	\$	1,038,202	\$	1,033,464	\$	984,302
2.	Contributions in relation to the ADC		1,338,202	_	1,733,464	_	1,684,302
3.	Contribution deficiency (excess)	\$	(300,000)	\$	(700,000)	\$	(700,000)
4.	Covered payroll	\$	7,096,581	\$	7,565,168	\$	7,423,408
5.	Contributions as a percentage of covered payroll		18.9%		22.9%		22.7%

#### Notes to Schedule:

Actuarially determined contribution amount for the fiscal year ending August 31 was calculated in the January 1 actuarial valuation one year earlier. Methods and assumptions used to determine the actuarially determined contributions:

Amortization method Level percent of payroll, open period

Recalculated amortization period 9, 9, and 10 years, respectively, for years ending in 2017, 2016, and 2015

Asset valuation method 5-year smoothed market

Inflation 3%, 3.5%, and 3.75%, respectively, for years ending in 2017, 2016 and 2015
Salary increases inflation plus merit and promotion increases that vary by age and service
Investment rate of return 7%, 7.25%, and 7.50%, respectively, for years ending in 2017, 2016, and 2015

Retirement age Rates that vary by age and service

Mortality RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected

to 2024 by scale AA  $\,$ 

 $^{\scriptscriptstyle 1}$  Until a full 10-year trend is compiled, only available information is shown.

C. Contributions Reflected in Asset Value as of December 31, 2016 Measurement Date (Applicable for Fiscal Year Ending August 31, 2017)

Month of	
Contribution	Amount
December 2016	\$ 300,000
December 2016	 1,038,202
Total	\$ 1,338,202

D. Subsequent Contributions Made Prior to Fiscal Year End (August 31, 2017)

Month of Contribution	An	nount
N/A	\$	0
Total	\$	$0^{1}$

An amount contributed subsequent to the measurement date of the net pension liability would be a deferred outflow of resources that would be recognized as a reduction in the net pension liability in the next fiscal year.

## GUADALUPE-BLANCO RIVER AUTHORITY REQUIRED SUPPLEMENTAL INFORMATION AUGUST 31, 2017

### **Amortization Schedules**

A. Increase (Decrease) in Pension Expense Arising from the Recognition of Differences between Projected and Actual Earnings on Pension Plan Investments

	Differences			Recogni	zed Outflow	(Inflow) of R	esources	
Fiscal	between				Fiscal Year	Recognized		
Year	Projected							
Difference	and Actual	Amortization						
Recognized	Earnings	Period	2017	2018	2019	2020	2021	2022
2015	\$ 1,237,977	5~ m yrs	\$ 247,595	\$ 247,596	\$ 247,596	\$ 0	\$ 0	\$ 0
2016	2,266,316	$5  \mathrm{yrs}$	453,263	453,263	453,263	453,264	0	0
2017	1,114,239	$5  \mathrm{yrs}$	222,848	222,848	222,848	222,848	222,847	0
2018								
2019								

Net increase (decrease) for A

\$923,706

B. Increase (Decrease) in Pension Expense Arising from the Recognition of Changes in Assumptions

First				Recogniz	zed Outflow (	Inflow) of R	esources	
Fiscal					Fiscal Year	Recognized		
Year								
Difference	Changes in	Amortization						
Recognized	Assumptions	Period	2017	2018	2019	2020	2021	2022
2015	\$ 620,672	$5.853~\mathrm{yrs}$	\$ 106,043	\$ 106,043	\$ 106,043	\$ 90,457	\$ 0	\$ 0
2016	477,891	5.241 yrs	91,183	91,183	91,183	91,183	21,796	0
2017	0		0	0	0	0	0	0
2018								
2019								

Net increase (decrease) for B

\$ 197,226

C. Increase (Decrease) in Pension Expense Arising from the Recognition of Differences between Expected and Actual Experience

First	Differences				Recogni	zed Outflow	(Inflow) of I	Resources			
Fiscal	between					Fiscal Year	Recognized	l .			
Year	Expected										
Difference	and Actual	Amortization									
Recognized	Experience	Period	2017		2018	2019	2020	2021		2022	
2015	\$ 0		\$ 0	)	\$ 0	\$ 0	\$ 0	\$ 0	9	\$	0
2016	552,928	5.241~ m yrs	105,500	)	105,500	105,500	105,500	25,428			0
2017	505,207	4.653~ m yrs	107,932	2	107,932	107,932	107,932	70,479			0
2018											
2019											

Net increase (decrease) for C

\$ 213,432

Net for future years (A+B+C)

\$1,334,365 \$1,334,365 \$1,071,184 \$ 340,730 \$

## **Other Supplemental Information**

### COMBINING SCHEDULE OF NET POSITION

,		General Division	Н	Guadalupe Valley ydroelectric Division		Rural Utilities Division		Water Resource Division	Т	ort Lavaca Water reatment nt Division
ASSETS AND DEFERRED OUTFLOWS										
CURRENT ASSETS										
Unrestricted Assets										
Cash and Cash Equivalents	\$	3,116,778	\$	8,658	\$	2,440,137	\$	7,484,858	\$	279,136
Investments-Unrestricted		1,499,770						5,766,260		
Interest Receivable		21,175						45,090		
Accounts Receivable-Operating		16,771		221,555		223,097		2,718,965		190,339
Accounts Receivable-Interfund		4,462,350		299,083		140,955		2,899,777		167,014
Other Current Assets	<u> </u>	14,729		96,301		17,337		247,336		66,075
Total Current Assets		9,131,573		625,597		2,821,526		19,162,286		702,564
Restricted Assets										
Cash and Cash Equivalents		418,929				154,671		4,125,452		
Investments		477,441				290,557		3,117,454		
Interest Receivable		4,259				507		60,681		
Total Restricted Assets		900,629				445,735		7,303,587		
Total Current Assets		10,032,202		625,597		3,267,261		26,465,873		702,564
LONG-TERM ASSETS										
Restricted Assets										
Investments		601,225						752,286		
Total Restricted Assets	<del>-</del>	601,225						752,286		
Capital Assets		,						, , , , , , , , , , , , , , , , , , , ,		
Land, Water and Storage Rights		1,035,561		2,248,822		228,369		30,901,066		41.424
Dams, Plants and Equipment		2,254,983		11,492,905		14,265,510		147,109,503		7,053,780
Construction In Progress		2,23 .,703		102,474		59,208		546,139		66,141
Less Accumulated Depreciation		(1,950,977)		(8,177,388)		(4,971,400)		(48,573,275)		(5,120,691
Total Capital Assets		1,339,567		5,666,813		9,581,687		129,983,433		2,040,654
Other Assets	····-	1,557,507		3,000,013		2,501,007		122,703,433		2,040,054
Investments-Unrestricted		2,201,126						11,683,275		_
Long-Term Loans Receivable		62,500				277,756		4,843,885		
Contract Development Costs (Net of Amortization)		02,300				277,730				
Permits and Licenses (Net of Amortization)										
Project Development Costs						35,087		10,257,216		-
Interfund Loans Receivable		6,474,343				33,087		10,237,216		-
Total Other Assets		8,737,969				312,843		26,784,376		
Total Long-Term Assets		, ,		5,666,813		9,894,530				2,040,654
DEFERRED OUTFLOWS OF RESOURCES		10,678,761 4,080,644		3,000,813		9,894,530		157,520,095		2,040,034
	•	24,791,607	\$	6,292,410	\$	13,161,791	\$	183,985,968	\$	2,743,218
Total Assets and Deferred Outflows	3	24,791,007	Þ	0,292,410	ф	13,101,791	Þ	183,983,908	Э	2,745,218
IABILITIES, DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES	ON									
Payable from Unrestricted Assets										
Current Portion of Long-Term Loans Payable	•		\$		\$	22,881	•	315,746	\$	52,040
			Ф		Ф	22,001	Ф	41,035	Ф	32,040
Interest Payable		217.052		256 104		200.050		,		318,508
Accounts Payable-Operating		317,852		256,104		299,058		2,381,737		,
Accounts Payable-Interfund		3,529,952		483,420		299,019		3,027,979		342,811
Total Current Unrestricted Liabilities	·····-	3,847,804		739,524		620,958		5,766,497		713,359
Payable from Restricted Assets						105.000		4 600 000		
Current Portion of Debt						105,000		4,600,000		-
Interest Payable				-		30,718		971,576		-
Total Current Restricted Liabilities						135,718		5,571,576		
Total Current Liabilities	·····	3,847,804		739,524		756,676		11,338,073		713,359

See accompanying independent auditors' report.

LONG-TERM LIABILITIES
Revenue Bonds Payable.....

Long-Term Loans Payable.

Interfund Loans Payable...

Less Current Portion....

Advances for Operations......

Net Pension Liability.....

NET POSITION

Unrestricted....

Total Bonds and Loans Payable.....

Total Long-Term Liabilities......

Net Investments in Capital Assets.

Restricted for Debt Service.....

Total Net Position.....

DEFERRED INFLOWS OF RESOURCES.....

Total Liabilities, Deferred Inflows and Net Position....

7,716,205

11,564,009

1,339,567

11,888,031

109,432,834

113,214,484

108.298.738

108,363,568

119,701,641

2,453,926

17.084.878

8,962,127

35,783,396

61,830,401

(4,915,746)

64,830

3,465,721

251,687

251,687

(52,040)

199.647

28,250

227,897

941,256

570,774

1,788,967

(557,779)

1,231,188

2,325,189

2,285,057

4,610,246

4.482.365

4,496,340

5,253,016

7,256,498

320,333

331,944

7,908,775

(127.881)

13,975

3,873,357

3.873.357

3,873,357

4,612,881

5,666,814

(3,987,285)

Co Wa	Calhoun unty Rural ater Supply Division		Coleto Creek Division	7	nling Water Freatment Plant Division		Canyon ydroelectric Division		Lockhart Division	2017 Eliminations	2017 Total
\$	195,330 357,458 7,494	\$	136,891  	\$	306,842 250,141 5,983	\$	206,866	\$	551,506  	\$ \$ 	14,727,002 7,873,629 79,742
	105,747 134,992 7,101		1,119 136,035 9,693		31,268 110,000 7,505		211,238 38,000 9,466		51,313 205,000 15,664	(8,593,206) 	3,771,412  491,207
	808,122		283,738		711,739		465,570		823,483	(8,593,206)	26,942,992
					7,717 160,785		103,503				4,810,272 4,046,237
					213		102 502				65,660
	808,122		283,738		168,715 880,454		103,503 569,073		823,483	(8,593,206)	8,922,169 35,865,161
											1,353,511 1,353,511
											1,333,311
	51,396 2,618,193 66,469		2,088,829		875,292 7,395,012		12,187 12,553,881		13,000 1,220,686	  	35,407,117 208,053,282 840,431
	(1,932,365)		(1,784,021)		(3,578,833)		(7,925,202)		(702,038)		(84,716,190)
	803,693		304,808		4,691,471		4,640,866		531,648		159,584,640
	100,000				150,300						14,134,701 5,184,141
							423,820		761 		761 423,820
							423,620				10,292,303
	100.000				150 200					(6,474,343)	
	100,000 903,693		304,808		150,300 4,841,771		423,820 5,064,686		761 532,409	(6,474,343)	30,035,726 190,973,877
											4,080,644
\$	1,711,815	\$	588,546	\$	5,722,225	\$	5,633,759	\$	1,355,892	(15,067,549) \$	230,919,682
\$		\$	 	\$		\$		\$		\$ - \$ 	390,667 41,035
	42,275 185,775		125,144 240,238		102,359 141,999		40,671 42,027		508,634 299,986	(8,593,206)	4,392,342
	228,050		365,382		244,358		82,698		808,620	(8,593,206)	4,824,044
					260,000 12,118						4,965,000 1,014,412
					272,118					(0.500.00)	5,979,412
	228,050		365,382		516,476		82,698		808,620	(8,593,206)	10,803,456
					4,208,444						113,641,278 6,042,597
					4,208,444					(6,474,343) (6,474,343)	119,683,875
					(260,000)						(5,355,667)
					3,948,444		200.004		20.412	(6,474,343)	114,328,208
					34,805		399,004		30,412		571,276 7,716,205
	228.050		265 202		3,983,249		399,004		30,412 839.032	(6,474,343)	122,615,689
	228,050		365,382		4,499,725 55,984		481,702 5,051,448		839,032	(15,067,549)	133,419,145 8,132,132
	803,693		304,808		483,027		4,640,866		531,648		39,900,766
	680,072		(81,644)		168,502 514,987		(4,540,257)		(14,788)		9,450,962 40,016,677
	1,483,765	_	223,164		1,166,516	•	100,609	_	516,860		89,368,405
\$	1,711,815	\$	588,546	\$	5,722,225	\$	5,633,759	\$	1,355,892	\$ (15,067,549) \$	230,919,682

### GUADALUPE-BLANCO RIVER AUTHORITY

### COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

FISCAL YEAR ENDED AUGUST 31, 2017							
			G	uadalupe			Port Lavaca
				Valley	Rural	Water	Water
		General	Hy	droelectric	Utilities	Resource	Treatment
		Division	]	Division	Division	Division	Plant Division
REVENUE							
Power Sales	\$		\$	3,478,969 \$	\$	-	\$
Water Sales, Capacity Charge, Pipeline Transmission and Lake Operation						33,258,721	1,562,635
Recreation and Land Use						119,695	
Waste Water Treatment Services					2,252,962	561,886	
Laboratory Services						1,006,168	
Rental				10,574		148,551	
Administrative and General		3,115,380					
Miscellaneous		14,832		102,890	1,259,830	1,202,117	1,959
Total Operating Revenue	<u>-</u>	3,130,212		3,592,433	3,512,792	36,297,138	1,564,594
EXPENSES							
Personnel Operating Costs		2,464,848		1,911,473	780,296	7,485,509	566,087
Operating Supplies and Services		919,504		530,478	650,240	12,424,971	560,809
Maintenance and Repairs		135,541		342,728	344,595	1,312,776	246,065
Administrative and General				447,114	183,427	1,713,928	130,341
Depreciation and Amortization		87,829		298,281	455,662	3,881,561	201,706
Total Operating Expenses		3,607,722		3,530,074	2,414,220	26,818,745	1,705,008
Operating Income (Loss)		(477,510)		62,359	1,098,572	9,478,393	(140,414)
NONOPERATING REVENUES (EXPENSES)							
Grant Income.						3,539,362	
Investment Income		28,977			22,870	158,029	289
Gain (Loss) on Disposal of Capital Assets				(2,995)	863,640	(857)	(1,736)
Interest Expense					(78,213)	(4,134,730)	(11,313)
Total Nonoperating Revenues (Expenses)		28,977		(2,995)	808,297	(438,196)	(12,760)
Income (Loss) Before Recognition of Deferrals.		(448,533)		59,364	1,906,869	9,040,197	(153,174)
Costs (Revenue) to be Recognized in Future Years						(874,124)	95,173
Change in Net Position		(448,533)		59,364	1,906,869	8,166,073	(58,001)
Net Position at September 1, 2016		13,676,131		1,620,165	6,001,906	53,664,328	1,289,189
Net Position at August 31, 2017	\$	13,227,598	\$	1,679,529 \$	7,908,775 \$	61,830,401	\$ 1,231,188

Co Wa	Calhoun unty Rural uter Supply Division	Coleto Creek Division	]	Luling Water Treatment Plant Division	Н	Canyon lydroelectric Division	Lockhart Division	El	iminations	Total
\$		\$ 	\$		\$	389,948	\$ 	\$	\$	3,868,917
	1,017,421	881,245		1,368,778			595,839			38,684,639
		660,708								780,403
	53,700						869,394			3,737,942
										1,006,168
		92,551								251,676
									(3,115,380)	
	102,068	18,651		33,013		7,173	654,587			3,397,120
	1,173,189	1,653,155		1,401,791		397,121	2,119,820		(3,115,380)	51,726,865
	446,285	1,112,835		433,233		202,099	503,332		(120,593)	15,785,404
	415,929	264,326		348,504		78,451	628,194			16,821,406
	88,904	102,360		76,341		69,502	598,663			3,317,475
	103,402	150,518		100,083		47,874	118,100		(2,994,787)	
	54,105	39,286		130,804		257,833	125,520			5,532,587
	1,108,625	1,669,325		1,088,965		655,759	1,973,809		(3,115,380)	41,456,872
	64,564	(16,170)		312,826		(258,638)	146,011			10,269,993
						_				3,539,362
	4,640	200		5,360		804	1,799			222,968
							(786,015)			72,037
				(149,587)			(8,000)			(4,381,843)
	4,640	200		(144,227)		804	(792,216)			(547,476)
	69,204	(15,970)		168,599		(257,834)	(646,205)			9,722,517
		620		(92,153)		258,880				(611,604)
	69,204	(15,350)		76,446		1,046	(646,205)			9,110,913
	1,414,561	238,514		1,090,070		99,563	1,163,065			80,257,492
\$	1,483,765	\$ 223,164	\$	1,166,516	\$	100,609	\$ 516,860	\$	\$	89,368,405

## GUADALUPE-BLANCO RIVER AUTHORITY COMBINING SCHEDULE OF CASH FLOWS

FISCAL YEAR ENDED AUGUST 31, 2017		Guadalupe		
		Valley	Rural	Water
	General	Hydroelectric	Utilities	Resource
	Division	Division	Division	Division
CASH FLOWS FROM OPERATING ACTIVITIES:	Division	Division	Division	Division
Cash Received from Customers	\$	\$ 3,817,787	\$ 3,720,581	\$ 34,749,377
Cash Received from Interfund Administrative Charges.				
Cash Paid for Personnel Operating Costs		(1,911,473)	(780,296)	(7,485,509
Cash Paid for Other Operating and Maintenance Costs		(981,459)	(1,366,777)	(12,985,987
Cash Paid for Interfund Administrative Charges.		(447,114)	(183,427)	(1,713,928
Net Cash Flows From (Used by) Operating Activities.		477,741	1,390,081	12,563,953
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		,	-,,	, ,
Interfund Operating Loans Received.		129,000		17,100
Interfund Operating Loans Made		,		,
Principal Payments Made on Interfund Operating Loans.		(557,000)		(697,000
Principal Payments Received on Interfund Operating Loans		(337,000)		(0)7,00
Cash Received from Grants				3,539,36
Net Cash Flows From (Used by) Noncapital Financing Activities		(428,000)		2,859,46
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	1,107,900	(426,000)		2,039,40.
Proceeds from Advances from Customers, Developers, and Other Governmental Units				
* '				12 002 05
Proceeds from Revenue and Loans for Capital Assets and Plant Expansions			1 020 220	13,002,95
Proceeds from Sale of Capital Assets		(40.005)	1,028,230	(000.00
Purchase of Capital Assets		(10,987)	(80,445)	(993,365
Cash Paid for Construction in Progress		(102,474)	(137,809)	(458,13)
Cash Paid for Project Development			(35,087)	(3,596,05
Interest Paid			(79,643)	(4,219,79)
Principal Payments on Revenue Bonds				(17,284,48
Principal Payments on Loans			(71,349)	(298,62
Net Cash Flows Used by Capital and Related Financing Activities	(66,673)	(113,461)	623,897	(13,847,50
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received from Investments			67,546	1,675,00
Investment Income Received			25,149	132,939
Cash Paid for Investments				(3,866,125
Net Cash Flows From (Used by) Investing Activities			92,695	(2,058,185
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,320,702	\$ (63,720)	\$ 2,106,673	\$ (482,279
CURRENT CASH AND CASH EQUIVALENTS:				
At Beginning of Year		72,378	333,951	5,162,634
At End of Year		8,658	2,440,137	7,484,858
Net Increase (Decrease)		(63,720)	2,106,186	2,322,224
RESTRICTED CASH AND CASH EQUIVALENTS:		(00), -0)	_,,,,,,,,,,	
At Beginning of Year			154,184	6,929,95
At End of Year.			154,671	4,125,452
Net Increase (Decrease)			487	(2,804,503
TOTAL CASH AND CASH EQUIVALENTS:	(23,078)		407	(2,004,30.
At Beginning of Year	2 215 005	72 279	100 125	12.002.59
9 9		72,378	488,135	12,092,589
At End of Year		8,658	2,594,808	11,610,31
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,320,702	\$ (63,720)	\$ 2,106,673	\$ (482,27)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS				
FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (477,510)	\$ 62,359	\$ 1,098,572	\$ 9,478,39
Adjustments to Reconcile Operating Income to Net Cash Flows	Ψ(477,510)	Ψ 02,337	\$ 1,070,372	φ
J 1 6				
From Operating Activities:	97.920	200 201	155.660	2.001.76
Depreciation and Amortization.		298,281	455,662	3,881,56
Actuarially Determined Net Pension Expense	. 846,080			
Net Change in Assets and Liabilities From Operating Activities:				
Operating Accounts Receivable		225,354	178,162	(2,356,12
Other Current Assets		253	3,575	(19,30
Operating Accounts Payable	955,110	(108,506)	(345,890)	1,579,42
Total Adjustments	719,203	415,382	291,509	3,085,56
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 241,693	\$ 477,741	\$ 1,390,081	\$ 12,563,953

<sup>1.</sup> During fiscal year 2017 and 2016, an adjustment of (\$100,130) and \$37,281 respectively, was made to decrease investments to fair value.

 $See\ accompanying\ independent\ auditors'\ report.$ 

Port 1	Lavaca	Calhoun		Luling Water					
	Water	County Rural	Coleto	Treatment	Canyon				
Tı	reatment	Water Supply	Creek	Plant	Hydroelectric	Lockhart			
	nt Division	Division	Division	Division	Division	Division	Eliminations		Total
\$	1,486,169	\$ 1,179,432	\$ 1,652,415	\$ 1,370,523	\$ 348,203	\$ 2,126,204	\$	\$	50,450,691
Ψ		φ 1,177,432	φ 1,032, <del>4</del> 13	ψ 1,370,323 	φ 5 <del>4</del> 0,205	\$ 2,120,20 <del>4</del>	φ	Ψ	3,115,380
	(566,087)	(446,285)	(1,112,835)	(433,233)	(202,099)	(503,332)			(15,059,916)
	(436,352)	(557,720)	(343,182)	(324,561)	(79,484)	(1,130,612)			(19,461,054)
	(130,341)	(103,402) 72,025	(150,518) 45,880	(100,083) 512,646	(47,874) 18,746	(118,100)			(2,994,787) 16,050,314
	353,389	72,023	,	312,040		374,100			10,030,314
	7,600		66,000		8,500		(228,200) 228,200		
	(7,600)		(66,000)		(8,500)		1,336,100		
							(1,336,100)		
									3,539,362
									3,539,362
		-							13,002,950
	(15,279)	(8,020)	(43,772)	(8,299)					1,028,230 (1,226,840)
	(50,862)	(5,800)	(43,772)	(8,299)					(755,084)
									(3,631,146)
	(11,313)			(150,320)		(8,000)			(4,469,069)
				(254,496)		(640,000)			(18,178,978)
	(49,975)	(42.020)	(40.550)						(419,945)
	(127,429)	(13,820)	(43,772)	(413,115)		(648,000)			(14,649,882)
		200,518		253,149		374,669			3,121,550
	289	2,710	200	5,340	805	2,465			200,704
	289	(197,391) 5,837	200	(145,065)	805	377,134			(4,752,273)
\$	226,249	\$ 64,042	\$ 2,308	\$ 212,955	\$ 19,551	\$ 103,294	\$	\$	3,509,775
	52,887	131,288	134,583	93,898	187,642	448,212			8,384,471
	279,136	195,330	136,891	306,842	206,866	551,506			14,727,002
	226,249	64,042	2,308	212,944	19,224	103,294			6,342,531
				7,706	103,176	. <u></u>			7,643,028
				7,717	103,503 327			_	4,810,272 (2,832,756)
	52,887	131,288	134,583	101,604	290,818	448,212			16,027,499
	279,136	195,330	136,891	314,559	310,369	551,506			19,537,274
\$	226,249	\$ 64,042	\$ 2,308	\$ 212,955	\$ 19,551	\$ 103,294	\$	\$	3,509,775
\$	(140,414)	\$ 64,564	\$ (16,170)	\$ 312,826	\$ (258,638)	\$ 146,011	\$	\$	10,269,993
	201,706	54,105	39,286	130,804	257,833	125,520			5,532,587
						-			846,080
	(75,799)	(42,749)	(95)	(31,268)	(48,918)	6,384			(3,311,734)
	476	(1,464)	(866)	(318)	414	91			(20,271)
	367,420	(2,431)	23,725	100,602	68,055	96,154			2,733,659
•	493,803	7,461	62,050	199,820	277,384	\$ 228,149		ф	5,780,321
Þ	353,389	\$ 72,025	\$ 45,880	\$ 512,646	\$ 18,746	\$ 374,160	\$	\$	16,050,314

### REGIONS BANK, DUNLAP WASTEWATER TREATEMENT EXPANSION & COLLECTION SYSTEM LOAN

YR END	TAX-EXEMPT	LOAN	
AUG 31	PRINCIPAL	INTEREST	TOTAL
2018	\$ 105,000	\$ 71,894	\$ 176,894
2019	110,000	68,303	178,303
2020	115,000	64,546	179,546
2021	115,000	60,708	175,708
2022	120,000	56,780	176,780
2023	125,000	52,689	177,689
2024	130,000	48,430	178,430
2025	135,000	44,005	179,005
2026	140,000	39,412	179,412
2027	145,000	34,653	179,653
2028	145,000	29,810	174,810
2029	150,000	24,883	174,883
2030	160,000	19,706	179,706
2031	165,000	14,279	179,279
2032	170,000	8,684	178,684
2033	175,000	2,923	177,923
	\$ 2,205,000	\$ 641,705	\$ 2,846,705

## REGIONS BANK, RURAL UTILITIES DIVISION LOAN EMERGENCY GENERATORS

YR END		CA	NYO	N PARK W	WTF	WTP <u>DUNLAP WWTP</u>									
AUG 31 PRINCIPAL		INTEREST		TOTAL		PRINCIPAL		INT	TEREST		TOTAL				
2018	\$	6,798	\$	339	\$	7,137	\$	7,621	\$	380	\$	8,001			
2019		7,016		121		7,137		7,866		136		8,002			
	\$	13,814	\$	460	\$	14,274	\$	15,487	\$	516	\$	16,003			

### U.S. GOVERNMENT LOAN, CANYON DAM AND RESERVOIR

2018       \$ 247,337       \$ 61,553       \$ 308,890         2019       253,521       \$ 55,369       \$ 308,890         2020       259,859       \$ 49,031       \$ 308,890         2021       266,355       \$ 42,535       \$ 308,890         2022       273,014       \$ 35,876       \$ 308,890         2023       279,839       \$ 29,051       \$ 308,890         2024       286,835       \$ 22,055       \$ 308,890         2025       294,006       \$ 14,884       \$ 308,890	YR END AUG 31	PRINCIPA	AL IN	TEREST	 TOTAL
2020       259,859       \$ 49,031       \$ 308,890         2021       266,355       \$ 42,535       \$ 308,890         2022       273,014       \$ 35,876       \$ 308,890         2023       279,839       \$ 29,051       \$ 308,890         2024       286,835       \$ 22,055       \$ 308,890	2018	\$ 247,3	37 \$	61,553	\$ 308,890
2021       266,355       \$ 42,535       \$ 308,890         2022       273,014       \$ 35,876       \$ 308,890         2023       279,839       \$ 29,051       \$ 308,890         2024       286,835       \$ 22,055       \$ 308,890	2019	253,5	21 \$	55,369	\$ 308,890
2022       273,014       \$ 35,876       \$ 308,890         2023       279,839       \$ 29,051       \$ 308,890         2024       286,835       \$ 22,055       \$ 308,890	2020	259,8	59 \$	49,031	\$ 308,890
2023       279,839       \$ 29,051       \$ 308,890         2024       286,835       \$ 22,055       \$ 308,890	2021	266,3	55 \$	42,535	\$ 308,890
2024 286,835 \$ 22,055 \$ 308,890	2022	273,0	14 \$	35,876	\$ 308,890
, , , , , , , , , , , , , , , , , , , ,	2023	279,8	39 \$	29,051	\$ 308,890
2025 294,006 \$ 14,884 \$ 308,890	2024	286,8	35 \$	22,055	\$ 308,890
	2025	294,0	06 \$	14,884	\$ 308,890
2026 301,357 \$ 7,533 \$ 308,890	2026	301,3	57 \$	7,533	\$ 308,890
\$ 2,462,123 \$ 317,887 \$ 2,780,010		\$ 2,462,1	23 \$	317,887	\$ 2,780,010

## GUADALUPE-BLANCO RIVER AUTHORITY AMORTIZATION SCHEDULES

WELLS FARGO LOAN EQUIPMENT PURCHASE AMORTIZATION SCHEDULE															
	DUN	LAP EME	RGI	ENCY GE	NER/	ATOR	WATER SALES BELT PRESS & TRUCK							TOTAL	
YR END AUG 31	PI	RINCIPAL	I	NTEREST		TOTAL		PRINCIPAL		INTEREST		TOTAL	REQ	UIREMENTS	
2018	\$	8,463	\$	3,026	\$	11,489	\$	35,578	\$	12,720	\$	48,298	\$	59,787	
2019		8,760		2,729		11,489		36,824		11,474		48,298		59,787	
2020		9,067		2,422		11,489		38,114		10,183		48,297		59,786	
2021		9,384		2,105		11,489		39,448		8,846		48,294		59,783	
2022		9,713		1,776		11,489		40,830		7,464		48,294		59,783	
2023		10,054		1,435		11,489		42,260		6,033		48,293		59,782	
2024		10,406		1,083		11,489		43,739		4,551		48,290		59,779	
2025		10,771		718		11,489		45,272		3,019		48,291		59,780	
2026		11,148		341		11,489		46,856		1,431		48,287		59,776	
2027		3,123		28		3,151		13,130		116		13,246		16,397	

### WATER RESOURCE WATER RIGHT PURCHASE AMORTIZATION SCHEDULE

382,051 \$ 65,837 \$

447,888

554,440

90,889 \$ 15,663 \$ 106,552

	<u>LULING FOUNDATION</u> <u>ABNER USSERY</u>						ABNER USSERY					
YR END AUG 31	PRINCIPA	L INTEREST	TOTAL		PRINCIPA	L INTEREST		TOTAL	REQUI	REMENTS		
2018	\$ 20,681	\$ 17,619 \$	38,300	-	\$ 12,149	\$ 10,351	\$	22,500	\$	60,800		
2019	21,612	16,688	38,300		12,69	9,804		22,500		60,800		
2020	22,584	15,716	38,300		13,26	9,233		22,500		60,800		
2021	23,600	14,700	38,300		13,86	8,636		22,500		60,800		
2022	24,662	13,638	38,300		14,48	8,012		22,500		60,800		
2023	25,772	12,528	38,300		15,140	7,360		22,500		60,800		
2024	26,932	11,368	38,300		15,822	2 6,678		22,500		60,800		
2025	28,144	10,156	38,300		16,53	5,966		22,500		60,800		
2026	29,410	8,890	38,300		17,27	5,222		22,500		60,800		
2027	30,734	7,566	38,300		18,05	5 4,445		22,500		60,800		
2028	32,117	6,183	38,300		18,86	3,632		22,500		60,800		
2029	33,562	4,738	38,300		19,71	2,783		22,500		60,800		
2030	35,072	3,228	38,300		20,60	1,896		22,500		60,800		
2031	36,648	3 1,647	38,295		21,53	967		22,501		60,796		
	\$ 391,530	\$ 144,665 \$	536,195		\$ 230,010	5 \$ 84,985	\$	315,001	\$	851,196		

## GENERAL IMPROVEMENT & REFUNDING REVENUE BONDS, SERIES 2011 OFFICE EXPANSION & WATER RIGHT CONTRACT BUYOUT

WATER RIGHT CONTRACT BUYO						REFUNDING PORTION-OFFICE					FICE	
YR END AUG 31	PRINCIPA	PRINCIPAL INTE			TOTAL P		RINCIPAL	IN	TEREST	TOTAL		TOTAL
2018	\$ 320,00	0 \$	203,463	\$	523,463	\$	200,000	\$	100,044	\$	300,044	\$ 823,507
2019	330,00	0	190,663		520,663		215,000		92,044		307,044	827,707
2020	345,00	0	177,463		522,463		220,000		83,444		303,444	825,907
2021	360,00	0	163,663		523,663		230,000		74,644		304,644	828,307
2022	375,00	0	149,263		524,263		240,000		65,444		305,444	829,707
2023	385,00	0	135,669		520,669		255,000		56,744		311,744	832,413
2024	400,00	0	121,231		521,231		265,000		47,181		312,181	833,412
2025	415,00	0	105,231		520,231		275,000		36,581		311,581	831,812
2026	435,00	0	88,113		523,113		285,000		25,238		310,238	833,351
2027	455,00	0	69,625		524,625		300,000		13,125		313,125	837,750
2028	475,00	0	49,719		524,719							524,719
2029	495,00	0	27,750		522,750							522,750
2030	105,00	0	4,856		109,856							 109,856
	\$ 4,895,00	0 \$	1,486,709	\$	6,381,709	\$	2,485,000	\$	594,489	\$	3,079,489	\$ 9,461,198

### GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2012 MID-BASIN PROJECT

YR END AUG 31	ΡI	RINCIPAL	IN	TEREST	TOTAL
2018	\$	220,000	\$	37,603	\$ 257,603
2019		225,000		37,295	262,295
2020		225,000		36,620	261,620
2021		225,000		35,473	260,473
2022		225,000		33,898	258,898
2023		230,000		31,985	261,985
2024		230,000		29,593	259,593
2025		235,000		26,971	261,971
2026		235,000		24,128	259,128
2027		240,000		21,002	261,002
2028		245,000		17,522	262,522
2029		245,000		13,210	258,210
2030		250,000		9,143	259,143
2031		255,000		4,743	259,743
	\$	3,285,000	\$	359,186	\$ 3,644,186

## GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2015 IWPP PROJECTS, SWIRF FUNDS

YR END AUG 31	PRI	NCIPAL		TOTAL	
2018	\$		\$	\$	
2019					
2020					
2021					
2022					
2023					
2024		145,000	58,295		203,295
2025		145,000	55,267		200,267
2026		150,000	52,080		202,080
2027		155,000	48,404		203,404
2028		160,000	44,294		204,294
2029		160,000	39,789		199,789
2030		165,000	35,096		200,096
2031		170,000	30,075		200,075
2032		180,000	24,747		204,747
2033		185,000	18,969		203,969
2034		190,000	12,916		202,916
2035		195,000	6,591	<u></u>	201,591
	\$	2,000,000	\$ 426,523	\$	2,426,523

## CONTRACT REVENUE REFUNDING BONDS, SERIES 2013 IH35 TREATED WATER DELIVERY SYSTEM PROJECT

YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2018	\$ 585,000	\$ 613,531	\$ 1,198,531
2019	600,000	601,831	1,201,831
2020	625,000	571,833	1,196,833
2021	640,000	557,769	1,197,769
2022	660,000	532,169	1,192,169
2023	690,000	505,769	1,195,769
2024	730,000	471,269	1,201,269
2025	765,000	434,769	1,199,769
2026	785,000	411,819	1,196,819
2027	810,000	387,288	1,197,288
2028	840,000	360,963	1,200,963
2029	865,000	332,613	1,197,613
2030	900,000	301,256	1,201,256
2031	930,000	268,631	1,198,631
2032	965,000	234,919	1,199,919
2033	1,000,000	199,938	1,199,938
2034	1,035,000	163,688	1,198,688
2035	1,070,000	124,875	1,194,875
2036	1,110,000	84,750	1,194,750
2037	1,150,000	43,121	1,193,121
	\$ 16,755,000	\$ 7,202,801	\$ 23,957,801

## CONTRACT REVENUE BONDS, SERIES 2007B & CONTRACT REVENUE REFUNDING BONDS, SERIES 2017 RRWDS PROJECT

			SE	RIES 2007B		SERIES 2017						
YR END AUG 31	PI	RINCIPAL	II	NTEREST	TOTAL	PI	RINCIPAL	II	NTEREST		TOTAL	TOTAL
2018	\$	105,000	\$	363,752	\$ 468,752	\$	290,000	\$	214,966	\$	504,966	\$ 973,718
2019		110,000		356,328	466,328		245,000		256,531		501,531	967,859
2020		120,000		348,551	468,551		250,000		251,631		501,631	970,182
2021		130,000		340,067	470,067		260,000		244,131		504,131	974,198
2022		135,000		330,876	465,876		270,000		236,331		506,331	972,207
2023		145,000		321,332	466,332		275,000		228,231		503,231	969,563
2024		155,000		311,080	466,080		290,000		217,231		507,231	973,311
2025		170,000		300,122	470,122		295,000		205,631		500,631	970,753
2026		180,000		288,103	468,103		310,000		193,831		503,831	971,934
2027		195,000		275,377	470,377		320,000		181,431		501,431	971,808
2028		205,000		261,590	466,590		330,000		168,631		498,631	965,221
2029		220,000		247,097	467,097		350,000		155,431		505,431	972,528
2030		235,000		231,543	466,543		360,000		141,431		501,431	967,974
2031		255,000		214,928	469,928		375,000		127,031		502,031	971,959
2032		270,000		196,900	466,900		395,000		112,031		507,031	973,931
2033		290,000		177,811	467,811		410,000		96,231		506,231	974,042
2034		310,000		157,308	467,308		420,000		83,931		503,931	971,239
2035		335,000		135,391	470,391		435,000		71,331		506,331	976,722
2036		355,000		111,706	466,706		445,000		58,281		503,281	969,987
2037		380,000		86,608	466,608		460,000		44,375		504,375	970,983
2038		410,000		59,742	469,742		470,000		30,000		500,000	969,742
2039		435,000		30,755	465,755		490,000		15,313		505,313	971,068
	\$	5,145,000	\$	5,146,967	\$ 10,291,967	\$	7,745,000	\$	3,333,962	\$	11,078,962	\$ 21,370,929

# REGIONAL RAW WATER DELIVERY SYSTEM CONTRACT REVENUE REFUNDING BONDS, SERIES 2010 (CITY OF SAN MARCOS, TEXAS PORTION)

			RIES 2010		
YR END AUG 31	PI	RINCIPAL	IN	TEREST	TOTAL
2019 *	\$	490,000	\$	108,756	\$ 598,756
2020		500,000		94,518	594,518
2021		520,000		79,218	599,218
2022		540,000		63,318	603,318
2023		565,000		46,743	611,743
2024		585,000		29,128	614,128
2025		615,000		9,994	624,994
	\$	3,815,000	\$	431,675	\$ 4,246,675

 $<sup>* \</sup>textit{The principal and related interest due on September 1, 2017 (FY2018) were paid in fiscal year ending August 31, 2017.}\\$ 

### CONTRACT REVENUE REFUNDING BONDS, SERIES 2016 SAN MARCOS WATER TREATMENT PLANT PROJECT

		SERIES 2016	
YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2018	\$ 90,000	\$ 174,681	\$ 264,681
2019	95,000	172,881	267,881
2020	95,000	170,981	265,981
2021	100,000	169,081	269,081
2022	95,000	167,081	262,081
2023	100,000	164,231	264,231
2024	110,000	161,231	271,231
2025	110,000	158,481	268,481
2026	110,000	155,181	265,181
2027	115,000	151,881	266,881
2028	120,000	149,006	269,006
2029	120,000	146,006	266,006
2030	125,000	142,406	267,406
2031	510,000	138,656	648,656
2032	540,000	113,156	653,156
2033	570,000	86,156	656,156
2034	595,000	57,656	652,656
2035	615,000	39,063	654,063
2036	635,000	19,844	654,844
	\$ 4,850,000	\$ 2,537,659	\$ 7,387,659

## COMBINATION CONTRACT REVENUE REFUNDING BONDS SERIES 2013A & 2013B WESTERN CANYON REGIONAL WATER SUPPLY CONTRACT

	SERIES 2013A SERIES 2013B								
YR END AUG 31	PRINCIPAL	INTEREST	TOTAL	P	RINCIPAL	I	NTEREST	TOTAL	TOTAL
2018	\$ 2,030,000	\$ 2,296,900	\$ 4,326,900	\$	270,000	\$	238,494	\$ 508,494	\$ 4,835,394
2019	2,115,000	2,215,700	4,330,700		275,000		233,340	508,340	4,839,040
2020	2,200,000	2,131,100	4,331,100		285,000		224,301	509,301	4,840,401
2021	2,305,000	2,021,100	4,326,100		295,000		214,933	509,933	4,836,033
2022	2,415,000	1,913,350	4,328,350		305,000		205,236	510,236	4,838,586
2023	2,535,000	1,792,600	4,327,600		315,000		195,211	510,211	4,837,811
2024	2,660,000	1,665,850	4,325,850		325,000		184,857	509,857	4,835,707
2025	2,795,000	1,532,850	4,327,850		335,000		169,799	504,799	4,832,649
2026	2,935,000	1,393,100	4,328,100		350,000		154,279	504,279	4,832,379
2027	3,080,000	1,246,350	4,326,350		370,000		138,063	508,063	4,834,413
2028	3,235,000	1,092,350	4,327,350		390,000		120,921	510,921	4,838,271
2029	3,400,000	930,600	4,330,600		405,000		102,853	507,853	4,838,453
2030	3,565,000	762,000	4,327,000		425,000		84,089	509,089	4,836,089
2031	3,745,000	585,200	4,330,200		440,000		64,399	504,399	4,834,599
2032	3,930,000	399,500	4,329,500		465,000		44,014	509,014	4,838,514
2033	4,125,000	204,600	4,329,600		485,000		22,470	507,470	 4,837,070
	\$ 47,070,000	\$ 22,183,150	\$ 69,253,150	\$	5,735,000	\$	2,397,259	\$ 8,132,259	\$ 77,385,409

### GUADALUPE-BLANCO RIVER AUTHORITY AMORTIZATION SCHEDULES

### FROST NATIONAL BANK, PORT LAVACA WTP CLEARWELL

YR END AUG 31	PRINCIPAL	INTEREST		TOTAL		
2018	\$ 52,040		\$	9,248	\$	61,288
2019	54,190			7,098		61,288
2020	56,416			4,872		61,288
2021	58,760			2,528		61,288
2022	30,281			362		30,643
	\$ 251,687		\$	24,108	\$	275,795

### TREATED WATER DELIVERY SYSTEM CONTRACT REVENUE REFUNDING BONDS, SERIES 2014 CITY OF LOCKHART PROJECT (LULING-TO-LOCKHART PIPELINE)

YR END AUG 31	P	PRINCIPAL	INTEREST	TOTAL
2018	\$	260,000	\$ 140,933	\$ 400,933
2019		275,000	131,704	406,704
2020		280,000	122,130	402,130
2021		290,000	112,298	402,298
2022		300,000	102,120	402,120
2023		310,000	91,598	401,598
2024		320,000	80,730	400,730
2025		335,000	69,431	404,431
2026		345,000	57,701	402,701
2027		355,000	45,626	400,626
2028		370,000	33,120	403,120
2029		380,000	20,183	400,183
2030		395,000	6,814	 401,814
	\$	4,215,000	\$ 1,014,388	\$ 5,229,388

## **Statistical Section**

### **Index and Explanation**

This part of the Guadalupe Blanco River Authority's (GBRA) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about GBRA's overall financial health.

	These schedules contain trend information to help the reader understand how GBRA's
	financial performance and well-being have changed over time.
N.I.	A Danitan by Commonant
	et Positon by Component
	chedule of Changes in Net Position.
50	chedules of Operating Revenues by Source, Operating Expenses, and
D	Nonoperating Revenue and Expenses
Reve	enue Capacity These schedules contain information to help the reader assess GBRA's most significant
	revenue sources and types of operating systems.
	revenue sources and types of operating systems.
Dr	incipal Customers
	perations
	Capacity
Debi	These schedules present information to help the reader assess and understand GBRA's
	debt burden.
	dobt bardon.
De	ebt by Type
Th	ird Party Debt
Th	ographic and Economic Information
Th	These schedules offer demographic and economic indicators to help the reader
Th	ographic and Economic Information
Th <b>Dem</b>	ographic and Economic Information  These schedules offer demographic and economic indicators to help the reader understand the environment within which GBRA's financial activities take place.
Th <b>Dem</b> Di:	ographic and Economic Information  These schedules offer demographic and economic indicators to help the reader understand the environment within which GBRA's financial activities take place.  strict Demographics
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### Guadalupe Blanco River Authority Net Position By Component Last Ten Fiscal Years (accrual basis of accounting)

			Fiscal Year		
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Primary government  Net investment in capital assets  Restricted	\$ 39,900,766 9,450,962	\$ 45,212,346 8,546,152	\$ 43,492,246 8,100,743	\$ 41,302,982 8,047,563	\$ 36,423,496 4,787,708
Unrestricted  Total primary government net position	40,016,677 \$ 89,368,405	26,498,994 \$ 80,257,492	22,926,275 \$ 74,519,264	27,977,413 \$ 77,327,958	30,776,556 \$ 71,987,760
			Fiscal Year		
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Primary government					
Net investment in capital assets	\$ 35,853,611	\$ 40,790,810	\$ 43,235,437	\$ 40,582,695	\$ 38,715,589
Restricted	5,995,312	5,386,547	6,521,324	10,715,810	7,978,016
Unrestricted	25,315,195	18,914,321	15,143,773	10,656,309	11,365,266
Total primary government net positon	\$ 67,164,118	\$ 65,091,678	\$ 64,900,534	\$ 61,954,814	\$ 58,058,871

### Guadalupe Blanco River Authority Changes in Net Position Last Ten Fiscal Years

Fiscal <u>Year</u>	Operating Revenues	Operating Expenses	Operating Income	Total Nonoperating Revenues (Expenses)	Income before Capital Contributions and Deferrals	Capital Contributions	<u>Deferrals</u>	Restatement	Change in Net <u>Position</u>
2008	44,645,439	33,684,665	10,960,774	(6,290,390)	4,670,384	704,171	(741,252)		4,633,303
2009	45,001,215	34,503,980	10,497,235	(6,695,555)	3,801,680	1,300,256	(705,993)		4,395,943
2010	44,517,699	34,970,761	9,546,938	(6,499,912)	3,047,026	414,096	(1,015,402)		2,445,720
2011	43,649,714	35,199,680	8,450,034	(7,724,043)	725,991	-	(534,847)		191,144
2012	44,636,657	35,579,849	9,056,808	(6,097,754)	2,959,054	-	(886,614)		2,072,440
2013	45,066,266	36,799,250	8,267,016	(5,908,084)	2,358,932	-	2,464,710		4,823,642
2014	47,577,259	36,666,041	10,891,218	(3,743,258)	7,147,960	-	(1,526,940)		5,621,020
2015	46,857,167	37,337,459	9,519,708	(3,520,050)	5,999,658	-	(1,209,707)	(7,598,645)	(2,808,694)
2016	50,215,953	40,744,118	9,471,835	(2,481,361)	6,990,474	-	(1,252,246)		5,738,228
2017	51,726,865	41,456,872	10,269,993	(547,476)	9,722,517	-	(611,604)		9,110,913

The Guadalupe Blanco River Authority adopted GASB 68, Accounting and Financial Reporting for Pensions in FY 2015, resulting in a decrease in net assets of \$7,598,645.

### **Guadalupe Blanco River Authority**

## Operating Revenues by Source Last Ten Fiscal Years

	Pollution		Water	Rental,	Waste			
	and		Sales	Recreation	Water			
	Industrial	Power	and Lake	and	Treatment	Laboratory		
Year	Financing	Sales	Operations	Land Use	Services	Services	Miscellaneous	Total
2008	163,560	3,854,491	30,255,712	973,603	6,271,513	641,059	2,485,501	44,645,439
2009	-	3,056,054	31,051,511	932,909	6,683,467	675,585	2,601,689	45,001,215
2010	-	4,040,510	31,054,841	927,049	6,107,928	759,958	1,627,413	44,517,699
2011	-	4,192,271	31,615,931	1,022,746	4,273,817	736,451	1,808,498	43,649,714
2012	-	3,979,015	33,081,820	1,111,419	3,556,848	823,466	2,084,089	44,636,657
2013	-	3,548,940	34,252,743	1,127,145	3,649,643	800,922	1,686,873	45,066,266
2014	-	3,032,418	34,316,750	1,151,892	3,830,673	842,643	4,382,883	47,557,259
2015	-	2,914,459	35,235,777	1,140,268	4,070,855	914,476	2,581,332	46,857,167
2016	-	3,980,284	36,351,390	1,064,728	4,481,509	965,329	3,372,713	50,215,953
2017	-	3,868,917	38,684,639	1,032,079	3,737,942	1,006,168	3,397,120	51,726,865

## Operating Expenses Last Ten Fiscal Years

		Operating				
	Personnel	Supplies	Maintenance	Depreciation		
	Operating	and	and	and	Special	
Year	Costs	Services	Repairs	Amortization	Items (a)	Total
2008	9,325,518	13,858,478	4,876,916	5,623,753	-	33,684,665
2009	10,014,890	14,371,964	4,539,233	5,577,893	-	34,503,980
2010	9,942,404	13,288,880	4,416,585	6,127,100	1,195,792	34,970,761
2011	9,454,599	13,340,648	4,272,751	6,136,748	1,994,934	35,199,680
2012	9,679,527	13,291,466	4,071,712	5,847,241	2,970,725	35,860,671
2013	9,983,897	14,111,633	4,398,941	7,279,816	1,024,963	36,799,250
2014	10,669,145	14,675,651	4,808,404	6,273,761	239,080	36,666,041
2015	11,553,310	14,894,444	4,963,250	5,705,554	220,901	37,337,459
2016	14,335,153	17,397,816	3,393,746	5,617,403	-	40,744,118
2017	15,785,404	16,821,406	3,317,475	5,532,587	-	41,456,872

<sup>(</sup>a) Special Items in FY 2010 through FY 2015 include costs associated with the Whooping Crane Endangered Species Lawsuit

### Nonoperating Revenue and Expenses Last Ten Fiscal Years

Gain (Loss) on Disposal

	Interest	Investment		of Capital	
Year	Expense	Income	Grants	Assets	Total
2008	(7,046,879)	828,429	-	(71,940)	(6,290,390)
2009	(7,410,716)	475,308	242,557	(2,704)	(6,695,555)
2010	(7,184,205)	237,079	430,424	16,790	(6,499,912)
2011	(6,812,918)	288,242	549,534	(1,748,901)	(7,724,043)
2012	(6,684,592)	146,506	563,047	(122,715)	(6,097,754)
2013	(6,711,171)	117,304	681,223	4,560	(5,908,084)
2014	(5,059,003)	276,151	1,030,613	8,981	(3,743,258)
2015	(4,553,127)	124,228	891,457	17,392	(3,520,050)
2016	(4,387,175)	365,520	1,531,700	8,594	(2,481,361)
2017	(4,381,843)	222,968	3,539,362	72,037	(547,476)

### **List of Principal Customers**

Guadalupe Valley Electric Cooperative

New Braunfels Utilities

Coleto Creek Park Customers

Lake Wood Recreational Park Customers

Nolte Island Park Customers

**Regional Laboratory Customers** 

Calhoun County Rice Farmers

City of Buda

City of Bulverde

City of Lockhart

City of Schertz

Cordillera Ranch

North Hays County MUD #1

Sunfield Municipal Utility District #4

Johnson Ranch Municipal Utility District

## POWER SALES & OTHER SERVICES

## WATER SALES CUSTOMERS

Canyon Lake Water Supply Corp. Canyon Regional Water Authority

City of Boerne

City of Buda

City of Fair Oaks Ranch

City of Kyle

City of Port Lavaca

City of San Marcos

City of Seguin

Coleto Creek Power, LP

Cordillera Ranch

Crystal Clear Water Supply Corporation

**Guadalupe Power Partners** 

Hays Energy Limited Partnership

Ineos Nitriles Green Lake Plant

New Braunfels Utilities

San Antonio Water System

Springs Hill Water Supply Corporation

Sunfield Municipal Utility District #4



## WASTEWATER TREATMENT CUSTOMERS

## WATER TREATMENT CUSTOMERS

Calhoun County Rural Water Corporation

City of Boerne

City of Buda

City of Fair Oaks Ranch

City of Kyle

City of Lockhart

City of Luling

City of Port Lavaca

City of San Marcos

Cordillera Ranch

Goforth Special Utility District

Kendall West Utilities

Port O'Connor Municipal Utility District

San Antonio Water System

Sunfield Municipal Utility District #4

The above customers represent GBRA's principal customers. Because of the long term nature of GBRA's contracts, the majority of these customers have been customers of GBRA for ten years or more. The Water Sales Customers represent GBRA's largest source of revenue. The rate history for Water Sales Customers is as follows:

Price Per	Effective	Price Per	Effective
Acre-Foot (1)	Date	Acre-Foot (1)	Date
\$38.75	10/1/1980	\$96.00	10/1/2006
44.76	10/1/1985	100.00	10/1/2007
53.03	10/1/1990	105.00	10/1/2008
61.00	10/1/1997	110.00	10/1/2010
69.00	10/1/2000	114.00	10/1/2011
80.00	10/1/2002	125.00	10/1/2012
84.00	11/1/2003	130.00	10/1/2014
88.00	10/1/2004	135.00	10/1/2015
92.00	10/1/2005	142.00	10/1/2016

<sup>(1)</sup> Excludes out-of-district charges.

### **Types of Operating Systems**

Several GBRA operating divisions are segregated into systems to facilitate cost accounting, internal control, and rate setting. Each system has one of two types of budgets, either "Budget-to-Actual" or "Units of Service". Budget-to-Actual systems provide services based on a budget approved by the customer and GBRA. During the course of the year, the customer is billed based on the annual budget with those billings adjusted to the total actual cost of service at each fiscal year end. Unit-of Service budgets in other GBRA operations include an annual rate adoption by the GBRA Board where the customer pays for some type of service based on a unit of measure at the applicable rate. The revenue derived from these customers pays the operating and maintenance, debt service, and capital costs of the system. In these systems, revenue is completely dependent upon the number of units sold and no customer year-end adjustment is available. The table below distinguishes the systems according to the type of operations in which they operate:

Budget-to-Actual Operations:	Principal Customers	County
Northcliffe Wastewater Treatment Plant	City of Schertz	Guadalupe
Sunfield Wastewater Treatment Plant	Sunfield MUD #4	Hays
4S Ranch Wastewater Treatment Plant	Comal County WCID #6	Comal
Park Village Wastewater Treatment Plant	Comal County WCID #6	Comal
Singing Hills Wastewater Treatment Plant	City of Bulverde	Comal
Buda Wastewater Treatment Plant	City of Buda	Hays
Port Lavaca Water Treatment Plant	City of Port Lavaca	Calhoun
Coleto Creek Reservoir	Coleto Creek Power, LP	Victoria/Goliad
Luling Water Treatment Plant	Cities of Luling & Lockhart	Caldwell
Canyon Hydroelectric Plant	New Braunfels Utilities	Comal
Lockhart Wastewater Reclamation System	City of Lockhart	Caldwell
Lockhart Water Treatment Plant	City of Lockhart	Caldwell

Unit of Service Operations:	Principal Customers	County
General Division	GBRA Systems	Guadalupe
Guadalupe Valley Hydroelectric Division	Guadalupe Valley Electric Coop.	Guadalupe/Gonzales
Shadow Creek Wastewater Treatment Plant	Residential Customers	Hays
Canyon Park Wastewater Reclamation System	Residential Customers	Comal
Dunlap Wastewater Reclamation System	Residential Customers	Guadalupe
Water Sales System	Communities, industries, farmers	Entire River Basin
Regional Laboratory System	Residential, Industrial, City Customers	Entire River Basin
Calhoun Canal System	Port Lavaca Plant,farmers, industries	Calhoun
San Marcos Water Treatment Plant	City of San Marcos	Hays
Western Canyon Division	Boerne, Bulverde, Fair Oaks, Cordillera	Comal/Kendall
Cordillera Water Treatment Plant	Residential and Commercial Customers	Kendall
Cordillera Wastewater Treatment Plant	Residential and Commercial Customers	Kendall
Comal Trace Water Distribution System	Residential Customers	Comal
Johnson Ranch Water Distribution System	Residential Customers, Public School	Comal
Johnson Ranch Wastewater Treatment Plant	Residential Customers, Public School	Comal
Calhoun County Rural Water System	Residential and Commercial Customers	Calhoun
Coleto Creek Recreation	Recreational Customers	Victoria/Goliad

### Guadalupe Blanco River Authority Debt By Type Last Ten Fiscal Years

	Net Obligations Payable Directly By GBRA		Net Obligations P Revenue Con	•	Pollution Control		
	Bonds	Loans	Bonds	Loans	Bonds		
Year					<del></del>		
2008	3,755,000	11,076,109	139,522,039	395,467	\$ -		
2009	3,630,000	10,845,301	134,602,007	387,356	-		
2010	3,500,000	9,981,619	129,899,199	378,910	-		
2011	10,122,346	9,362,340	124,789,055	370,115	-		
2012	14,108,088	11,337,160	119,930,725	360,998	-		
2013	13,453,831	10,583,254	117,364,922	351,463	-		
2014	12,784,574	7,682,733	111,208,494	341,534	-		
2015	12,095,316	6,962,889	106,160,734	331,195	-		
2016	13,391,059	5,752,929	100,974,255	301,662	-		
2017	12,671,801	5,790,910	100,969,477	251,687	-		

<sup>(</sup>a) Contract revenue bonds and loans are payable from revenue derived from various contracts between GBRA and the various parties securing payment to GBRA for debt service payments on the bonds and loans. Debt coverage is 100% for these bonds and loans. Each customer is billed monthly for 1/12 of the total debt service for the fiscal year. Each revenue bond contract is insured or credit rated based on the financial strength of GBRA's service contract.

In FY 2017, Net Obligations Payable from Revenue Contracts were as follows:		Customer Revenue Contract	
RRWDS Combination Contrract Revenue Bonds Series 2007	\$	5,145,000	Cities of Kyle & Buda, GoForth SUD,
RRWDS Combination Contrract Revenue Refunding Bonds Series 2017	\$	8,083,612	Sunfield MUD, Monarch Util,
Contract Revenue Refunding Bonds Series 2016-San Marcos Plant	\$	4,850,000	Hays Energy LP, Canyon Reg Water Authority
RRWDS Combination Revenue Refunding Bonds, San Marcos Series 2010	\$	3,815,000	City of San Marcos
IH 35 Proj Combination Contract Revenue Bonds, Series 2013	\$	16,682,779	Cities of Kyle & Buda, GoForth SUD, Monarch Util, Sunfield MUD
Western Canyon Regional WS Project Revenue Bonds, Series 2013 A&B	\$	58,184,642	San Antonio Water System, Cities of Boerne & Fair Oaks, Canyon Lake Water Supply Co., Kendall West, Lerin MUD, DH Investments, Bremer Ranch, Couser Ranch, Retail Operations: Cordillera, Comal Trace, Johnson Ranch
Frost National Bank-Clearwell Treated Water Delivery System Contract Revenue Refund. Bonds, Series 2014	\$ \$	251,687 4,208,444	Port O'Connor MUD, Calhoun Co Rural Water City of Lockhart

Notes: All balances for bonds and loans outstanding are shown prior to defeasance and accretion of Interest.

Guadalupe Blanco River Authority Third Party Debt Last Ten Fiscal Years

### Pollution Control and Industrial Development Bonds

Year	
2008	90,890,000
2009	90,890,000
2010	40,890,000
2011	40,890,000
2012	40,890,000
2013	40,890,000
2014	40,890,000
2015	40,890,000
2016	40,890,000
2017	-

GBRA has assisted industries within the GBRA service area by acting as issuing conduit so that the user of the bond proceeds benefited from reduced debt service requirements. Fees to administer this debt are recognized as pollution and industrial financing income. In each case, the user of the bond proceeds pledge their credit, bear sole responsibility for all debt service, make all payments directly to the trustee and completely indemnify GBRA for any costs incurred. Due to the character of these bonds, GBRA considers them debts of the third party users rather than debts of GBRA. Therefore, these bonds and the related receivables have been excluded from the combined financial statements in order to avoid misrepresenting the nature of the bonds and distorting GBRA's statements. The exclusion is in conformity with the Texas State Auditor's Report dated October 6, 1986 for Water Districts and River Authorities reporting third party conduit financings.

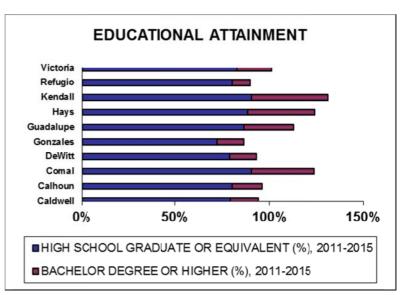
### **GBRA District Demographics**

GBRA provides a variety of services to rural water corporations, electric cooperatives, industries and individuals within this ten-county district. GBRA's operations serve both retail and wholesale customers in an array of services including water sales and distribution, water treatment, wastewater treatment, hydroelectric generation, laboratory analysis and recreation opportunities.

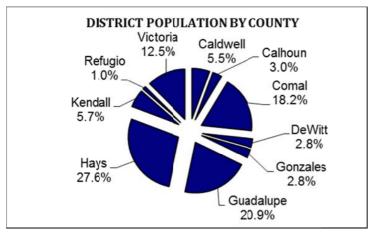
GBRA's service area is geographically part of south central Texas. It stretches from the Hill Country through the I-35 Corridor and on to the Gulf Coast. GBRA's service area includes ten-counties and more than seventy cities and communities. This geographic diversity in turn provides economic diversity with a unique combination of agriculture, oil and gas, defense, high tech and heavy industry.

This diversity allows the local economy to be among the State's growth leaders and outpace the national economy as well as weather the effects of any global economic problems better than other areas may. The local economy is also being spurred by tremendous population growth along the I-35 Corridor and for a period of time, the Eagle Ford Shale oil boom. Indicative of the population boom is the fact that the cities of Austin and San Antonio are both listed in the top ten of cities which have grown the most during the last ten years. The graphs below and on the following page portray the population and economic base within GBRA's ten-county district.

F	HIGH SCHOOL	BACHELOR
	GRADUATE	DEGREE
<b>COUNTY</b>	OR EQUIV.	OR HIGHER
Caldwell	79%	15%
Calhoun	80%	16%
Comal	91%	33%
DeWitt	79%	15%
Gonzales	72%	14%
Guadalupe	87%	26%
Hays	89%	36%
Kendall	90%	41%
Refugio	80%	10%
Victoria	83%	18%



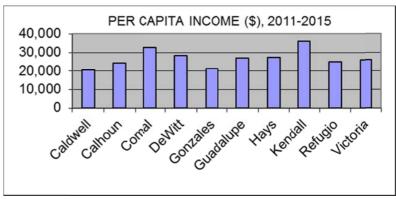
SOURCE: U.S. Census Bureau, 5yr Estimate



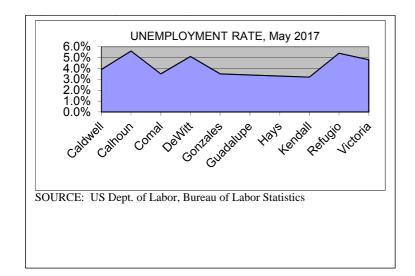
<u>COUNTY</u>	<b>POPULATION</b>
Hays	204,470
Guadalupe	155,265
Comal	134,788
Victoria	92,467
Kendall	42,540
Caldwell	41,161
Calhoun	21,965
Gonzales	20,876
DeWitt	20,865
Refugio	7,321

SOURCE: U.S. Census Bureau, July 2016

COUNTY	PER CAPITA INCOME
Kendall	36,126
Comal	32,838
DeWitt	28,418
Hays	27,398
Guadalupe	26,928
Victoria	25,987
Refugio	24,902
Calhoun	24,372
Gonzales	21,185
Caldwell	20,667



SOURCE: U.S. Census Bureau, 5-yr Estimate



	UNEMPLOYMENT
<u>COUNTY</u>	RATE
Comal	3.5%
Caldwell	3.9%
Guadalupe	3.4%
Calhoun	5.6%
Victoria	4.8%
Hays	3.3%
Kendall	3.2%
Gonzales	3.5%
DeWitt	5.1%
Refugio	5.4%
Texas	4.4%
1 0.1005	
U.S.	4.4%

### Guadalupe Blanco River Authority Number of Employees by Division Last Ten Fiscal Years

Division	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General	38	40	40	41	39	40	39.5	35	38.5	34
Guadalupe Valley Electric	25	25	25	25	26	26	26	24	24	23
Rural Utilities	7	7	7	7	7	7	7	7	7.5	7.5
Water Resources	46	51	48	49	49	49.5	51.5	50	50.5	57
Western Canyon	9	9	9	9	9	9	9	9	10	11
Port Lavaca WTP	8	8	8	8	8	8	8	8	8	8
Calhoun County RWSS	4	4	4	4	4	4	5	4	5	5
Victoria Regional WWRS	21	21	19	9	-	-	-	-	-	-
Coleto Creek Park and Reservoir	16	16	16	16	16	16	16	14.5	14.5	14
Luling WTP	5	5	5	5	5	5	5	5	5	5
Canyon Hydroeletric	2	2	2	2	2	2	2	2	2	2
Lockhart WWTP & WTP	11	11	11	11	11	11	11	7	7	7
Total	192	199	194	186	176	177.5	180	165.5	172	173.5

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).

GBRA's contract with the City of Victoria to operate the Victoria Regional Wastewater Reclamation Plants terminated in December, 2010. Employees of GBRA transitioned to the City of Victoria or other GBRA divisions.



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## GUADALUPE-BLANCO RIVER AUTHORITY OPERATING STATISTICS

Operating Statistics:	FY 2007	FY 2008	FY 2009	
Water Treatment Customers:				
Total Water Distributed (Gal.)				
Calhoun County Rural Water Supply Division	62,684,000	75,006,000	87,252,000	
Total Water Treated (Gal.)				
Lockhart Water Treatment System	479,150,000	525,871,000	554,970,000	
Luling Water Treatment Plant Division	651,263,000	734,704,000	677,043,000	
Port Lavaca Water Treatment Plant Division	592,510,000	673,172,000	739,501,000	
San Marcos Water Treatment Plant System	2,129,290,000	2,404,842,000	2,773,635,000	
Western Canyon Water Treatment Plant System	2,713,775,000	3,648,193,000	3,669,842,000	
Waste Water Treatment Customers:				
Total Wastewater Treated (Gal.)				
Buda Wastewater Treatment Plant	198,200,000	243,800,000	273,300,000	
Crestview Subdivision Wastewater Treatment Plant	3,256,203	2,191,534	2,184,018	
Lockhart Wastewater Reclamation System	489,000,000	447,100,000	380,250,000	
Rural Utilities Division	190,740,000	168,630,000	168,400,000	
Victoria Regional Wastewater Reclamation Division	2,390,000,000	2,585,000,000	2,209,000,000	
Village of Wimberley Wastewater Treatment Plant	5,385,000	3,660,000	4,720,000	
North Hayes County MUD #1	23,790,000	35,570,000	35,980,000	
Sunfield Subdivision Wastewater Treatment				
Water Sales Customers:				
Rice Irrigation (Acres)				
Calhoun Canal System	2,086	2,809	2,153	
Water Delivered (Gal.)				
Guadalupe Power Partners	974,680,000	1,157,790,000	1,146,655,000	
Regional Raw Water Delivery System	2,129,290,000	3,274,240,000	2,908,782,000	
Power Sales & Other Services:				
Total Generation (kWh)				
Guadalupe Valley Hydroelectric Division	64,980,700	66,914,600	25,726,200	
Canyon Hydroelectric Division	9,102,504	19,026,827	2,415,841	
Annual Permits				
Lake Wood Recreation Area	11	17	9	
Coleto Creek Regional Park	274	285	252	
Camping Permits				
Lake Wood Recreation Area	2,112	2,635	2,995	
Coleto Creek Regional Park	13,376	14,594	12,941	
Camping Cabins				
Coleto Creek Regional Park	542	662	725	
Day Use Permits				
Lake Wood Recreation Area	2,164	2,567	2,739	
Coleto Creek Regional Park	14,177	16,851	15,139	

FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
FY 2017	F Y 2010	F Y 2015	FY 2014	FY 2013	F Y 2012	FY 2011	F Y 2010
79,187,000	81,715,000	72,753,000	75,749,000	81,818,000	92,377,000	91,070,000	71,381,000
546,343,000	544,955,000	522,285,000	537,896,000	548,963,000	579,122,000	613,240,000	542,137,000
668,198,000	654,244,000	638,074,000	630,906,000	684,728,000	664,541,000	675,179,000	634,399,000
626,247,000	693,981,000	715,451,000	617,275,000	666,194,000	721,578,000	752,918,000	630,210,000
3,261,793,000	3,627,098,000	3,619,286,000	3,643,600,000	3,449,001,000	3,324,085,000	3,209,012,000	2,685,046,000
3,737,741,000	3,641,065,000	3,302,315,000	3,587,600,000	3,663,286,000	3,640,904,000	3,446,937,000	3,722,663,000
412,900,000	435,200,000	426,560,000	479,600,000	363,970,000	376,050,000	331,430,000	339,800,000
2,150,000	2,041,000	3,306,682	1,719,866	2,085,000	2,709,621	2,291,900	3,059,616
451,010,000	491,710,000	483,600,000	413,360,000	395,550,000	453,960,000	429,580,000	465,830,000
190,500,000	229,200,000	239,900,000	199,500,000	186,300,000	186,300,000	195,800,000	239,600,000
		237,700,000				819,000,000	2,579,000,000
					1,750,000	4,930,000	3,246,000
64,880,000	65,760,000	56,050,000	54,790,000	46,700,000	43,000,000	38,160,000	41,010,000
44,800,000	36,710,000	41,670,000	43,610,000	23,210,000	19,020,000	9,970,000	2,560,000
1 020 212 000	1,074	1 224 248 000	1,532	2,306	1,917	2,249	2,177 998,991,000
1,029,213,000 4,032,457,000	1,239,957,000 4,803,160,000	1,224,248,900 4,525,209,000	816,222,100 4,295,695,000	680,145,000 4,281,180,000	498,819,000 4,093,251,000	900,513,000 3,336,852,000	3,280,168,000
63,024,500 17,949,565	68,045,400 22,657,028	37,271,300 4,256,771	18,469,500 1,599	23,444,900	31,405,400	42,126,000 7,566,158	71,633,300 17,716,632
17,515,505	22,037,020	1,230,771	1,577			7,500,130	17,710,032
3	5	10	23	30	27	19	18
265	285	273	290	320	309	259	254
3,140	2,214	4,031	4,932	5,403	4,914	4,266	3,204
13,850	14,514	13,136	14,697	14,983	14,368	13,133	12,393
623	990	923	1,009	1,072	985	766	717
2,064	2,697	3,746	3,855	3,080	2,851	2,588	2,776
17,607	18,417	17,455	16,825	18,377	17,503	16,331	14,465

### Guadalupe Blanco River Authority Schedule of Capital Asset Additions by Division Last Ten Fiscal Years

					Port Lavaca	Calhoun	Victoria		Luling			
		Guadalupe			Water	County	Regional		Water	Canyon		
		Valley	Rural	Water	Treatment	Rural Water	Wastewater	Coleto	Treatment	Hydro		
	General	Hydro	Utilities	Resource	Plant	Supply	Reclamation	Creek	Plant	Plant	Lockhart	
Year	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Total
2008	\$ 41,054	\$ 990,319	\$ 117,216	\$ 1,936,806	\$ 22,614	\$ 113,413	\$ 14,254	\$ 37,238	\$ 5,893	\$ -	\$ 29,332	\$ 3,308,138
2009	485,055	121,593	391,855	14,182,783	1,464,060	28,727	77,120	7,829	-	-	59,264	16,818,286
2010	83,824	121,168	591,354	511,881	4,106	48,080	57,852	-	-	-	207,062	1,625,327
2011	84,589	51,473	2,005,870	9,027,303	-	43,964	-	21,786	22,954	-	22,902	11,280,840
2012	129,633	83,932	54,626	263,670	39,467	22,346	-	69,548	28,985	-	53,107	745,315
2013	130,693	64,722	3,009,652	302,925	48,602	55,143	-	73,240	3,480	-	117,746	3,806,203
2014	122,328	124,095	79,226	208,507	54,346	6,651	-	57,774	5,787	-	-	658,714
2015	13,776	22,373	412,666	594,566	17,367	-	-	44,963	207,519	-	80,441	1,393,671
2016	97,078	76,635	84,285	706,609	5,599	37,225	-	12,991	-	-	13,781	1,034,202
2017	66,672	10,986	1,289,040	993,366	15,279	8,020	-	43,772	8,299	-	-	2,435,433

## Schedule of Capital Asset Additions by Classification Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Land, Water,										
& Storage Rights	\$ 99,723	\$ 433,650	\$ -	\$ 7,000,000	\$ 90,058	\$ 151,757	\$ -	\$ -	\$ -	\$ -
Structures & Improve	2,759,542	15,702,963	1,005,294	3,749,160	242,832	2,993,788	71,179	312,900	82,073	1,183,949
Specialized Equip	69,706	142,709	63,522	41,246	4,777	42,542	29,452	5,206	70,054	59,289
Auto & Heavy Equip	193,219	248,342	205,812	229,186	190,060	312,585	261,102	337,541	335,544	591,189
Office Furniture & Equip	54,612	121,309	23,902	89,353	29,423	58,612	69,113	26,184	26,672	44,949
Miscellaneous Equip	131,337	169,314	326,797	171,895	188,165	246,919	227,867	711,840	519,859	556,056
Total	\$ 3,308,138	\$ 16,818,286	\$ 1,625,327	\$ 11,280,840	\$ 745,315	\$ 3,806,203	\$ 658,713	\$ 1,393,671	\$1,034,202	\$ 2,435,432

## Independent Auditor's Report In Accordance With Government Auditing Standards



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Guadalupe- Blanco River Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guadalupe-Blanco River Authority as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Guadalupe-Blanco River Authority's basic financial statements, and have issued our report thereon dated December 13, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Guadalupe-Blanco River Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Guadalupe-Blanco River Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Guadalupe-Blanco River Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Guadalupe-Blanco River Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants San Antonio, Texas

December 13, 2017

# PRINCIPAL OFFICES AND BUSINESS LOCATIONS

General Office
General Division
Canyon Hydroelectric Division
Guadalupe Valley Hydroelectric Division
GBRA Laboratory
Rural Utilities Division
Water Resources Division
933 East Court Street
Seguin, TX 78155
TEL: 830.379.5822 or
800.413.5822

FAX: 830.379.9718

Website: http://www.gbra.org

Buda Wastewater Reclamation Plant P.O. Box 216 Buda, TX 78610 TEL: 512.312.0526 FAX: 512.295.1207

Coleto Creek Division P.O. Box 68 Fannin, TX 77960 TEL: 361.575.6366 FAX: 361.575.2267

Lake Wood Recreation Area Route 2, Box 158-A Gonzales, TX 78629 TEL and FAX: 830.672.2779

Lockhart Wastewater Reclamation Division 4435 FM 20 East Lockhart, TX 78644 TEL: 512.398.6391 FAX: 512.398.2036

Lockhart Water Treatment Division 547 Old McMahan Road Lockhart, TX 78644 TEL: 512.398.3528

Luling Water Treatment Plant 350 Memorial Drive Luling, TX 78648 TEL: 830.875.2132 FAX: 830.875.3670

Port Lavaca Water Treatment Plant Calhoun County Rural Water Supply Division Calhoun Canal System P.O. Box 146 Port Lavaca, TX 77979 TEL: 361.552.9751 FAX: 361.552.6529

San Marcos Water Treatment Plant 91 Old Bastrop Road San Marcos, TX 78666 TEL: 512.353.3888 FAX: 512.353.3127

Western Canyon Regional Treated Water Plant 4775 South Cranes Mill Road Canyon Lake, TX 78132 TEL: 830.885.2639 FX: 830.885.2564





### **Guadalupe-Blanco River Authority**

933 East Court Street Seguin, Texas 78155

PRST STD U.S. POSTAGE PAID Austin, TX PERMIT NO. 1153

Issuer N	Name: City of New Braunfels, Texas Utility System (Comal County, Texas)
Issue(s) Filing F	: \$10,337,595.90 Revenue Bonds, Series 2004, dated January 15, 2004 \$23,940,000 Revenue and Refunding Bonds, Series 2012, dated October 1, 2012 \$26,870,000 Revenue Bonds, Series 2015, dated January 15, 2015 \$62,235,000 Revenue and Refunding Bonds, Series 2016, dated March 1, 2016 ormat ☑ electronic □ paper; If available on the Internet, give URL:
CHICID N	Numbers to which the information filed relates (optional):
	Nine-digit number(s) (attach additional sheet if necessary):
_	- Mile-digit number(s) (attach additional sheet if necessary).
[	☑ Six-digit number if information filed relates to all securities of the issuer: 642577
	* * *
	Description of Material Event Notice/Other Material Information
	Description of Material Event Nouce/Other Material Information
1.	Principal and interest payment delinquencies
2.	Material non-payment related defaults
	Unscheduled draws on debt service reserves reflecting financial difficulties
4. —	Unscheduled draws on credit enhancements reflecting financial difficulties
	_
5	Substitution of credit or liquidity providers, or their failure to perform
6	Adverse tax opinions or events affecting the tax-exempt status of the security
7	Material modifications to rights of security holders
8	Material bond calls or tender offers
9	Defeasances
10	Material release, substitution, or sale of property securing repayment of the securities
11	Rating changes
12	Issuer bankruptcy, insolvency, receivership or similar event
13.	Material merger, consolidation, or acquisition of issuer or sale issuer asset sale
14	
15	Notice of non-compliance: (specify)
16.	Other material event or information (specify)
	Financial & Operating Data Disclosure Information
	(Financial information should not be filed with the MSRB)
_	
	Annual Financial Report or CAFR
	Financial Information & Operating Data
	Other (describe)
	riscal Period Covered: Year Ended July 31, 2017
	$\square$ Monthly $\square$ Quarterly $\square$ Annual $\square$ Other:
	* * *
I hereby 1	represent that I am authorized by the issuer or its agent to distribute this information publicly:
Name:	Dawn Butrym Title Chief Financial Officer
Employ	
	elephone Number: (830) 629-8468
Email A	.ddress: dbutrym@nbutexas.com

# NEW BRAUNFELS UTILITIES

A Comprehensive Annual Financial Report For the fiscal years ended July 31, 2017 and 2016

> A Component Unit of The City of New Braunfels, Texas Established 1942

Prepared by: Accounting Division



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# **INTRODUCTION**

### **Members of the Board of Trustees**

President	Atanacio Campos
Vice President	John Harrell
Mayor of the City of New Braunfels and Trustee	Barron Casteel
Trustee	Dr. Judith Dykes-Hoffmann
Trustee	Bob Gray

### **Executive Staff**

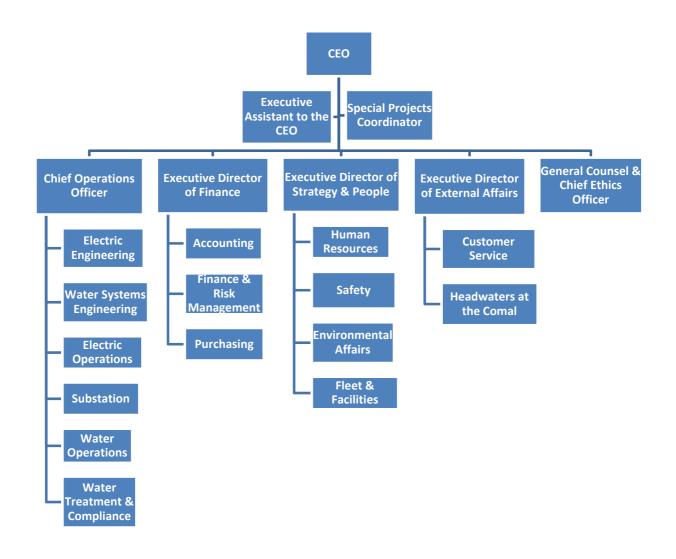
Chief Executive Officer	Ian Taylor, P.E.
Chief Operating Officer	Al Kaufmann
Chief Financial Officer	Dawn Butrym
Executive Director of External Affairs	Roger Biggers, P.E.
Executive Director of Strategy and People	Janice Jessen
General Counsel and Chief Ethics Officer	Connie Lock

### **Consultants and Advisors**

AuditorsBAKER TILLY VIRCHOW KRAUSE, LLP						
	Austin, Texas					
Financial Advisor	Duane Westerman					
	SAMCO CAPITAL MARKETS, Inc.					
	A Division of Service Asset Management Company					
	San Antonio, TX					
Bond Counsel	NORTON ROSE FULBRIGHT US LLP					
	Dallas, TX					
General Counsel	REAGAN BURRUS, PLLC					
	New Braunfels, TX					

## **NEW BRAUNFELS UTILITIES**

## **Organizational Chart**





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

## New Braunfels Utilities Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

July 31, 2016

Christopher P. Morrill

Executive Director/CEO



November 30, 2017

To the Board of Trustees and Customers of New Braunfels Utilities:

The Comprehensive Annual Financial Report ("CAFR") of New Braunfels Utilities ("NBU") for the fiscal year ended July 31, 2017 is submitted pursuant to Article XI of the City of New Braunfels Charter. The CAFR was reviewed by Baker Tilly Virchow Krause, LLP. Responsibility for the accuracy of the information reported and the completeness and fairness of the presentation, including all disclosures, rests with the management of NBU. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the electric, water, and wastewater systems of NBU. All disclosures necessary to enable the reader to gain an understanding of NBU's financial activities have been included in this report.

As required by Article XI Section 11.10 of the City of New Braunfels Charter, the CAFR has been audited by a firm of independent Certified Public Accountants. Baker Tilly Virchow Krause, LLP performed the audit for the fiscal year ended July 31, 2017, and their unmodified opinion is included as part of this report. NBU management worked with the independent auditors to verify compliance with all aspects of accounting and fiduciary control.

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

#### PROFILE OF NEW BRAUNFELS UTILITIES

**History and Purpose:** NBU was established in 1942 when the City Commission of New Braunfels, Texas purchased from Guadalupe Electric Company the electric transmission and distribution systems, formerly owned by the San Antonio Public Service Company that served the City of New Braunfels, Texas ("City" or "New Braunfels") and the surrounding area. In 1959, operations of the water and wastewater systems were transferred to NBU from the City.

NBU is a municipally owned utility operated under a five member Board of Trustees ("Board"), consisting of four individuals appointed by the New Braunfels City Council ("City Council") to five-year terms and the current mayor of the City. The elected City Council maintains regulatory control by appointing the Board, approving any rate changes, and authorizing bond issues.

**Facilities and Operations:** NBU's electric system, comprising a service area of approximately 160 square miles, includes the City and the surrounding area. The electric system includes 619 miles of overhead distribution line, 285 miles of underground distribution line, ten substation/metering points on the transmission system, and other buildings, equipment, stores, and related facilities.

The water system includes 540 miles of water mains ranging in size from two inches to 30 inches, an 8 MGD surface water treatment plant, 14 groundwater wells, and 18 pump stations with 52 active pumps. Storage capacity of approximately 11.1 million gallons is maintained in elevated tanks and 7.2 million gallons in ground storage tanks. The majority of the water service territory, totaling approximately 88 square miles, is within Comal County, with some customer service in Guadalupe County.

The municipal sewage system contains approximately 402 miles of sanitary sewer lines and is served by four wastewater treatment plants with a combined treatment capacity of 10.9 MGD and 23 lift stations. Use of chlorinated effluent for plant cleaning at all four treatment plants serves to minimize potable water usage and the associated maintenance costs at the plants.

Each year NBU prepares a long-term plan of action for the future. Examples of NBU's commitment to long-term planning include evaluating and acquiring long-term water and electric supplies, preparing for the construction of additional electrical substations, planning for new water and wastewater treatment plants, investing in the latest technologies to enhance security levels of facilities and electronic data, and upgrading aging infrastructure to ensure the integrity and reliability of service to NBU customers.

In addition to infrastructure and operational considerations, NBU takes an active role in local, regional, state, and national initiatives. Examples of some of NBU's involvement are described below.

**Local Community Involvement:** The mission of a municipally owned utility is to provide value to their community. NBU does this through strong fiscal responsibility, progressive planning, and our employees' commitment to enhancing the quality of our community by providing innovative essential services.

Our employees make a tremendous investment of their own time and energies to NBU community service events, as well as to churches, youth activities, and various civic and service organizations. Their devotion to the needs of New Braunfels is a testament to their integrity and involvement beyond their daily jobs.

Since 2001, NBU employees have contributed over 8,100 hours of volunteer time for NBU community service projects, with 442 hours accumulated during Fiscal Year 2017. These projects primarily focus on the needs of children, seniors, families, and low income residents throughout the City. In addition, NBU employees provide a significant amount of time and devotion to churches, youth leagues, and various civic and service organizations.

The cornerstone of the NBU community service projects has been the SAFEhaven in Schools program. Over the past 34 years, school children have been taught that NBU employees can assist in times of emergency when their parents, police, EMT, or fire personnel are not in the area. The goal is to provide a format for parents to discuss safety at home, at school, and in the community with their children when they bring home the SAFEhaven information provided by NBU. In Fiscal Year 2017, this message of safety and assistance was brought to over 3,100 school children in NBU's service territory.

NBU and its employees are strong supporters of the United Way of Comal County. More than two dozen service agencies benefit from pledges and donations on an annual basis and in turn, are able to assist thousands of local citizens. NBU employees continually meet and exceed their United Way campaign goal. NBU employees raised more than \$51,700 for the United Way, the second highest fundraising amount among participating businesses in all of Comal County. Their efforts led to the United Way of Comal County recognizing NBU employees as one of the Top 10 United Way Business Supporters in Comal County for the ninth consecutive year.

Our employees are also actively involved in education and training for local youth, community leaders, and industry professionals. Examples of these activities include volunteering at career days, assisting in educational programs at schools, conducting tours of NBU facilities, and serving as experts for professional training exercises. These activities serve to create additional community awareness and knowledge of the Utility's operations.

NBU continues to serve as a leader in the areas of energy and water conservation education, which also exhibits our goal to enhance the quality of life in New Braunfels. In addition to implementing business practices that address our own efforts to meet performance goals for conservation, NBU has provided opportunities for customers in the form of energy and water conservation rebates, audits, and educational information.

**Electric System Reliability:** NBU is continuing a process of replacing aging infrastructure following a system-wide, risk-based evaluation of aging electric infrastructure completed in FY 2013. In furtherance of this objective, NBU's five year Financial and Operating Plan for Fiscal Years 2018 through 2022, which was approved by the Board in June 2017, includes a plan to invest 1% of assets each year for the replacement of aging infrastructure in each of NBU's lines of business. This amount totals \$1.6 million for Fiscal Year 2017 and aggregates to \$8.0 million over the five year period.

As part of the plan, NBU completed replacement of the Freiheit T1 Power Transformer ("PWT") in April 2017, which increased unit capacity by 66%. The replacement is the third of a larger plan to replace all power transformers older than 40 years within the system for reasons of higher reliability, increased capacity, and lowered transformation losses. NBU is scheduled to replace two of the remaining three aging PWTs in FY 2019 and FY 2020. As part of its aging infrastructure plan, NBU also continues to replace all aerial copper conductor within the system. In particular, nearly all three-phase copper construction has now been replaced with Aluminum-Steel conductor (ACSR). Finally, NBU is focused on replacing aging utility poles through its pole replacement projects, as well as replacing legacy underground in both commercial and residential areas. New underground wire is minimally rated at 40 years of service compared to an estimated 20 year maximum of the replaced wire. Certain critical utility poles being installed have a service life of 80 years compared to 35 years for traditional wood poles as well.

NBU owns approximately 18 miles of 138kV transmission circuits, which are part of the Electric Reliability Council of Texas ("ERCOT") bulk electric transmission system and therefore are required to comply with applicable North American Electric Reliability Council ("NERC") reliability standards. NBU is registered as a Transmission Owner, Transmission Planner, and Distribution Provider with NERC and was audited by the Texas Reliability Entity ("TRE") in October 2014 on the standards applicable to these categories. TRE is an independent organization within ERCOT, which is chartered with the responsibility to ensure compliance with NERC reliability standards throughout the ERCOT market. NBU successfully demonstrated compliance with all applicable NERC standards. As the electric reliability standards evolve, NBU will closely monitor these changes for continued compliance. In July 2017, NERC auditors completed a second audit of NBU and found no compliance violations and with no areas of concern.

For the first time, NBU applied for the Reliable Public Power Provider (RP3) designation through the American Public Power Association (APPA) during Fiscal Year 2017. The program recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement. NBU was awarded the platinum level designation, which is in effect until 2020.

NBU's System Average Interruption Duration Index ("SAIDI") for Fiscal Year 2017 was 56.4 minutes per customer, which was slightly higher that of Fiscal Year 2016 at 50.9 minutes. NBU's Customer Average Interruption Duration Index ("CAIDI"), or average restoration time, was 54.7 minutes per occurrence in Fiscal Year 2017, an efficient average restoration time. NBU's reliability metrics compare favorably to other neighboring utilities and to the U.S. average. According to the most recently published Energy Information Administration survey (Calendar Year 2015), the average customer across the nation experienced a SAIDI of 197.9 minutes and a CAIDI of 151.5 minutes. The survey included data from 1033 utilities serving 139.6 million customers.

**Electric System Growth:** Electric system load continues to increase along the IH-35 and Hwy. 46 corridors within the NBU service territory. NBU experienced a strong and record setting customer growth of 5.4% (as measured by electric meter connections) during Fiscal Year 2017 and expects this trend to continue over the near term. Total energy consumption increased 1.9% (measured in MWh sales) in Fiscal Year 2017. As with most electric utilities, NBU continues to see increased customer energy efficiency, however customer growth continues to outpace that per unit efficiency.

NBU completed the addition of the Henne Substation T2 in Fiscal Year 2017. The project provides increased capacity and resiliency to the substation, which is helping to serve expanding residential communities of Cloud Country, Crossings at Havenwood, Oak Creek, and Wasser Ranch. NBU has begun planning for the addition of an eleventh substation in the Southeast corridor of its service territory to provide additional service capacity to the growing

territory between New Braunfels and Seguin along the Hwy. 46 South corridor. Land procurement for the substation site is in progress and is expected to be completed November 2017. Furthermore, NBU is exploring long term plans for the addition of a twelfth substation northwest of the City to serve the proposed 2,400 acre Veramendi development.

In Fiscal Year 2017, NBU continued utilization of contract construction crews to supplement NBU crews. Amongst numerous smaller projects, contract crews completed construction of a 5,500ft Copper to ACSR upgrade along Cross St., a 6,700ft bulk overhead circuit extension to Copper Ridge, and two Underground Distribution (UD) units of Vintage Oaks including with bulk grade underground construction. Over the course of time, the Vintage Oaks region is to expand to 3,800 acres of exclusive UD service. Over the past six years, NBU has utilized contract crews for both overhead and underground construction to meet Aging Infrastructure and system growth demands.

**State Water Planning:** Senate Bill 1, passed by the Texas Legislature in 1995, created the basis for a statewide water plan. The legislation established the framework for creating regional water planning groups throughout the state to develop local area plans. These would be brought together by the Texas Water Development Board ("TWDB") to create the new statewide Texas Water Plan. The first state water plan developed by this process was approved by the TWDB in December 2001. By law, the plan must be updated every five years. The latest update was submitted by the 16 water regional planning groups throughout the State of Texas in 2017. The next update to the plan is scheduled for 2021, and NBU will continue to strategically work through the planning group to include projects for the benefit of our customers. The benefit of having the projects listed in the plan is that those projects then become eligible for funding assistance through the TWDB, thereby providing NBU with an alternative financing vehicle. NBU continues to monitor this process closely and provides input as necessary to reflect changes in NBU's growth projections and water needs during the five year update periods.

Regional Water Planning: The Edwards Aquifer Recovery Implementation Program ("EARIP") was created by the Texas Legislature in 2007. Early in 2012, the EARIP completed its collaborative effort to develop a Habitat Conservation Plan ("HCP") for the protection of the endangered species in the Comal and San Marcos springs and rivers and to secure the water supply from the Edwards Aquifer for the five-county aquifer region. The HCP and a request for an Incidental Take Permit ("ITP") was submitted to the U.S. Fish and Wildlife Service and approved in early 2013. The benefit of obtaining the ITP is that it provides litigation immunity on actions regarding the take of endangered species located in the Comal and San Marcos spring systems, as long as the required actions in the HCP are adhered to by all parties. Since the approval of the ITP, the Implementing Committee, made up of the five signatories of the ITP, has made great strides toward implementing the strategies and initiatives laid out in the HCP.

**Sewer System Investments:** NBU is in the process of executing a multi-year strategic plan to maintain compliance and provide capacity when it is needed to meet growth and customer service expectations. Improvements to add organic treatment capacity at the North and South Kuehler Wastewater Treatment Facilities were completed in 2017, and design has begun on the addition of new hydraulic capacity. The Sam C. McKenzie, Jr. Water Reclamation Facility was completed in 2017 as well. The design and permitting of the relocated and expanded Gruene Water Reclamation Facility is complete; this project will go out for construction bids in the coming months. The two-year construction phase is projected to begin in early calendar year 2018.

**Conservation:** With stewardship being one of NBU's core values, the team works hard to be good stewards of environmental resources. As a result, the State of Texas has recognized NBU with the Blue Legacy Award in 2012, 2014, and 2017. Also in 2014, State Representative Doug Miller presented a resolution recognizing NBU for its efforts in water conservation and in 2017, the Texas Water Development Board recognized NBU with the Texas Rain Catcher's award. In addition, the Texas State Comptroller's Office has recognized NBU for our efforts in energy efficiency. NBU's Environmental Affairs division focuses on educating internal and external customers on the importance of being proactive environmental stewards, as well as providing customers with the appropriate tools to do so. For example, NBU provides complimentary residential and commercial energy, water, and irrigation audits, interactive school programs, social and traditional media communication, civic organization presentations, and numerous public events. Also, NBU offers a host of commercial and residential energy and water rebate programs to

incentivize customers to purchase resource saving appliances, such as ultra-high efficiency washing machines or adopt conservation minded behaviors, such as having an A/C check-up to ensure ultimate efficiency of their system. Other rebate programs include A/C Heat pump, rainwater harvesting, a drought tolerant tree incentive, permeable patio, turf replacement, to name a few. NBU continues to improve and expand the rebate programs as technology improves and/or customer demand changes. Internally, NBU leads by example through its recycling program of scrap metals, paper, glass, plastic, and cans, integration of hybrid fleet vehicles, an electric vehicle, and energy and paper reduction goals. Environmental Affairs also enforces the Municipal Water Conservation and Drought Management Plan, a municipal ordinance of the City.

The Headwaters at the Comal also demonstrates NBU's commitment to the environment and conservation. Situated on the banks of the Comal Springs and Blieders Creek, the Headwaters at the Comal will highlight the hydrological, environmental and cultural history of the region and will be a living demonstration of sustainable practices for the local community and nation. The landscape design of the property will include the restoration of the Comal Springs headwaters and the transformation of more than 16 acres of asphalt into immersive native landscape. Plant groupings will evoke regional typologies while newly introduced berms and bioswales filter and cleanse stormwater before returning it to the creek. Public amenities will include a central courtyard, event lawn, display gardens, walking trails, outdoor classrooms, natural spring overlooks, wastewater treatment wetlands, composting facilities and more.

**Future Water Supply:** NBU continues to actively seek opportunities to secure additional water sources for the long term needs of its customers. In June 2015, NBU completed construction of the Trinity Aquifer Well Field project, which added approximately 4,000 acre-feet per year of additional water supply. This represents about one-third of NBU's current annual water usage. NBU is currently in the design phase of a water treatment project that will improve reliability and water quality for the well field. NBU has also completed a feasibility study to determine the possibility of developing an Aquifer Storage and Recovery ("ASR") project that could be used to store water during periods of excess supply for withdrawal during periods of high demand on the system or during drought periods. An ASR project would provide NBU greater flexibility in utilizing its water supplies and provide an emergency back-up supply should drought conditions cause significant reductions to permitted pumping rights. ASR projects are a proven technology, and other nearby water utilities have successfully developed them allowing for greater flexibility in the management of their water resources. The ASR feasibility study determined that the development of an ASR by NBU would be both technically and financially feasible. NBU is currently working through the regulatory and permitting steps of developing an ASR pilot project, including the location of the project, and has received a \$250,000 grant from the TWDB to fund the project. NBU anticipates that construction of the monitor well, with full development of the well field will start in the upcoming months.

#### FINANCIAL INFORMATION

Management of NBU is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, and misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

NBU utilizes an electronic financial accounting system to capture all financial transactions and provide data for the preparation of this CAFR, including the audited financial statements. These statements present information on the financial position of NBU and whether resources were adequate to cover the costs of providing services during the reporting period. NBU's CAFR is distributed to the Board, the City Council, executive management, federal and state agencies, bond rating agencies, and financial institutions, as well as other interested parties throughout the general public.

The accounting records for NBU are reported on the accrual basis of accounting. In the development and modification of NBU's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that

the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. We believe that NBU's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**Budgetary Controls:** The annual budget serves as the foundation for NBU's financial planning and control. NBU is required by Board policy to adopt an annual financial plan, which covers the upcoming fiscal year in detail and incorporates a plan for an additional four fiscal years. Monthly revenue and expense reports and quarterly capital expenditure reports provide information to evaluate actual results against budget projections. A formal presentation of financial activity is given to the Board at each monthly meeting. Additionally, management of NBU maintains budgetary controls and follows established procedures in preparing the annual financial plan prior to final approval by the Board.

**Summary Revenue and Expenses:** For the fiscal year ended July 31, 2017, operating revenues totaled \$132.8 million, and operating expenses totaled \$122.9 million. Purchased power costs represented 63.7%, or \$78.3 million, of total operating expenses. Transmission and distribution expenses were approximately \$6.3 million, or 5.1%, of operating expenses, and all direct water related expenses totaled \$7.3 million, or 6.0%, of operating expenses. Remaining operating expenses included \$18.5 million for depreciation and amortization and \$12.4 million for customer service and general and administrative expenses. Net non-operating expense (including interest) was \$13.5 million, resulting in total net income before contributions of (\$3.6) million. NBU experienced customer growth over the past fiscal year as electric and water meters increased by 1,953, or 5.3%, and 2,590, or 7.7%, respectively.

**Working Capital:** At July 31, 2017, NBU's current assets of \$94.6 million were 2.9x its current liabilities of \$32.8 million. This strong working capital ratio reflects the continuance of managing an investment portfolio with a substantial portion of investments having a maturity of less than one year. By maintaining short duration investments, NBU is able to fund its operating and capital project activities as planned and to selectively determine the timing of any future bond issuance. Overall, NBU had a net positive working capital of \$61.9 million at July 31, 2017, which compares to a net positive working capital of \$72.0 million at July 31, 2016.

**Investments:** NBU's Investment Policy satisfies the statutory requirements of the Public Funds Investment Act and serves as a guideline for the investment of all NBU funds. NBU's Investment Policy is reviewed annually by the Board. The cash management program, in compliance with appropriate laws and the NBU Investment Policy, is designed to keep principal and interest at minimum risk, maintain reasonable liquidity to meet obligations and maximize return through the use of a competitive effective yield comparison of various investment sources. For Fiscal Year 2017, net interest income from investments (including mark-to-market adjustments) was \$0.6 million.

**Debt Management:** NBU's strong financial position has been built over many years through prudent management and fiscal practices to ensure adequate capital will be available to fund future electric, water, and wastewater system infrastructure including electric substations, electric transmission and distribution line expansions, and water and wastewater treatment plants. NBU endeavors to balance external financing for capital projects with internal generation of capital funds in order to maintain a low debt to capitalization structure. At July 31, 2017, NBU had \$114.5 million in debt. NBU's strong capitalization structure and coverage ratios has enabled it to access the debt capital markets at attractive interest rates and is a key component in its ability to maintain low utility rates. NBU is anticipating significant capital expenditures in the upcoming years and will be using long-term debt to fund a portion of these projects.

Current principal and interest on all outstanding bonds are payable solely from the net revenues derived by NBU from the operation of the utility systems. Operations and maintenance expenses represent first priority for payment, followed by debt service on bond indebtedness but prior to any payments to special funds, capital additions or contributions to the City. These obligations do not constitute liens upon the system or on any other property of NBU or the City but are a lien only on the net revenues and special funds created by Bond Resolution and in the manner

provided therein. See Note 4 of the notes to the financial statements for additional information about NBU's long-term debt obligations.

**Capital Expenditures:** NBU anticipates spending approximately \$385 million for capital expenditures during the next five fiscal years. These expenditures are primarily for wastewater treatment plant projects, the development of an aquifer storage and recovery facility, a new water reuse project, an electric substation addition, meter replacements with two way metering, and the Headwaters at the Comal project. In total, these expenditures include \$66.7 million for electric systems, \$121.7 million for water systems, \$160.4 million for wastewater systems, \$27.9 million for support systems and \$8.0 million for capital equipment. Forecasted capital expenditures for this period are expected to be funded from a combination of revenues, impact fees, long-term debt, and customer contributions.

**Rates:** NBU acquires power supply from various suppliers in the ERCOT electricity market. NBU positions its power supply portfolio to encompass diversification of supply from various: counterparties, tenors of contract duration and load shapes in order to procure power for its customers that is reliable, low cost, and has reduced price volatility.

In 2014, NBU executed a contract with Javelina Wind Energy, LLC ("Javelina"), an indirect subsidiary of NextEra Energy, Inc., for Javelina wind farm to provide 50 MW of wind generated electricity for 20 years from the commercial commencement of the project. The Javelina wind farm has a nameplate capacity 250 MW, and is located approximately 35 miles east of Laredo, Texas in Webb County. Commercial commencement of the project was December 2015. This agreement represents approximately 13% of NBU's purchase power portfolio.

To minimize power portfolio risk, the Board has approved a Credit Risk Policy and an Energy Risk Policy to provide appropriate guidelines in managing NBU's purchase power portfolio.

As of July 31, 2017, NBU has executed forward physical power contracts intended to hedge price volatility and maintain a competitive cost in its power supply portfolio through 2020. All power hedge contracts are intended to cover native load requirements and are considered normal purchases. Additional portfolio hedges are added over time as near-term hedges expire. As of July 31, 2017, NBU's forward physical contracts through 2020 reflected an underlying market value (unfavorable) that was within 10% of total expected power costs through 2020.

NBU's electric rates are unbundled into distribution charges, generation charges, and transmission charges. Distribution charges are comprised of fixed customer charges and variable kWh charges designed to recover NBU's cost to maintain its electric infrastructure and deliver reliable service to its customers. Through its efficient operation, NBU has been able to manage these costs, which has led to rate reductions in the last two cost-of-service rate designs.

The generation and transmission charges are a pass-through to the customers and are comprised of a base rate and an adjustable Power Cost Recovery Factor ("PCRF"). During Fiscal Year 2017, NBU purchased for its customers 1,570,770 MWh in comparison to 1,541,462 MWh during Fiscal year 2016, representing an increase of 29,308 MWh (or 1.9%).

Water and wastewater rates charged to NBU's customers are comparable (and generally, lower) to other rates in the region. These low rates have been achieved by efficient long-term operations and planning. However, as water resources become scarcer throughout the state, NBU anticipates that its customers will see moderate price increases for this service over time. On November 9, 2015, the City Council approved the Board's recommendation for increases on (i) electric rates of 3% on the distribution and customer charge components of a customer's bill effective December 1, 2015, (ii) water rates of 2.5% each year effective February 1 beginning February 2016 through, and including, February 2020, and (iii) wastewater rates of 4.5% each year effective January 1, 2016, January 1, 2017, and January 1, 2018.

**Awards and Acknowledgements:** The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to NBU for its CAFR for the fiscal year ended July 31, 2016. This was the twenty-seventh consecutive year that NBU has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Respectfully submitted,

Ian Taylor, P.E.

**Chief Executive Officer** 

Lawn Butrym

Chief Financial Officer

# **FINANCIAL**



#### INDEPENDENT AUDITORS' REPORT

To the Board of Trustees New Braunfels Utilities New Braunfels, Texas

#### Report on the Financial Statements

We have audited the accompanying financial statements of New Braunfels Utilities, as of and for the years ended July 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the New Braunfels Utilities' basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

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

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

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



To the Board of Trustees New Braunfels Utilities

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Braunfels Utilities as of July 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplemental Information as listed in the table of contents 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.

#### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Budgetary Comparison Schedule as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Introduction Section and Statistical Section as identified in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on it.

To the Board of Trustees New Braunfels Utilities

#### Other Reporting Required by Government Auditing Standards

Baker Tilly Virchaw Krause, LLP

In accordance with *Government Auditing Standards*, we have issued our report dated November 30, 2017, on our consideration of New Braunfels Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Braunfels Utilities' internal control over financial reporting and compliance.

Austin, Texas

November 30, 2017

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis is intended to provide a narrative overview of NBU's financial activities for the fiscal years ended July 31, 2017 and 2016. Readers are encouraged to consider the information presented in conjunction with the transmittal letter and the accompanying basic financial statements.

#### **Financial Highlights**

- For fiscal year-end 2017, total assets and deferred outflows of \$545.7 million exceeded liabilities and deferred inflows by \$390.1 million. This compares to total assets and deferred outflows of \$517.0 million at fiscal year-end 2016, which exceeded liabilities and deferred inflows by \$363.9 million. Total assets and deferred outflows of \$445.2 million for fiscal year-end 2015 exceeded liabilities and deferred inflows by \$340.5 million.
- Total net position at fiscal year-end 2017 was \$390.1 million, an increase of \$26.2 million, or 7.2%, from fiscal year-end 2016. Fiscal year-end 2016 total net position of \$363.9 million reflected an increase of \$23.4 million from fiscal year-end 2015. The increase in net position at fiscal year-end 2017 was primarily attributable to increases in capital additions in NBU's electric, water, and wastewater infrastructure. The increase in net position at fiscal year-end 2016 was primarily attributable to increases in capital additions in NBU's electric, water, and wastewater infrastructure.
- At fiscal year-end 2017, \$43.2 million in unrestricted net position was available to meet NBU's ongoing obligations, as compared to \$59.8 million at fiscal year-end 2016 and \$68.7 million at fiscal year-end 2015. These balances reflect a \$16.5 million decrease in unrestricted net position from fiscal year-end 2016 to fiscal year-end 2017 and a \$8.9 million decrease in unrestricted net position from fiscal year-end 2015 to fiscal year-end 2016.
- In Fiscal Year 2017, NBU completed \$126.5 million in capital projects. This compares to \$35.1 million and \$23.6 million in Fiscal Years 2016 and 2015, respectively. Capital additions, net of depreciation, amounted to \$108.0 million, \$20.8 million, and \$10.3 million in Fiscal Years 2017, 2016, and 2015, respectively.
- Total operating revenues in Fiscal Year 2017 were \$132.8 million compared to \$135.4 million in Fiscal Year 2016, a decrease of \$2.6 million, or 1.9%. The decrease in operating revenue consisted primarily of a decrease in electric services revenue of \$3.1 million, an increase in water services revenue of \$0.1 million, and an increase in wastewater services revenue of \$1.1 million. Fiscal Year 2016 operating revenues increased \$4.2 million, or 3.2%, compared to Fiscal Year 2015 operating revenues of \$131.2 million.
- Electric sales for Fiscal Year 2017 were 1,512,675 MWh, which was 1.9% greater than the 1,484,725 MWh sales in Fiscal Year 2016. Electric MWh sales in Fiscal Year 2016 were 0.1% lower than Fiscal Year 2015 sales of 1,486,036 MWh. For Fiscal Year 2017, electric services revenue of \$100.0 million was \$3.1 million lower than Fiscal Year 2016's electric services revenue of \$103.1 million. For Fiscal Year 2016, electric services revenue was \$0.9 million greater than Fiscal Year 2015's electric services revenue of \$102.2 million.
- NBU delivered 3.66 billion gallons of water in Fiscal Year 2017, which was a 3.2% decrease from Fiscal Year 2016 water sales of 3.78 billion gallons. Water sales in Fiscal Year 2016 reflected a 19.2% increase from Fiscal Year 2015 water sales of 3.17 billion gallons. For Fiscal Year 2017, water services revenue of \$13.7 million was \$0.1 million greater than Fiscal Year 2016's water services revenue of \$13.6 million. For Fiscal Year 2016, water services revenue was \$1.9 million greater than Fiscal Year 2015's water services revenue of \$11.7 million. There was a total of 34 inches of rain for the NBU service area for Fiscal Year 2017, which was a slight increase from the 31 inches received in both Fiscal Years 2016 and 2015.
- Wastewater services revenue in Fiscal Year 2017 was \$13.8 million compared to Fiscal Year 2016 revenue of \$12.8 million, an increase of \$1.0 million, or 7.8%. Fiscal Year 2016 wastewater services revenue was \$0.8 million more than Fiscal Year 2015 wastewater services revenue of \$12.0 million, resulting in a 6.7% increase.

- Total operating expenses in Fiscal Year 2017 were \$122.9 million compared to Fiscal Year 2016 operating expenses of \$121.4 million, an increase of \$1.5 million, or 1.2%. Total operating expenses in Fiscal Year 2016 increased \$2.7 million, or 2.3%, from Fiscal Year 2015 total operating expenses of \$118.7 million.
- At July 31, 2017, NBU served 38,867 electric customers, 36,140 water customers, and 26,294 wastewater customers.

#### **New Braunfels Utilities**

NBU is a component unit of the City and is accounted for as a proprietary fund. NBU provides electric, water, and wastewater services. NBU was established in 1942 when the City Commission of New Braunfels, Texas purchased from Guadalupe Electric Company the electric transmission and distribution systems, formerly owned by the San Antonio Public Service Company that served the City and the surrounding area. In 1959, operations of the water and wastewater systems were transferred to NBU from the City.

The following discussion and analysis will refer to NBU as a whole.

#### **Overview of the Financial Statements**

The basic financial statements for proprietary funds consist of the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows.

This report includes all funds of NBU. The financial information is reported similar to those of private sector businesses. The Statements of Net Position provides NBU's financial position and operating performance. It presents all the assets, deferred outflows, liabilities, and deferred inflows and identifies the net investment in capital assets. It provides the foundation for measuring the activity and liquidity of NBU. The Statements of Revenues, Expenses and Changes in Net Position assess NBU's profitability of operations. The third basic financial statement is the Statements of Cash Flows, which provides detailed information about the cash effects of the operating, investing, and financing activities. The basic financial statements can be found on pages 25-29 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. The notes can be found beginning on page 30 of this report.

#### **Financial Analysis**

NBU's financial position at fiscal year-end 2017 showed total net position of \$390.1 million, compared to \$363.9 million at fiscal year-end 2016 and \$340.5 million at fiscal year-end 2015. Of these amounts, the net positions that were unrestricted for meeting NBU's ongoing obligations were \$43.2 million, \$59.8 million, and \$68.7 million at the fiscal years ended 2017, 2016, and 2015, respectively. The net investment in capital assets represented 86.8%, or \$338.4 million, of total net position at fiscal year-end 2017, compared to 82.7% at fiscal year-end 2016 and 79.6% at fiscal year-end 2015.

Current assets at fiscal year-end 2017 of \$94.6 million decreased by \$6.1 million, or 6.0%, from current assets at fiscal year-end 2016 of \$100.7 million, primarily due to a decrease in accounts receivable. Current assets at fiscal year-end 2016 increased by \$17.2 million, or 20.6%, from fiscal year-end 2015 current assets of \$83.5 million, primarily due to an increase in restricted cash and cash equivalents.

A small portion of NBU's net position represents resources that are subject to external restrictions on how they may be used. Restricted net position at fiscal year-end 2017 was \$8.4 million, in comparison to the prior fiscal year-end 2016 amount of \$3.3 million and \$0.7 million at fiscal year-end 2015. These amounts represented 2.2%, 0.9% and 0.2% of total net position for their respective fiscal year ends. Water and wastewater funds reserved for future system development and construction comprised 68.7% of NBU's restricted net position at fiscal year-end 2017. This percentage was 81.1% at fiscal year-end 2016 and 79.8% at fiscal year-end 2015.

The following condensed Statements of Total Net Position and Statements of Changes in Net Position reflect the summary performance of NBU over Fiscal Years 2015-2017.

#### **Total Net Position**

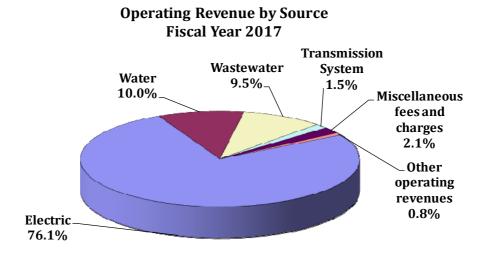
Total Net I Osition	2017		2016	2015	
Current and other non-capital assets	\$	118,500,006	\$ 129,104,942	\$	103,259,094
Capital assets		423,139,543	382,945,400		340,286,666
Total assets	\$	541,639,549	\$ 512,050,342	\$	443,545,760
Pension deferred outflows		4,037,747	4,938,933		1,656,204
Total assets and deferred outflows	\$	545,677,296	\$ 516,989,275	\$	445,201,964
Current liabilities	\$	32,780,669	\$ 27,377,163	\$	27,548,895
Non-current liabilities		122,226,186	124,958,242		76,614,127
Total liabilities	\$	155,006,855	\$ 152,335,405	\$	104,163,022
Pension deferred inflows		619,023	799,191		554,510
Total liabilities and deferred inflows	\$	155,625,878	\$ 153,134,596	\$	104,717,532
Total net position	\$	390,051,418	\$ 363,854,679	\$	340,484,432
Net investment in capital assets	\$	338,420,078	\$ 300,780,963	\$	271,082,390
Restricted		8,390,480	3,312,804		743,185
Unrestricted		43,240,860	59,760,912		68,658,857
Total net position	\$	390,051,418	\$ 363,854,679	\$	340,484,432

#### **Changes in Net Position**

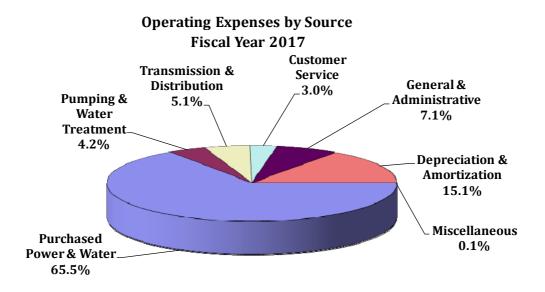
Changes in Net Position							
		2017		2016		2015	
Operating revenues							
Electric services	\$	100,006,812	\$	103,062,045	\$	102,204,658	
Water services		13,690,935		13,595,518		11,675,884	
Wastewater services		13,837,277		12,784,582		11,974,256	
Transmission system		2,015,874		1,973,737		2,051,474	
Miscellaneous fees and charges		1,882,973		2,777,553		2,216,521	
Other operating revenues		1,393,175		1,162,125		1,100,038	
Total operating revenues	\$	132,827,046	\$	135,355,560	\$	131,222,831	
Investment income		794,822		374,620		246,037	
Net increase (decrease) in the fair value of investments		(177,819)	48,572	48,572			
Gain (loss) on sale of assets		(2,065,709) (18,335)			57,515		
Total revenues	\$	131,378,340	\$	135,760,417	\$	131,555,655	
Expenses							
Operating expenses	\$	122,861,321	\$	121,404,243	\$	118,673,272	
Interest and amortization expense		4,321,359		3,857,502		2,309,723	
Intergovernmental expense		7,779,247		6,786,273		6,405,974	
Total expenses	\$	134,961,927	\$	132,048,018	\$	127,388,969	
		(0.500.505)		0.710.000			
Net income before capital contributions	\$	(3,583,587)	\$	3,712,399	\$	4,166,686	
Capital contributions		29,780,326		19,657,848		19,549,481	
Change in net position	\$	26,196,739	\$	23,370,247	\$	23,716,167	
Total net position-beginning of year		363,854,679		340,484,432		328,403,916	
Cumulative effect of change in accounting principle		-		-		(11,635,651)	
Total net position-end of year	\$	390,051,418	\$	363,854,679	\$	340,484,432	

Total operating revenues for Fiscal Year 2017 were \$132.8 million, a decrease of \$2.5 million, or 1.9%, over the previous fiscal year. A decrease in electric services revenues of \$3.1 million, or 3.0%, and a decrease of miscellaneous fees and charges of \$0.9 million, or 32.2% contributed to the total decrease. Water services revenues increased by \$0.1 million, or about 0.7%. Wastewater services revenues increased by \$1.1 million, or 8.2%, from Fiscal Year 2016. Total operating revenues for Fiscal Year 2016 were \$135.4 million, an increase of \$4.2 million from the previous fiscal year.

Total operating revenues in Fiscal Year 2017 consisted of 75.3% from electric retail customer fees and charges and 20.7% from water and wastewater retail customer fees and charges. The remainder consisted of transmission system income, miscellaneous fees and charges, and other operating revenues.



Total operating expenses for Fiscal Year 2017 were \$122.9 million. Of this amount, approximately \$80.5 million, or 65.5%, consisted of purchased power and purchased water costs. Total operating expenses increased by \$1.5 million, or 1.2%, over Fiscal Year 2016. This operating expense increase was primarily attributable to an increase in water treatment, customer service, and depreciation expense. Total operating expenses in Fiscal Year 2016 increased by \$2.7 million, or 2.3%, over Fiscal Year 2015's total operating expenses of \$118.7 million.

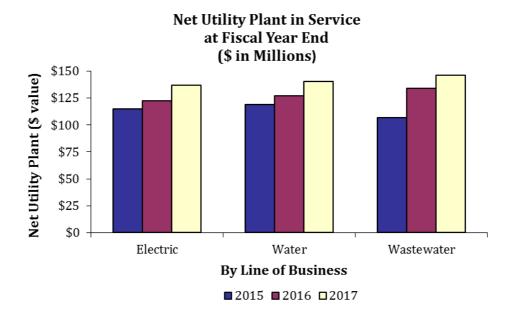


#### **Capital Assets**

At fiscal year-end 2017, NBU's net capital assets totaled \$423.1 million. Included in capital assets are an electric hydro plant, ten electric substation/metering points, four wastewater treatment plants, a surface water treatment plant, 23 lift stations, 18 pump stations, and Edwards Aquifer water pumping rights. Net capital assets totaled \$382.9 million at fiscal year-end 2016 and \$340.3 million at fiscal year-end 2015.

The following summarizes capital assets, net of accumulated depreciation, at fiscal year-end:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land and water rights	\$ 26,341,588	\$ 26,341,588	\$ 26,341,686
Buildings and structures	41,070,384	21,814,768	22,697,322
Electric transmission/distribution	108,308,550	100,197,705	90,335,219
Wells & springs	147,442	83,350	90,908
Pumping equipment	9,258,453	5,370,884	5,480,522
Water/wastewater treatment equipment	36,899,534	4,104,364	17,513,121
Water/wastewater transmission/distribution	160,355,433	122,459,230	100,456,352
Equipment, vehicles, furniture & fixtures	 11,657,908	7,932,233	4,592,569
Net plant in service	\$ 394,039,292	\$ 288,304,122	\$ 267,507,699
Construction work in progress	 29,100,251	94,641,278	72,778,967
Net utility plant after accumulated depreciation	\$ 423,139,543	\$ 382,945,400	\$ 340,286,666



In Fiscal Year 2017, there were \$126.5 million in capital additions and \$20.8 million of retirements and depreciation, for an overall increase in net plant in service of \$105.7 million. In Fiscal Year 2016, there were \$35.1 million in capital additions and \$14.3 million of retirements and depreciation, for an overall increase in net plant in service of \$20.8 million.

The following is a summary of capital additions and retirements for Fiscal Year 2017:

	 Electric	Water	1	Wastewater	Total
Plant in service, beginning of year	\$ 118,121,319	\$ 102,900,341	\$	67,282,462	\$ 288,304,122
Additions	18,953,934	34,018,732		73,576,575	126,549,241
Retirements	(8,523,358)	(41,955)		(11,835)	(8,577,148)
Depreciation/gain (loss) on sale of assets	 (1,637,187)	(4,416,641)		(6,183,095)	(12,236,923)
Plant in service, end of year	\$ 126,914,708	\$ 132,460,477	\$	134,664,107	\$ 394,039,292
Construction work in progress	9,875,593	8,065,343		11,159,315	29,100,251
Net utility plant after accumulated depreciation	\$ 136,790,301	\$ 140,525,820	\$	145,823,422	\$ 423,139,543

Additions to plant (excluding construction work in progress) in Fiscal Year 2017 were:

Electric distribution system improvements	\$ 16,893,256
Water/wastewater distribution system enhancements and rehabilitation	45,143,717
Water/wastewater treatment equipment	33,787,118
Equipment, vehicles, furniture & fixtures	5,620,246
Other capital projects	 25,104,904
Total	\$ 126,549,241

In Fiscal Year 2018, NBU has budgeted \$90.1 million of capital expenditures consisting of \$88.2 million in capital projects and \$1.9 million in capital equipment. It is anticipated that approximately \$11.1 million will be funded with operating revenue funds, and the remaining will be funded with debt, impact fees, and customer contributions. Total budgeted capital expenditures in Fiscal Year 2018 are as follows:

Electric distribution system improvements and extensions	\$ 10,328,000
Electric substation improvements	3,471,500
Water/wastewater extensions and enhancements	3,698,600
Water plant improvements	21,543,888
Wastewater plant improvements	27,342,997
Other capital projects	21,834,289
Capital equipment	1,919,000
Total	\$ 90,138,274

Additional information on NBU's capital assets can be found in Note 3 on page 41 of this report.

#### **Debt**

At fiscal year-end 2017, NBU's outstanding debt totaled \$114.5 million.

The following summarizes the debt outstanding:

The following summarizes the debt outstanding:	
2004 Utility System Revenue Bonds-Capital Appreciation*	\$ 3,085,032
2012 Utility System Revenue and Refunding Bonds	21,145,000
2015 Utility System Revenue Bonds	26,560,000
2016 Utility System Revenue and Refunding Bonds	61,910,000
Total Revenue Bonds	\$ 112,700,032
Unamortized net premiums	1,847,526
Net Debt	\$ 114,547,558

<sup>\*</sup>Includes accumulated accretion through July 31, 2017 as well as the current portion of debt outstanding

At time of publication, NBU's revenue bonds were rated "AA" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, "AA" by Fitch Ratings, and "Aa2" by Moody's Investors Service, Inc. Each of these ratings is with a "Stable" outlook.

Additional information on long-term debt can be found in Note 4 on page 42.

#### **Economic Factors and Next Year's Budgets and Rates**

The objective of NBU's Fiscal Year 2018 Budget is to present a proactive plan that provides reliable and efficient electric, water, wastewater, and customer and community service to a growing customer base in a manner that protects people, property, and the environment while keeping costs at a prudent level. These factors were evaluated, and strategies were formulated to ensure all lines of business were self-supporting in the current economic environment.

#### **Requests for Information**

This financial report is designed to provide a general overview of NBU's operations and finances to all those with an interest in the management of such. Any questions concerning this report or any requests for additional information should be addressed to the Chief Financial Officer at 263 E. Main Plaza. New Braunfels. Texas. 78130.

# **FINANCIAL:**

# **Basic Financial Statements**

### STATEMENTS OF NET POSITION - JULY 31, 2017 AND 2016

	 2017	2016		
ASSETS				
Cash and cash equivalents - unrestricted	\$ 12,169,838	\$	14,998,164	
Investments	19,178,586		19,065,646	
Accounts receivable-customers (net of allowances				
for uncollectibles, \$214,136 for 2017 and \$329,295 for 2016)	18,964,437		21,688,658	
Accounts receivable-other	1,158,612		961,911	
Interest receivable	67,834		52,739	
Inventory	2,255,188		1,597,824	
Prepaid items	459,937		990,774	
Generation and transmission cost recovery under-collection	1,278,642		1,356,652	
Other current assets	2,461,901		2,008,341	
Restricted assets:				
Cash and cash equivalents	34,638,008		34,965,901	
Investments	 2,000,000		3,000,981	
Total current assets	\$ 94,632,983	\$	100,687,591	
Noncurrent assets				
Capital assets:				
Plant in service	\$ 610,901,645	\$	492,929,552	
Less accumulated depreciation	(216,862,353)		(204,625,430)	
Construction in progress	 29,100,251		94,641,278	
Net capital assets	\$ 423,139,543	\$	382,945,400	
Other noncurrent assets:				
Investments:				
Restricted	\$ 850,000	\$	2,850,000	
Unrestricted	17,569,531		23,326,477	
Deposit-Headwaters at the Comal - restricted	2,415,673		-	
Other noncurrent assets	 3,031,819		2,240,874	
Total other noncurrent assets	\$ 23,867,023	\$	28,417,351	
Total noncurrent assets	\$ 447,006,566	\$	411,362,751	
Total assets	\$ 541,639,549	\$	512,050,342	
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferred outflows	\$ 4,037,747	\$	4,938,933	
Total assets and deferred outflows	\$ 545,677,296	\$	516,989,275	

# STATEMENTS OF NET POSITION - JULY 31, 2017 AND 2016 (CONTINUED)

	 2017	2016		
LIABILITIES				
Accounts payable and other current liabilities	\$ 23,934,386	\$	18,940,065	
Consumer deposit payable	5,328,677		4,920,194	
Compensated absences	859,048		929,952	
Payable from restricted assets:				
Accrued interest payable	338,558		343,956	
Current portion of bonds	 2,320,000		2,242,996	
Total current liabilities	\$ 32,780,669	\$	27,377,163	
Noncurrent liabilities				
Compensated absences	\$ 660,757	\$	806,946	
Long-term debt, net of premium and discount	112,227,558		114,855,916	
Net pension liability	9,148,546		9,295,380	
Contribution in aid of construction-refundable	 189,325			
Total noncurrent liabilities	\$ 122,226,186	\$	124,958,242	
Total liabilities	\$ 155,006,855	\$	152,335,405	
DEFERRED INFLOWS OF RESOURCES				
Pension deferred inflows	\$ 619,023	\$	799,191	
NET POSITION				
Net investment in capital assets	\$ 338,420,078	\$	300,780,963	
Restricted:				
Debt service	210,473		627,496	
Impact fees	5,764,334		2,685,308	
Deposit-Headwaters at the Comal	2,415,673		-	
Unrestricted	 43,240,860		59,760,912	
Total net position	\$ 390,051,418	\$	363,854,679	
Total liabilities and net position	\$ 545,677,296	\$	516,989,275	

# STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JULY 31, 2017 AND 2016

	2017			2016		
OPERATING REVENUES						
Electric services	\$	100,006,812	\$	103,062,045		
Water services		13,690,935		13,595,518		
Wastewater services		13,837,277		12,784,582		
Transmission system		2,015,874		1,973,737		
Miscellaneous fees and charges		1,882,973		2,777,553		
Other operating revenues		1,393,175	_	1,162,125		
Total operating revenues	\$	132,827,046	\$	135,355,560		
OPERATING EXPENSES						
Purchased power	\$	78,309,241	\$	81,677,931		
Purchased water		2,147,579		2,082,779		
Hydro plant		(122)		6,901		
Transmission and distribution		6,278,560		7,196,190		
Supply source		18,270		139,983		
Pumping		1,016,344		1,305,703		
Water treatment		4,145,702		3,178,419		
Customer service		3,725,960		2,623,250		
General and administrative		8,682,008		8,959,693		
Depreciation		18,537,779		14,233,394		
Total operating expenses	\$	122,861,321	\$	121,404,243		
Net operating income	\$	9,965,725	\$	13,951,317		
NONOPERATING REVENUES (EXPENSES)						
Investment income	\$	794,822	\$	374,620		
Net increase (decrease) in the fair value of investments		(177,819)		48,572		
Interest and amortization expense		(4,321,359)		(3,857,502)		
Intergovernmental expense		(7,779,247)		(6,786,273)		
Gain (loss) on sale of assets		(2,065,709)		(18,335)		
Total nonoperating revenues (expenses)	\$	(13,549,312)	\$	(10,238,918)		
Income before contributions	\$	(3,583,587)	\$	3,712,399		
CAPITAL CONTRIBUTIONS						
Impact fees	\$	8,861,353	\$	5,328,870		
Services		1,961,689		1,291,995		
Developer contributions		18,957,284	_	13,036,983		
Total capital contributions	\$	29,780,326	\$	19,657,848		
Change in net position	\$	26,196,739	\$	23,370,247		
Total net position - beginning of year	_	363,854,679	_	340,484,432		
Total net position - end of year	\$	390,051,418	\$	363,854,679		

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JULY 31, 2017 AND 2016

	 2017	 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments received from customers	\$ 133,747,174	\$ 129,385,163
Payments to suppliers for goods and services	(82,071,821)	(91,424,763)
Payments for salaries and benefits	(19,517,731)	(18,525,357)
Net cash provided by operating activities	\$ 32,157,622	\$ 19,435,043
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to City of New Braunfels	\$ (7,779,247)	\$ (6,786,273)
Net cash used by noncapital related financing activities	\$ (7,779,247)	\$ (6,786,273)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transmission system fees	\$ 2,015,874	\$ 1,973,737
Impact and service fees	11,012,367	6,038,793
Acquisition and construction of capital assets	(43,142,199)	(46,322,916)
Proceeds from sale of assets	210,580	37,015
Proceeds from debt issued net of refunding	-	47,973,290
Debt issuance costs	-	(729,229)
Principal paid on bond and debt	(2,250,000)	(1,790,000)
Interest paid on bond and debt	 (4,628,111)	 (2,436,883)
Net cash provided (used) by capital and related financing activities	\$ (36,781,489)	\$ 4,743,807
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	\$ 25,961,588	\$ 36,650,000
Purchase of investments	(17,494,420)	(42,711,328)
Interest received	779,727	364,906
Net cash provided (used) by investing activities	\$ 9,246,895	\$ (5,696,422)
Net increase in cash and cash equivalents	\$ (3,156,219)	\$ 11,696,155
Cash and cash equivalents at beginning of period	\$ 49,964,065	\$ 38,267,910
Cash and cash equivalents at end of period	\$ 46,807,846	\$ 49,964,065

### STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED JULY 31, 2017 AND 2016

		2017	 2016
RECONCILIATION OF UTILITY OPERATING INCOME TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$	9,965,725	\$ 13,951,317
Depreciation		18,537,779	14,233,394
Transmission system fees		(2,015,874)	(1,973,737)
(Increase) decrease in assets:			
Generation and transmission cost recovery under-collection		78,010	(1,356,652)
Accounts receivable		2,527,520	(4,249,381)
Inventory		(657,364)	(338,584)
Prepaid items		530,837	(783,613)
Other assets		(1,244,505)	(1,301,849)
Increase (decrease) in liabilities:			
Generation and transmission cost recovery over-collection		-	(1,374,593)
Accounts payable		3,669,920	1,851,566
Post retirement obligation		574,184	381,237
Customer deposits		408,483	252,721
Compensated absences	_	(217,093)	 143,217
Net cash provided by operating activities	\$	32,157,622	\$ 19,435,043
Schedule of cash and cash equivalents			
Beginning of period:			
Unrestricted cash and cash equivalents	\$	14,998,164	\$ 37,227,688
Restricted cash and cash equivalents-current		34,965,901	1,040,222
•	\$	49,964,065	\$ 38,267,910
End of period:			
Unrestricted cash and cash equivalents	\$	12,169,838	\$ 14,998,164
Restricted cash and cash equivalents-current		34,638,008	34,965,901
•	\$	46,807,846	\$ 49,964,065
NON-CASH INVESTING, CAPITAL, AND FINANCE ACTIVITIES			
Accretion of interest on capital appreciation bonds	\$	156,012	\$ 155,842
Mark-to-market adjustment	\$	(177,819)	\$ 48,572
Contributed electric, water, and sewer systems	\$	18,957,284	\$ 13,036,983
Gain (loss) on sale of assets	\$	(2,065,709)	\$ (18,335)
Bond proceeds used in refunding	\$	-	\$ 15,372,946
Write-off unamortized discount	\$	-	\$ (120,584)
Write-off unamortized premium	\$	-	\$ 60,374

### Note 1. Summary of Significant Accounting Policies

NBU is a municipally owned utility and is a component unit of the City. The financial statements of NBU are included in the City's Texas Annual Financial Report. The management and control of NBU's electric, water, and wastewater systems rests with the Board, pursuant to State law and by Charter of the City.

The financial statements of NBU have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental entities. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing accounting and financial reporting principles. In addition, NBU complies with the uniform system of accounts under the Federal Power Act. The system of accounting, policies and regulations are as prescribed by the Federal Energy Regulatory Commission ("FERC").

#### A. Financial Reporting Entity

GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus – An amendment of GASB Statements No. 14 and No. 34* was issued in November 2010. It provides specific criteria for evaluating whether legally separate entities should be included as component units of the primary government.

NBU meets the criteria under GASB Statement No. 61 and is considered a component unit of the City.

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

NBU reports financial information using accounting methods applicable to similar businesses in the private sector, or the accrual basis of accounting. The measurement focus is based on the determination of operating income, changes in net position, financial position, and cash flows. Revenues are recognized when earned, and expenses are recorded when a liability is incurred.

Proprietary funds, like NBU, distinguish operating revenues and expenses from non-operating revenues and expenses. Operating activities result from providing services in connection with NBU's principal ongoing operations. NBU's primary operating revenues include electric, water, and wastewater sales and services. Operating expenses include the cost of sales and services, general and administrative expenses, and depreciation expense. Non-operating revenues and expenses are all other activities not meeting the above definitions.

#### C. Assets, Liabilities, and Net Position

#### 1. Deposits and Investments

NBU considers cash and cash equivalents to be cash, cash in demand accounts, and investments purchased with initial maturities of three months or less. When both restricted and unrestricted resources are available for use, it is NBU's policy to use restricted resources first, then unrestricted resources as they are needed.

The Board has approved an investment policy that conforms to Texas law governing and regulating the types of investments eligible for public funds, including but not limited to the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code.

Amounts recorded in the financial statements for investments are recorded at fair value.

NBU Investment Officers shall use any or all of the following authorized investment instruments consistent with governing law:

- A. Under Texas law and local policy, NBU is authorized to invest in:
  - 1. direct obligations of the United States including only Treasury Bills, Treasury Notes, and Treasury Bonds;
  - 2. obligations of the State of Texas including its agencies, counties, cities, and other political subdivisions rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent;
  - 3. other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States; and
  - 4. direct obligations of the following United States agencies and instrumentalities: Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Bank, Student Loan Marketing Association, and the Federal Home Loan Mortgage Corporation.
- B. Certificate of Deposit or Share Certificate if the Certificate is issued by a depository institution that has its main office or branch office in the State of Texas and is:
  - 1. guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, or
  - 2. secured by eligible collateral as listed in Section VI, provided that;
    - a. the funds are invested through a depository institution that has its main office or a branch office in Texas.
    - b. the depository institution arranges for the deposit of funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of NBU.
    - c. the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States
    - d. the depository institution acts as custodian for NBU with respect to the certificates of deposit issued for the account of NBU, and
    - e. at the same time that the funds are deposited and the certificates of deposit are issued for the account of NBU, the depository institution receives an amount of deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by NBU through the depository institution selected under B(2)(A) above.
- C. No load Money Market Mutual Funds as specified by Board approval with limitations described below:
  - 1. must be registered and regulated by the Securities and Exchange Commission;
  - 2. provides NBU with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940;
  - 3. has a dollar-weighted average stated maturity of 90 days or fewer;
  - 4. includes in its investment objectives the maintenance of a stable net asset value of \$1.00 for each share;
  - 5. must be continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
  - 6. conform to the requirements set forth in the Public Funds Investment Act.

NBU may not invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one Money Market Mutual

Fund in an amount that exceeds ten (10) percent of the total assets of the Money Market Mutual Fund.

- D. Eligible specified investment pools (as permitted in the Public Funds Investment Act, Sec. 2256.016-2256.019) and as authorized by the Board. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. In order to be eligible, an investment pool must meet the following conditions:
  - 1. must be continuously rated no lower than AAA, AAA-m, or an equivalent rating by a national recognized rating agency with a weighted average maturity no greater than 90 days;
  - 2. a Public Fund Investment Pool created to function as a Money Market Mutual Fund must mark its portfolio to market daily, and to the extent reasonably possible, stabilize at a \$1.00 net asset value; the ratio of the fair value to book value of the fund must be maintained between 0.995 and 1.005; and
  - 3. the Pool must establish an advisory board composed of qualified members representing participants and non-participants pursuant to Sec.2256.016.
  - 4. a. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the Investment Officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:
    - 1. the types of investments in which money is allowed to be invested;
    - 2. the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
    - 3. the maximum stated maturity date any investment security within the portfolio has;
    - 4. the objectives of the pool;
    - 5. the size of the pool;
    - 6. the names of the members of the advisory board of the pool and the dates their terms expire;
    - 7. the custodian bank that will safekeep the pool's assets;
    - 8. whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
    - 9. whether the only source of payment is the assets of the pool at fair value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
    - 10. the name and address of the independent auditor of the pool;
    - 11. the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool; and
    - 12. the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.
  - b. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the Investment Officer or other authorized representative of the entity:
    - 1. investment transaction confirmations; and
    - 2. a monthly report that contains, at a minimum, the following information:

- i. the types and percentage breakdown of securities in which the pool is invested;
- ii. the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
- iii. the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
- iv. the book value versus the fair value of the pool's portfolio, using amortized cost valuation;
- v. the size of the pool;
- vi. the number of participants in the pool;
- vii. the custodian bank that is safekeeping the assets of the pool;
- viii. a listing of daily transaction activity of the entity participating in the pool;
  - ix. the yield and expense ratio of the pool;
  - x. the portfolio managers of the pool; and
- xi. any changes or addenda to the offering circular.

#### 2. Receivables

Accounts receivable consist of billed but not collected utility services, sales of merchandise, jobbing, etc. and are shown net of an allowance for doubtful accounts. For fiscal years ended July 31, 2017 and 2016, the allowance was \$214,136 and \$329,295, respectively.

Other transactions that affect receivables are as follows:

Electric power, water, and wastewater that has been used by customers but not billed is accrued. The estimated unbilled services as of July 31, 2017 and 2016 were \$9.6 million and \$7.3 million respectively.

Power costs initially estimated for billing purposes and later adjusted to actual costs result in an amount that may be over- or under-collected each month. These over-collected amounts are presented as a current liability in generation and transmission cost recovery over-collection, and under-collected amounts are presented as a current asset in generation and transmission cost under-collection (please see Note 1 -C-13 below).

#### 3. Inventories and Prepaid Items

Inventory is valued at moving average cost, except for obsolete items, which have been written down to estimated salvage value. Inventory in the electric, water, and wastewater departments consists of parts and maintenance items. Other inventory represents office and janitorial supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### 4. Other Assets

Other assets consist of prepayments for congestion revenue rights and collateral deposits held by ERCOT.

#### 5. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Certain proceeds and resources of NBU's revenue bonds are classified as restricted assets on the Statement of Net Position, and their use is limited by

applicable bond covenants. These monies are maintained in separate accounts. Current liabilities payable from these restricted assets are also classified.

Deposit-Headwaters at the Comal represents a contribution that NBU made to the New Braunfels Area Community Foundation (NBACF) for construction purposes. The initial contribution of \$4,500,000 was made in August 2016. As NBU incurs construction costs associated with the project, reimbursement is requested from the NBACF. As reimbursement is received, the restricted asset balance is reduced. As of July 31, 2017, the restricted asset balance was \$2,415,673 and is expected to be fully exhausted in Fiscal Year 2018.

#### 6. Capital Assets

Capital assets, including self-constructed assets, are valued at historical cost or estimated historical cost if actual historical cost was not available. Per NBU policy, all self-constructed assets are capitalized, and the capitalization threshold for purchased assets is \$10,000.

Depreciation is calculated using the straight-line method and is based on estimated useful lives of three to fifty years. Depreciation of capital assets is charged as an expense against the operations of the divisions. Accumulated depreciation is reported on the Statement of Net Position. The following estimated useful lives are used to compute depreciation:

<u>Assets</u>	<u>Years</u>
Structures	33-50
Electrical distribution/transmission facilities	13-33
Water pumping/treatment/transmission facilities	25-50
Wastewater pumping/treatment/transmission/collection facilities	25-40
Vehicles	5
Computer equipment	3
General equipment	10

#### 7. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time. Deferred outflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Note 6.

#### 8. Accounts Payable and Other Current Liabilities

Accounts payable and other liabilities are comprised of costs incurred by NBU which have not yet been paid as of the fiscal year end, primarily consisting of purchased power costs.

#### 9. Customer Deposits

NBU accrues a liability for all amounts deposited with NBU by customers as a security for the payment of bills.

#### 10. Compensated Absences

NBU's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability recorded on the Statement of Net Position for unpaid accumulated sick leave for those employees that are eligible for retirement under the presently adopted rules of TMRS. All vacation pay is accrued when incurred.

#### 11. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System ("TMRS") and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 12. Contribution in Aid of Construction-Refundable

NBU entered into a refundable contribution in aid of construction (CIAC) agreement for electric services during Fiscal Year 2017. This agreement required the developer to pay CIAC up-front for residential electric service. The CIAC will be refunded periodically as permanent electric metered services are installed.

#### 13. Generation and Transmission Cost Recovery Over-/Under-Collection

NBU applies a billing adjustment to electric sales for over-collection and/or under-collection of revenues. This is passed through to customers in future sales through an adjustment in the Generation Cost Recovery Factor ("GCRF") and Transmission Cost Recovery Factor ("TCRF") rates applied on energy usage. At July 31, 2017 and 2016, NBU was under-collected by \$1,278,642 and \$1,356,652, respectively.

#### 14. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method.

#### **15. Capital Contributions**

At times, cash and capital assets are contributed to NBU from customers, the municipality, or third parties. The value of property contributed to NBU is reported as revenue on the Statement of Revenues, Expenses, and Changes in Position.

NBU charges new water and wastewater customers an impact fee to connect to the system. Impact fees collected are recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position.

NBU charges new electric and water customers a fee to connect to utility lines should the customer elect not to hire an outside party to connect to the lines. These service fees are recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position.

#### 16. Loss on Retirement

As a result of transitioning from Automatic Meter Reading (AMR) to Advanced Metering Infrastructure (AMI) meters, NBU retired residential electric meters that weren't fully depreciated. This resulted in a loss on retirement of \$2,130,225 for Fiscal Year 2017. This loss is recorded as a loss on sale of assets on the Statement of Revenues, Expenses, and Changes in Net Position.

#### 17. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at year-end, as well as reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, allowance for doubtful accounts, realization of project development costs, pension liability, and other accounts. Actual results may differ from these estimates.

#### 18. Effect of New Accounting Standards on Current Period Financial Statements

GASB has approved GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, Statement No. 80, Blending Requirements for Certain Component Units, Statement No. 81, Irrevocable Split-Interest Agreements, Statement No. 82, Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73, Statement No. 83, Certain Asset Retirement Obligations, Statement No. 84, Fiduciary Activities, Statement No. 85, Omnibus 2017, and Statement No. 86, Certain Debt Extinguishment Issues. When they become effective, application of these standards may restate portions of these financial statements.

#### 19. Reclassifications

Certain amounts in the prior year's financial statements may have been reclassified to conform to the current year presentation.

#### Note 2. Deposits and Investments

As of July 31, 2017, the carrying amount of NBU's deposits (checking accounts and money markets) was \$9,473,576. The balance per the bank at July 31, 2017 was \$9,568,246. As of July 31, 2016, the carrying amount of NBU's deposits (checking accounts and money markets) was \$12,583,014. The balance per the bank at July 31, 2016 was \$13,112,666. As of July 31, 2017 and 2016, the carrying amounts of NBU's certificates of deposit were \$6,312,500 and \$18,942,711, respectively. The entire balance was guaranteed by FDIC Insurance and pledged collateral of \$13,352,968 and \$23,933,738 held by NBU's agent bank in NBU's name for Fiscal Year 2017 and Fiscal Year 2016, respectively.

All NBU investments are valued at fair value, in accordance with GASB Statement No. 72, unless otherwise specified. At month end, quoted market prices are obtained from an independent third party pricing service specializing in fixed income evaluation services used to determine an investment's fair value. Investment pools are adjusted to fair value at month end, according to the pool's reported Net Asset Value ("NAV"). A Public Fund Investment Pool created to function as a Money Market Mutual Fund must mark its portfolio to market daily, and to the extent reasonably possible, stabilize at a \$1.00 NAV; the ratio of the fair value to book value of the fund must be maintained between 0.995 and 1.005. The net change in the fair value of investments during Fiscal Year 2017 and Fiscal Year 2016 was a decrease of \$177,819 and an increase of \$48,572 over the prior year, respectively.

All three investment pools (TexPool, TexSTAR, and Texas Daily) have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public fund investment pools and permit eligible governmental entities to join their funds in authorized investments.

The fair value of the position in the investment pools is the same as the value of the pool shares. In accordance with GASB Statement No. 79, all investments are recorded at amortized cost without limitations or restrictions on withdrawals.

NBU's investments are required to be deposited under the terms of a depository contract. The depository bank deposits for safekeeping and trust with NBU's agent bank approved pledged securities in an amount sufficient to protect NBU funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

NBU's cash and investments as of July 31, 2017 are shown below:

Deposit/Investment Type	Fair Value	Weighted Average Maturity in Days	Percent of Portfolio	Rating S & P
U.S. Agency Securities	\$ 32,783,212	856 <sup>*</sup>	37.94%	AA+
State & local bonds	502,405	653	0.58%	AAA
Certificates of deposit	6,312,500	369	7.31%	
Demand deposit and money market	9,473,576	1	10.96%	
Pooled funds	37,334,270	1	43.21%	AAAm
Total Cash and Investments	\$ 86,405,963	350	100.00%	
Classification		_		
Cash and cash equivalents, unrestricted	\$ 12,169,838			
Investments, short-term unrestricted	19,178,586			
Cash and cash equivalents, restricted	34,638,008			
Investments, short-term restricted	2,000,000			
Investments, long-term restricted	850,000			
Investments, long-term unrestricted	 17,569,531	_		
	\$ 86,405,963	_		

<sup>\*</sup> Includes a \$5 million investment in the Community Assistance Fund having a remaining maturity of 8.5 years.

NBU's cash and investments as of July 31, 2016 are shown below:

		Weighted Average	Percent of	Rating
Deposit/Investment Type	Fair Value	<b>Maturity in Days</b>	Portfolio	S & P
U.S. Agency Securities	\$29,300,394	988*	29.84%	AA+
Certificates of deposit	18,942,711	385	19.29%	
Money market cash management fund	10	1	0.00%	AAAm
Demand deposit and money market	12,583,014	1	12.81%	
Pooled funds	37,381,041	1	38.06%	AAAm
Total Cash and Investments	\$ 98,207,169	369	100.00%	
		<u>.</u>		
Classification		_		
Cash and cash equivalents, unrestricted	\$ 14,998,164	-		
Investments, short-term unrestricted	19,065,646			
Cash and cash equivalents, restricted	34,965,901			
Investments, short-term restricted	3,000,981			
Investments, long-term restricted	2,850,000			
Investments, long-term unrestricted	23,326,477			
	\$ 98,207,169	_		
		=		

<sup>\*</sup> Includes a \$5 million investment in the Community Assistance Fund having a remaining maturity of 8.5 years.

#### Fair Value of Investments

In Fiscal Year 2016, NBU adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement.

Fair value is defined in GASB Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. Adjustments necessary to record NBU's investments at fair value are recorded in the Statement of Revenues, Expenses, and Changes in Net Position as increases or decreases in the fair value of investments. Fair values may have changed significantly after year end.

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Quoted prices for identical investments in active markets. Equity securities and U.S. Government Treasury securities are examples of Level 1 inputs.

Level 2: Observable inputs other than quoted market prices. Government agency and mortgage-backed securities are examples of Level 2 inputs.

Level 3: Unobservable inputs that reflect assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs. NBU's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels.

The valuation method used by NBU for recurring fair value measurements as of July 31, 2017 is the matrix pricing technique, which uses interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and also considers the counterparty credit rating. There have been no changes in the methodologies used at July 31, 2017.

NBU's TexPool investments are reported at amortized cost.

At July 31, 2017, NBU had the following recurring fair value measurements:

		Fair Value Measurements Using							
	 7/31/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	ď	nificant Other Observable outs (Level 2)	Significant Unobservable Inputs (Level 3)				
Investments by fair value level									
Debt securities									
U.S. Agency Securities	\$ 32,783,212		\$	32,783,212					
Municipal bonds	502,405			502,405					
Total investments measured at fair value	\$ 33,285,617								

At July 31, 2016, NBU had the following recurring fair value measurements:

		Fair Value Measurements Using								
	 7/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	0	nificant Other Observable outs (Level 2)	Significant Unobservable Inputs (Level 3)					
Investments by fair value level										
Debt securities										
U.S. Agency Securities	\$ 29,300,394		\$	29,300,394						
Municipal bonds				-						
Total investments measured at fair value	\$ 29.300.394									

#### A. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether NBU was exposed to the following specific investment risks at fiscal year-end 2017 and 2016, and if so, the reporting of certain related disclosures:

#### 1. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. State law and NBU's policy place no limit on the amount NBU may invest in any one issuer. At fiscal year-end 2017 and 2016, NBU's portfolio was concentrated as follows:

		Percentage of Portfolio					
Issuer	Investment Type	2017	2016				
Federal Farm Credit Bank	U.S. Agency Securities	8%	7%				
Federal Home Loan Bank	U.S. Agency Securities	5%	7%				
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	21%	13%				

#### 2. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on behalf of NBU, an investment pool must be continuously rated no lower than AAA or AAAm or at an equivalent rating by at least one nationally recognized statistical rating organization ("NRSRO"). State law authorizes investments in obligations guaranteed by the U.S. government and does not require that these investments be rated. NBU's policy is to comply with state law. All of NBU's investments meet the State's requirements.

#### 3. Custodial Credit Risk

For a deposit, custodial credit risk is the risk that, in the event of the failure of a depository institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in NBU's name.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, NBU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. NBU's Investment Policy requires that securities be registered in the name of New Braunfels Utilities. All safekeeping receipts for investment instruments are held in accounts in NBU's name, and all securities are registered in the name of New Braunfels Utilities.

Therefore, at July 31, 2017 and 2016, \$0 of NBU's deposits and investments were exposed to custodial credit risk.

#### 4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NBU manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, NBU manages its interest rate risk by limiting the weighted average maturity and weighted average maturity to first call date of its investment portfolio to a maximum of 450 days and 300 days, respectively. The maximum allowable stated maturity of any one individual investment owned by NBU shall not exceed five years from the time of purchase (with the exception of ten years maturity solely for investments made pursuant to NBU's Community Assistance Fund). The Board may specifically authorize a longer maturity for a given investment, within legal limits.

At fiscal year-end 2017 and 2016, NBU's exposure to interest rate risk is summarized in the above tables, as indicated in the weighted average maturity.

#### 5. Foreign Currency Risk

Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. At July 31, 2017 and 2016, NBU was not exposed to foreign currency risk.

Note 3. Capital Assets

Capital asset activity for Fiscal Year 2017 was as follows:

	Aı	Balance igust 1, 2016	Additions		eclasses and etirements	Balance July 31, 2017			
Capital assets not being depreciated:							_		
Land-electric	\$	3,353,470	\$ -	\$	-	\$	3,353,470		
Land and water rights-water		16,995,207	-		-		16,995,207		
Land-wastewater		5,148,998	-		-		5,148,998		
Land-general		843,913	-		-		843,913		
Construction in progress		94,641,278	61,047,268		(126,588,295)		29,100,251		
Total capital assets not being depreciated	\$	120,982,866	\$ 61,047,268	\$	(126,588,295)	\$	55,441,839		
Capital assets being depreciated:									
Buildings and structures-electric	\$	18,733,322	\$ -	\$	-	\$	18,733,322		
Buildings and structures-water		9,297,769	752,889		-		10,050,658		
Buildings and structures-wastewater		10,187,987	19,410,850		-		29,598,837		
Buildings and structures-other		11,944,746	588,005		-		12,532,751		
Electric transmission/distribution		176,471,705	16,893,256		(8,523,359)		184,841,602		
Wells & springs		540,047	73,773		-		613,820		
Pumping equipment		7,482,728	4,279,387		-		11,762,115		
Water/wastewater treatment equipment		9,289,873	33,787,118		135,245		43,212,236		
Water/wastewater transmission/distribution		191,336,472	45,143,717		(189,034)		236,291,155		
Equipment, vehicles, furniture & fixtures		31,303,315	5,620,246		-		36,923,561		
Total capital assets, being depreciated	\$	466,587,964	\$ 126,549,241	\$	(8,577,148)	\$	584,560,057		
Less accumulated depreciation for:									
Buildings and structures-electric	\$	10,981,277	\$ 381,006	\$	-	\$	11,362,283		
Buildings and structures-water		6,623,894	263,178		-		6,887,072		
Buildings and structures-wastewater		5,792,882	550,441		-		6,343,323		
Buildings and structures-other		4,951,001	301,505		-		5,252,506		
Electric transmission/distribution		76,274,002	6,544,950		(6,285,900)		76,533,052		
Wells & springs		456,697	9,681		-		466,378		
Pumping equipment		2,111,844	391,818		-		2,503,662		
Water/wastewater treatment equipment		5,185,509	1,127,193		-		6,312,702		
Water/wastewater transmission/distribution		68,877,245	7,106,433		(47,956)		75,935,722		
Equipment, vehicles, furniture & fixtures		23,371,079	1,894,574		-		25,265,653		
Total accumulated depreciation	\$	204,625,430	\$ 18,570,779	\$	(6,333,856)	\$	216,862,353		
Total capital assets, net	\$	382,945,400	\$ 169,025,730	\$	(128,831,587)	\$	423,139,543		

### Capital asset activity for Fiscal Year 2016 was as follows:

	Balance August 1, 2015 Additions			Additions		eclasses and Retirements	Balance July 31, 2016			
Capital assets not being depreciated:	-	,						,		
Land-electric	\$	3,353,470	\$	-	\$	-	\$	3,353,470		
Land and water rights-water		16,995,207		-		-		16,995,207		
Land-wastewater		5,148,998		-		-		5,148,998		
Land-general		843,913		-		-		843,913		
Construction in progress		72,778,967		56,947,478		(35,085,167)		94,641,278		
. Total capital assets not being depreciated	\$	99,120,555	\$	56,947,478	\$	(35,085,167)	\$	120,982,866		
Capital assets being depreciated:										
Buildings and structures-electric	\$	18,717,822	\$	15,500	\$	_	\$	18,733,322		
Buildings and structures-water	•	9,297,769	•		,	_	•	9,297,769		
Buildings and structures-wastewater		10,187,987		-		_		10,187,987		
Buildings and structures-other		11,703,246		241,500		_		11,944,746		
Electric transmission/distribution		161,098,287		15,768,550		(395,132)		176,471,705		
Wells & springs		540,047		-		-		540,047		
Pumping equipment		7,338,454		144,274		-		7,482,728		
Water/wastewater treatment equipment		8,138,602		1,151,271		-		9,289,873		
Water/wastewater transmission/distribution		177,129,731		14,293,452		(86,711)		191,336,472		
Equipment, vehicles, furniture & fixtures		27,832,692		3,470,623				31,303,315		
Total capital assets, being depreciated	\$	431,984,637	\$	35,085,170	\$	(481,843)	\$	466,587,964		
Less accumulated depreciation for:										
Buildings and structures-electric	\$	10,599,857	\$	381,420	\$	_	\$	10,981,277		
Buildings and structures-water	•	6,381,367	•	242,527	,	_	•	6,623,894		
Buildings and structures-wastewater		5,570,860		222,022		_		5,792,882		
Buildings and structures-other		4,657,326		293,675		-		4,951,001		
Electric transmission/distribution		70,762,603		5,854,249		(342,850)		76,274,002		
Wells & springs		448,859		7,838		-		456,697		
Pumping equipment		1,857,932		253,912		-		2,111,844		
Water/wastewater treatment equipment		4,954,344		231,165		-		5,185,509		
Water/wastewater transmission/distribution		63,591,941		5,368,944		(83,640)		68,877,245		
Equipment, vehicles, furniture & fixtures		21,993,437		1,377,642		-		23,371,079		
Total accumulated depreciation	\$	190,818,526	\$	14,233,394	\$	(426,490)	\$	204,625,430		
Total capital assets, net	\$	340,286,666	\$	77,799,254	\$	(35,140,520)	\$	382,945,400		

## Depreciation expense for Fiscal Years 2017 and 2016 was charged as follows:

	 2017		2016
Electric	\$ 7,890,321	\$	7,045,997
Water	4,452,795		3,487,290
Wastewater	6,194,663		3,700,107
Total depreciation expense	\$ 18,537,779	\$	14,233,394

### Note 4. Long-Term Debt

Changes in long-term debt for Fiscal Year 2017 are as follows:

	Original Amount	Rate	Amount Outstanding uly 31, 2016	Additions	R	etirements		Amount Outstanding uly 31, 2017	dı	Amount ie Within Ine Year
2004 Utility System Revenue Bonds- Capital Appreciation	\$ 2,572,596	3.10% - 5.16%*	\$ 1,683,758	\$ -	\$	(96,484)	\$	1,587,274	\$	90,736
2009 Utility System Improvement and Refunding Revenue Bonds	\$ 10,200,000	2.5% - 5.0%	630,000	-		(630,000)		-		-
2009A Utility System Improvement Revenue Bonds	\$ 10,135,000	3.0% - 4.5%	210,000	-		(210,000)		-		-
2012 Utility System Revenue and Refunding Bonds	\$ 23,940,000	2.0% - 4.0%	21,855,000	-		(710,000)		21,145,000		725,000
2015 Utility System Revenue Bonds	\$ 26,870,000	2.0% - 4.0%	26,760,000			(200,000)		26,560,000		195,000
2016 Utility System Revenue and Refunding Bonds	\$ 62,235,000	2.0% - 5.0%	62,235,000	-		(325,000)		61,910,000		1,225,000
Subtotal Accretion of interest on			\$ 113,373,758	\$ -	\$	(2,171,484)	\$	111,202,274	\$	2,235,736
Capital Appreciation Bonds			1,420,261	156,013		(78,516)		1,497,758		84,264
			\$ 114,794,019	\$ 156,013	\$	(2,250,000)	\$	112,700,032	\$	2,320,000
Less current portion								(2,320,000)		
Unamortized net premiums						,	_	1,847,526		
Net long-term debt							\$	112,227,558		

<sup>\*</sup>Capital Appreciation Bonds do not pay periodic interest. Rates are stated in the yields to maturity.

### Changes in long-term debt for Fiscal Year 2016 are as follows:

	 Original Amount	Rate	Amount outstanding dy 31, 2015	Additions		Retirements		Amount Outstanding July 31, 2016	d	Amount ue Within One Year
2004 Utility System Revenue Bonds- Capital Appreciation	\$ 2,572,596	3.10% - 5.16%*	\$ 1,786,364	\$ -	\$	(102,606)	\$	1,683,758	\$	96,485
2009 Utility System Improvement and Refunding Revenue Bonds	\$ 10,200,000	2.5% - 5.0%	6,885,000	-		(6,255,000)		630,000		630,000
2009A Utility System Improvement Revenue Bonds	\$ 10,135,000	3.0% - 4.5%	9,285,000	-		(9,075,000)		210,000		210,000
2012 Utility System Revenue and Refunding Bonds	\$ 23,940,000	2.0% - 4.0%	22,560,000	-		(705,000)		21,855,000		710,000
2015 Utility System Revenue Bonds	\$ 26,870,000	2.0% - 4.0%	26,870,000			(110,000)		26,760,000		200,000
2016 Utility System Revenue and Refunding Bonds	\$ 62,235,000	2.0% - 5.0%	-	62,235,000		-		62,235,000		325,000
Subtotal			\$ 67,386,364	\$ 62,235,000	\$	(16,247,606)	\$	113,373,758	\$	2,171,485
Accretion of interest on Capital Appreciation Bonds			 1,336,806	155,849	_	(72,394)	_	1,420,261	_	71,511
Less current portion Unamortized net premiums			\$ 68,723,170	\$ 62,390,849	\$	(16,320,000)	\$	114,794,019 (2,242,996) 2,304,893	\$	2,242,996
Net long-term debt							\$	114,855,916		

<sup>\*</sup>Capital Appreciation Bonds do not pay periodic interest. Rates are stated in the yields to maturity.

The annual debt service requirements to maturity for all outstanding bonded debt are as follows:

Year Ending July 31	Principal	Interest	Total
2018	\$ 2,320,000	\$ 4,062,694	\$ 6,382,694
2019	2,095,008	3,983,044	6,078,052
2020	2,032,023	3,904,794	5,936,817
2021	2,081,857	3,838,294	5,920,151
2022	2,141,326	3,768,494	5,909,820
2023-2027	13,539,818	17,460,570	31,000,388
2028-2032	19,000,000	14,587,169	33,587,169
2033-2037	21,235,000	11,090,844	32,325,844
2038-2042	24,840,000	6,912,894	31,752,894
2043-2047	 23,415,000	2,082,775	25,497,775
Total	\$ 112,700,032	\$ 71,691,572	\$ 184,391,604

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are refunded, retired or defeased. Principal and interest paid for Fiscal Year 2017 and Fiscal Year 2016 were \$6,377,469 and \$4,727,526, respectively. Total net revenues as defined for the same periods were \$40,121,368 and \$35,180,196. Annual principal and interest payments average 16% and 18% of net revenues in 2017 and 2016, respectively.

*Utility System Revenue and Refunding Bonds, Series 2016.* On March 30, 2016, bonds in the amount of \$62,235,000 were issued at an average interest rate of 3.62% for an (i) advance refunding of \$14,530,000 of outstanding Series 2009 and Series 2009A bonds having a maturity of July 1, 2016, or later and (ii) a new money requirement of \$47,225,000 to fund upcoming capital projects to improve and extend the utility system. The remainder of \$729,229 was used to fund bond issuance costs (underwriting fees, bond counsel and other issuance costs). Included in the advance refunding was the purchase of qualified U.S. government securities which were deposited in an irrevocable trust with an escrow agent to provide for the exercise of the optional redemption of the Series 2009 and Series 2009A at par value on July 1, 2016. As a result, the Series 2009 and Series 2009A bonds having a maturity of July 1, 2017, or later, are considered defeased. As of July 31, 2017, the ending balance of the Series 2009 and Series 2009A bonds were zero.

The cash flow requirements from Fiscal Year 2016 through Fiscal Year 2044 on the advance refunded Series 2009 and Series 2009A bonds prior to the advance refunding was \$107,623,744. The cash flow requirements from Fiscal Year 2016 through Fiscal Year 2044 on the Series 2016 bonds which were issued to advance refund the Series 2009 and Series 2009A bonds are \$105,870,398. The advance refunding resulted in a present value economic gain of \$1,301,968.

#### Note 5. Intergovernmental Expense

NBU is a semiautonomous entity with a Board of Trustees that is responsible for its operations. The Board is appointed by the City Council.

The Board may authorize NBU to transfer annual payments to the General Fund of the City payable in monthly installments. For Fiscal Year 2016 and prior, the Board elected to transfer an amount equal to sixteen percent (16%) of gross margin on service revenue. On April 28, 2016, the Board elected to utilize a new methodology beginning in Fiscal Year 2017. The calculation is based on a rolling three year average of electric, water, and sewer operating revenues. The formula percentage is 7.45% for electric, 4.35% for water, and 4.35% for wastewater. The amount is limited to income before extraordinary items less bond principal and any future bond reserve or contingency requirements. These monies can be transferred only if such funds are available after meeting the needs of properly operating and maintaining the system and fulfilling all bonded debt requirements (see Note 4).

#### Note 6. Retirement System

#### **Defined Benefit Pension Plan**

#### A. Plan Description

NBU participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available CAFR that can be obtained online at <a href="https://www.tmrs.com">www.tmrs.com</a>.

All eligible employees of NBU are required to participate in TMRS.

#### B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the Board, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and NBU-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefits as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

#### **Employees covered by benefit terms**

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	107
Inactive employees entitled to, but not yet receiving benefits	64
Active Employees	252
Total Covered Employees	423

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	100
Inactive employees entitled to, but not yet receiving benefits	60
Active Employees	241
Total Covered Employees	401

#### C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using Entry Age Normal ("EAN") actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of NBU were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for NBU were 12.62% and 12.45% in calendar years 2017 and 2016, respectively. NBU's contributions to TMRS for the years ended July 31, 2017 and 2016 were \$1,941,283 and \$1,842,516, respectively, and were equal to the required contributions.

#### D. Net Pension Liability

NBU's Net Pension Liability ("NPL") was measured as of December 31, 2016 and 2015, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

#### **Actuarial Assumptions:**

The TPL in the December 31, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions:

Assumption	December 31, 2016	December 31, 2015
Inflation	2.5% per year	2.5% per year
Overall payroll growth	3.0% per year	3.0% per year
Investment Rate of Return	6.75% net of pension plan	6.75% net of pension plan
	investment expense,	investment expense,
	including inflation	including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future Mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables are used with slight adjustments.

Actuarial assumptions used in the December 31, 2016 and 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

After the Asset Allocation Study analysis and experience investigation study, the TMRS Board of Trustees ("TMRS Board") amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board. Plan assets are managed on a

total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

#### **Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assured that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability	Increase (Decrease)			
December 31, 2016 Actuarial Valuation	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)	
Balance at December 31, 2015	\$ 68,725,130	\$ 59,429,750	\$ 9,295,380	
Changes for the year:			-	
Service Cost	2,063,217	-	2,063,217	
Interest	4,623,082	-	4,623,082	
Change of benefit terms	-	-	-	
Difference between expected and actual experience	(33,315)	-	(33,315)	
Changes of assumptions	-	-	-	
Contributions - employer	-	1,811,489	(1,811,489)	
Contributions - employee	-	1,018,513	(1,018,513)	
Net investment income	-	4,017,620	(4,017,620)	
Benefit payments, including refunds of employee contributions	(2,533,258)	(2,533,258)	-	
Administrative expense	-	(45,360)	45,360	
Other changes	-	(2,444)	2,444	
Net changes	\$ 4,119,726	\$ 4,266,560	\$ (146,834)	
Balance at December 31, 2016	\$ 72,844,856	\$ 63,696,310	\$ 9,148,546	

Changes in Net Pension Liability	Inc	Increase (Decrease)			
December 31, 2015 Actuarial Valuation	Total Pension Plan Fiduciary Net Pe				
	Liability	Net Position	Liability		
	(a)	(b)	(a)-(b)		
Balance at December 31, 2014	\$ 65,192,104	\$ 59,316,009	\$ 5,876,095		
Changes for the year:			-		
Service Cost	1,852,821	-	1,852,821		
Interest	4,534,158	-	4,534,158		
Change of benefit terms	-	-	-		
Difference between expected and actual experience	(452,450)	-	(452,450)		
Changes of assumptions	288,151	-	288,151		
Contributions - employer	-	1,827,177	(1,827,177)		
Contributions - employee	-	944,629	(944,629)		
Net investment income	-	87,534	(87,534)		
Benefit payments, including refunds of employee contributions	(2,689,654)	(2,689,654)	-		
Administrative expense	-	(53,311)	53,311		
Other changes	-	(2,634)	2,634		
Net changes	\$ 3,533,026	\$ 113,741	\$ 3,419,285		
Balance at December 31, 2015	\$ 68,725,130	\$ 59,429,750	\$ 9,295,380		

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of NBU, calculated using the discount rate that was included in the actuarial valuation, as well as what NBU's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

December 31, 2016 Actuarial Valuation Date:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
NBU's Net Pension Liability	\$ 19,462,390	\$ 9,148,546	\$ 668,152

December 31, 2015 Actuarial Valuation Date:

	1% Decrease in		1% Increase in
	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
NBU's Net Pension Liability	\$ 18,978,136	\$ 9,295,380	\$ 1,326,652

#### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained online at <a href="https://www.tmrs.com">www.tmrs.com</a>.

## E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended July 31, 2017 and 2016, NBU recognized pension expense of \$2,498,100 and \$2,208,414, respectively.

At July 31, 2017, NBU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	ferred Outflows of Resources	erred Inflows f Resources
Differences between expected and actual		
economic experience	-	\$ 619,023
Changes in actuarial assumptions	\$ 181,625	-
Difference between projected and actual investment earnings	\$ 2,718,948	-
Contributions subsequent to the		
measurement date (December 31, 2016)	\$ 1,137,174	-
Total	\$ 4,037,747	\$ 619,023

At July 31, 2016, NBU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	ferred Outflows of Resources	erred Inflows f Resources
Differences between expected and actual		
economic experience	-	\$ 799,191
Changes in actuarial assumptions	\$ 234,888	-
Difference between projected and actual		
investment earnings	\$ 3,679,298	-
Contributions subsequent to the		
measurement date (December 31, 2015)	\$ 1,024,747	-
Total	\$ 4,938,933	\$ 799,191

NBU contributions of \$1,137,174 made subsequent to the measurement date of December 31, 2016, as shown in the table above, are included as part of pension deferred outflows in the Statement of Net Position. These contributions will be recognized as a reduction of the net pension liability for the year ending July 31, 2017. The remaining net amount of \$2,281,550 is

comprised of the difference between (i) the deferred outflows of resources of \$2,900,573 consisting of the difference between projected and actual investment earnings and (ii) deferred inflows of \$619,023 resulting from differences between expected and actual economic experience. This amount will be recognized in pension expense as follows:

Year ended July 3	1:
2017	\$794,018
2018	794,017
2019	717,652
2020	(19,392)
2021	(4,745)
Total	\$2,281,550

#### **Supplemental Death Benefits Fund**

NBU also participates in the cost sharing multi-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund ("SDBF"). NBU elected, by ordinance, to provide group life insurance coverage to both current and retired employees. NBU may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

*Benefits* - The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB.

Contributions - NBU contributes to the SDBF at a contractually required contribution rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

NBU's contributions for 2017, 2016, and 2015 were \$28,080, \$26,895, and \$25,839, respectively, and equaled the required contributions for those years.

A schedule of contribution rates is below (retiree-only portion of the rate).

Plan Year	Annual Required Contribution (ARC)	Actual Contribution Made	Percentage of ARC Contributed
2015	0.04%	0.04%	100.00%
2016	0.03%	0.03%	100.00%
2017	0.03%	0.03%	100.00%

#### **Note 7. Compensated Absences**

NBU employees can earn up to 20 working days of vacation per calendar year depending on years of service. Unused vacation may be carried over from one year to the next limited to the amount earned and unused in the present year. Vacation time may not be converted except upon cessation of employment in good standing.

NBU employees earn 3.69 hours of sick leave for each pay period. Employees may accumulate unused hours of sick leave at a rate of 96 hours per year up to a maximum of 480 hours for use in future years. Each year in January, qualifying employees will be compensated at their base rate of pay for accrued and unused hours of

sick pay in excess of 480 hours up to a maximum of 96 hours. An employee who leaves in good standing may be eligible to be compensated for all accrued and unused sick leave. In order to be eligible for compensation of sick leave upon cessation of employment, an employee must leave in good standing and be eligible for retirement under the presently adopted rules of TMRS.

NBU employees, after successfully completing their orientation period, will be credited with 24 hours of personal leave. Full time employees will be credited with 24 hours of personal leave on their employment anniversary date. In order to be eligible for compensation of personal leave upon cessation of employment, an employee must leave in good standing and be eligible for retirement under the presently adopted rules of TMRS.

The total accrued liability for compensated absences as of July 31, 2017 is as follows:

	Balance at			Earned in		Utilized in	В	alance at	Due within		
	August 1, 2016		Fiscal Year 2017		Fiscal Year 2017		Jul	y 31, 2017	0	ne Year	
Vacation Leave	\$	637,948	\$	821,704	\$	795,633	\$	664,020	\$	664,020	
Sick Leave		806,946		162,654		308,843		660,757		-	
Personal Leave		23,346		141,936		148,403		16,879		16,879	
Worker's Compensation		268,658		51,206		141,714		178,150		178,150	
Total	\$	1,736,898	\$	1,177,500	\$	1,394,593	\$	1,519,805	\$	859,048	

The total accrued liability for compensated absences as of July 31, 2016 is as follows:

	Balance at			Earned in		Utilized in	Balance at			ıe within
	August 1, 2015		Fiscal Year 2016		Fiscal Year 2016		July 31, 2016		0	ne Year
Vacation Leave	\$	564,554	\$	1,080,659	\$	1,007,265	\$	637,948	\$	637,948
Sick Leave		785,267		615,263		593,584		806,946		-
Personal Leave		25,541		301,999		304,193		23,346		23,346
Worker's Compensation		218,319		179,284		128,947		268,658		268,658
Total	\$	1,593,681	\$	2,177,205	\$	2,033,990	\$	1,736,898	\$	929,952

#### **Note 8. Operating Lease**

NBU has an operating lease with LCRA to lease certain transmission assets to LCRA. Payments for the lease facilities are based on the original cost of the facilities, adjusted for depreciation, and are updated annually to reflect additions, retirements, and depreciation. The terms of the leases are perpetual, but may be terminated by either party upon five years written notice. On March 30, 2017, LCRA and NBU executed a Memorandum of Agreement (MOA) to terminate the lease effective on March 31, 2022. The MOA outlines a lease payment freeze that reverts the lease payments to the lease asset value as of NBU's Transmission Cost of Service (TCOS) rate case dated July 7, 2014. The compensable lease asset value at that time was \$10,992,460, which equates to lease revenue of \$855,667 per year. Lease revenues were \$797,793 and \$791,039 in Fiscal Year 2017 and Fiscal Year 2016, respectively. The receipts for Fiscal Year 2018 are expected to be \$855,667.

#### Note 9. Risk Management

NBU is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. NBU participates in a risk pool with other municipal entities to cover such risks of loss. There has not been a significant reduction in insurance coverage during Fiscal Year 2017 and 2016 in any risk category.

As of January 1, 2013, NBU pays medical health care benefits claim costs up to the first \$65,000 ("stop loss limit") per covered individual for the plan year. NBU has an aggregate maximum claims liability covering all

plan participant of \$1.7 million annual limit amount. During the past three fiscal years, NBU did not incur any aggregate claims in excess of the \$1.7 million annual limit amount.

NBU reported a claims liability of \$37,960 and \$6,268 at July 31, 2017 and 2016, respectively, based on the requirements of GASB Statement No. 10. The claims liability is included in Accounts payable and other current liabilities on the Statement of Net Position.

The following is the claims liability schedule for the respective fiscal years:

	Be	ginning		Claims	<b>Payments</b>	Ending			
Balance I				Incurred	On Claims	Balance			
2015	\$	28,363	\$	1,939,816	\$ 1,964,110	\$	4,069		
2016	\$	4,069	\$	1,811,450	\$ 1,809,251	\$	6,268		
2017	\$	6,268	\$	1,430,030	\$ 1,398,338	\$	37,960		

Note 10. Commitments and Contingencies

#### **Purchased Power Contracts**

In 2014, NBU executed a power purchase agreement (PPA) with Javelina Wind Energy, LLC ("Javelina"), an indirect subsidiary of NextEra Energy, Inc., for Javelina to provide 50 MW of electricity for 20 years from the commercial commencement of the project, which began in December 2015. The source of this electricity is from a nameplate capacity 250 MW wind energy farm located approximately 35 miles east of Laredo, Texas in Webb County. This agreement represents approximately 13% of NBU's purchase power portfolio. Power purchased through the Javelina PPA totaled \$5,987,301 and \$2,923,678 for Fiscal Year 2017 and 2016, respectively.

NBU has executed power contracts with multiple counterparties over various terms, generally one to three years, excluding the Javelina wind power contract described above. NBU is continually reviewing the feasibility of additional credit quality counterparties and is in the process of increasing the number of master enabling agreements with such counterparties in order to take advantage of market and pricing opportunities as they arise and to bolster its diversification of power supply sources.

To minimize power portfolio risk, the NBU Board has approved a Credit Risk Policy and an Energy Risk Policy to provide appropriate guidelines in managing NBU's power portfolio.

As of July 31, 2017, NBU has executed forward physical power contracts intended to hedge price volatility in its power supply portfolio through 2021. All non PPA power contracts are intended to cover native load requirements and are considered normal purchases and sales which don't require recognition at fair value under GASB Statement No. 62. Additional portfolio hedges are added over time as near-term hedges expire. As of July 31, 2017, NBU's forward physical contracts through 2021 reflected an underlying market value (unfavorable) that was within 10% of total expected power costs through 2021.

NBU's estimated payments for purchased power for 2018 through 2021, undiscounted, are as follows:

Years Ending	]	Estimated
<b>July 31</b>		Payments
2018	\$	42,222,658
2019	\$	22,400,154
2020	\$	13,654,092
2021	\$	4,708,613

#### **Comal River Water Rights**

Cause No. C2015-1358B; *New Braunfels Utilities v. Lower Colorado River Authority*; In the 207<sup>th</sup> Judicial District Court of Comal County, Texas. Cause No. 03-16-00077-CV; *Lower Colorado River Authority v. New Braunfels Utilities*; before the 3<sup>rd</sup> Court of Appeals, Austin, Texas.

On September 2, 2015, NBU filed suit against LCRA seeking to quiet title to certain water rights owned by NBU in surface water in the Comal River. The LCRA asserts a revisionary interest in the water rights. The LCRA claims that title to the water rights reverts to LCRA upon expiration of a lease of real property between the LCRA and NBU that is set to expire in 2037. The lawsuit did not involve any claims for monetary damages by any party. Each party sought a judicial declaration that it is the owner of the water rights at issue. On January 12, 2016, the Court head NBU's Motion to Summary Judgment to Quiet Title and LCRA's Pleas to the Jurisdiction. On January 21, 2016, the Court granted LCRA's Plea to the Jurisdiction. On January 22, 2016, the Court granted NBU's Motion for Summary Judgment and denied the LCRA Manager's and Directors' Plea to the Jurisdiction.

On February 5, 2016, LCRA filed a Notice of Appeal. The case was briefed before the 3<sup>rd</sup> Court of Appeals in Austin, Texas. Oral Argument was heard on the case on June 8, 2016. On July 22, 2016, the 3<sup>rd</sup> Court of Appeals issued Judgment affirming the trial court's interlocutory order. On February 24, 2017, LCRA filed a Petition for Review with the Supreme Court. The case was briefed before the Supreme Court, but on August 31, 2017, LCRA filed an Unopposed Motion to Dismiss, which was granted on September 8, 2017.

An Agreed Final Judgment in favor of NBU was entered by the District Court on November 13, 2017. The lawsuit is no longer pending. The Judgment quieted title to the water rights at issue in NBU against all claims by NBU.

## Required Supplemental Information

# NEW BRAUNFELS UTILITIES Defined Benefit Pension Plan - Required Supplementary Information Unaudited

#### Schedule of Changes in the Net Pension Liability and Related Ratios For the Years Ended July 31, 2017 and 2016

As of December 31, Plan Measurement Date		2016		2015	2014			
Total Pension Liability								
Service Cost	\$	2,063,217	\$	1,852,821	\$	1,525,007		
Interest on the Total Pension Liability		4,623,082		4,534,158		4,334,207		
Changes of Benefit Terms		-		-		-		
Differences Between Expected and Actual Experience		(22.215)		(452.450)		(679 647)		
of the Total Pension Liability Changes of Assumptions		(33,315)		(452,450) 288,151		(678,647)		
Benefit Payments, including Refunds of Employee Contributions		(2,533,258)		(2,689,654)		(2,286,395)		
Net Change in Total Pension Liability	\$	4,119,726	\$	3,533,026	\$	2,894,172		
Total Pension Liability - Beginning		68,725,130		65,192,104		62,297,932		
Total Pension Liability - Ending (A)	\$	72,844,856	\$	68,725,130	\$	65,192,104		
Plan Fiduciary Net Position								
Contributions - Employer	\$	1,811,489	\$	1,827,177	\$	1,827,595		
Contributions - Employees		1,018,513		944,629		869,696		
Net Investment Income		4,017,620		87,534		3,189,875		
Benefit Payments, including Refunds of Employee Contributions		(2,533,258)		(2,689,654)		(2,286,395)		
Administrative Expense		(45,360)		(53,311)		(33,298)		
Other (Net Transfer)  Net Change in Plan Fiduciary Net Position	\$	(2,444) 4,266,560	\$	(2,634) 113,741	\$	(2,738)		
,	Ф		ф	,	Ф	3,564,735		
Plan Fiduciary Net Position - Beginning		59,429,750		59,316,009		55,751,274		
Plan Fiduciary Net Position - Ending (B)	\$	63,696,310	\$	59,429,750	\$	59,316,009		
Net Pension Liability - Ending (A) - (B)	\$	9,148,546	\$	9,295,380	\$	5,876,095		
Plan Fiduciary Net Position as a Percentage								
of the Total Pension Liability		87.44%		86.47%		90.99%		
Covered Valuation Payroll	\$	14,550,190	\$	13,494,694	\$	12,424,223		
Net Pension Liability as a Percentage of Covered Valuation Payroll		62.88%		68.88%		47.30%		
VI COVETEU VAIUALIVII FAYIVII		02.00%		00.00%		47.30%		

#### Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available. Additionally, GASB Statement No. 68 requires that the information on this schedule correspond with the period covered as of December 31, the measurement date of the Utilities' net pension liability.

## NEW BRAUNFELS UTILITIES Defined Benefit Pension Plan - Required Supplementary Information Unaudited

#### Schedule of Employer Contributions For the Years Ended July 31, 2017, 2016, and 2015

Fiscal Year End July 31,	De	ctuarially etermined ntribution	Со	Actual ntribution	Defi	ibution ciency cess)	 Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2015	\$	1,844,552	\$	1,844,552	\$	-	\$ 13,177,409	14.71%
2016	\$	1,842,516	\$	1,842,516	\$	-	\$ 14,270,549	12.91%
2017	\$	1,941,283	\$	1,941,283	\$	-	\$ 15,599,975	12.44%

#### Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available. Additionally, GASB Statement No. 68 requires that the information on this schedule correspond with the period covered as of July 31, the fiscal year end of the Utilities.

#### **NEW BRAUNFELS UTILITIES**

#### NOTES TO SCHEDULE OF CONTRIBUTIONS

## $Summary\ of\ Actuarial\ Methods\ and\ Assumptions\ Used\ in\ the\ Calculation\ of\ the\ 2016\ Contribution\ Rate$

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of

December 31 each year and become effective in January 13 months

later.

#### Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age Normal

Amortization Method: Level Percentage of Payroll, Closed

Remaining Amortization Period: 29 years

Asset Valuation Method: 10-Year smoothed market; 15% soft corridor

*Inflation:* 2.5%

Salary Increases: 3.50% to 10.5%, including inflation

*Investment Rate of Return:* 6.75%

Retirement Age: Experience-based table of rates that are specific to the participant's plan

of benefits. Last updated for the 2015 valuation pursuant to an

experience study of the period 2010 - 2014

Mortality: RP-2000 Combined Mortality Table with Blue Collar Adjustment with

male rates multiplied by 109% and female rates multiplied by 103%

and projected on a fully generational basis with scale BB.

Other Information:

*Notes:* There were no benefit changes during the year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

# **Supplementary Information**

#### NEW BRAUNFELS UTILITIES Budgetary Comparison Schedule For the Fiscal Year Ended July 31, 2017

	Budget			Actual		Variance	
Operating revenues							
Electric services	\$	101,989,406	\$	100,006,812	\$	(1,982,594)	
Water services		16,120,833		13,690,935		(2,429,898)	
Wastewater services		14,200,607		13,837,277		(363,330)	
Transmission system		2,165,400		2,015,874		(149,526)	
Miscellaneous fees and charges		1,092,000		1,882,973		790,973	
Other operating revenues		1,741,500		1,393,175		(348,325)	
Total operating revenues	\$	137,309,746	\$	132,827,046	\$	(4,482,700)	
Operating expenses							
Purchased power	\$	80,278,802	\$	78,309,241	\$	1,969,561	
Purchased water		2,581,443		2,147,579		433,864	
Other operating expenses		26,127,182		23,866,722		2,260,460	
Depreciation and amortization		15,286,001		18,537,779		(3,251,778)	
Total operating expenses	\$	124,273,428	\$	122,861,321	\$	1,412,107	
Net operating income	\$	13,036,318	\$	9,965,725	\$_	(3,070,593)	
Nonoperating revenues (expenses)							
Investment income	\$	470,997	\$	794,822	\$	323,825	
Interest expense and investment loss or gain		(4,329,779)		(4,499,178)		(169,399)	
Intergovernmental expense		(7,923,678)		(7,779,247)		144,431	
Other nonoperating revenues (expenses)		657,000		(2,065,709)		(2,722,709)	
Total nonoperating revenues (expenses)	\$	(11,125,460)	\$	(13,549,312)	\$	(2,423,852)	
Income before capital contributions	\$	1,910,858	\$	(3,583,587)	\$	(5,494,445)	

Note: Impact fees are considered a capital contribution for reporting purposes. The fees were budgeted at \$6,141,028. Actual fees received were \$5,328,870.

# **STATISTICAL**

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This part of NBU's CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about NBU's overall financial health.

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# NEW BRAUNFELS UTILITIES Statements of Net Position by Component For Fiscal Years Ended July 31, (\$ in Thousands) (Unaudited)

	Net Investment in			Total Net
Fiscal Year	Capital Assets	<b>Restricted</b>	<b>Unrestricted</b>	<b>Position</b>
2008	\$155,987	\$12,240	\$48,027	\$216,254
2009	179,709	14,393	35,734	229,836
2010	184,754	13,118	46,804	244,676
2011	192,769	8,259	56,281	257,308
2012	209,884	9,579	49,078	268,542
2013	224,999	7,664	50,455	283,118
2014	248,841	6,455	73,108	328,404
2015	271,082	743	68,659	340,484
2016	300,781	3,313	59,761	363,855
2017	338,420	8,390	43,241	390,051

Totals may not add due to rounding.

# NEW BRAUNFELS UTILITIES Statements of Revenues and Expenses For Fiscal Years Ended July 31, (\$ in Thousands) (Unaudited)

0		2008		2009		<u>2010</u>		<u>2011</u>		<u> 2012</u>
Operating revenues	φ	06.266	<sub>ф</sub>	05.002	φ	04.066	ተ	02 527	φ	01 021
Electric services Water services	\$	86,366 9,918	\$	85,802 11,290	\$	84,066 9,697	\$	92,537	\$	91,831 11,738
				9,554		9,697		11,930 9,727		10,401
Wastewater services		8,184		9,554 1,474				1,599		1,573
Transmission system Other operating revenues		1,472 2,352		2,735		1,597 2,136		2,422		1,573 2,476
Total operating revenues	<u>¢</u>	108,292	¢	110,855	¢	106,959	¢	118,214	<b>¢</b> 1	118,019
Total operating revenues	Ф	100,292	ф	110,033	ф	100,737	ф	110,214	Ф	110,019
Operating expenses										
Purchased power	\$	70,531	\$	70,549	\$	66,564	\$	73,886	\$	73,795
Purchased water		980		1,118		1,205		1,184		1,507
Transmission and distribution		5,517		5,466		6,573		6,342		6,501
Pumping		975		1,075		1,081		1,249		1,303
Water treatment		2,620		2,443		2,750		2,435		2,679
Customer service		1,822		2,158		1,993		2,068		1,979
General and administrative		5,027		5,895		6,053		6,753		7,284
Depreciation		8,912		9,414		10,043		10,146		10,571
Total operating expenses	\$	96,384	\$	98,118	\$	96,261	\$	104,063	\$ 1	105,618
Net operating income	\$	11,908	\$	12,737	\$	10,699	\$	14,150	\$	12,401
Nonoperating revenues (expenses)										
Interest income	\$	2,173	\$	1,604	\$	404	\$	383	\$	297
Net increase (decrease) in the fair value of investments		403		(402)		(35)		29		(43)
Interest and amortization expense		(1,296)		(1,221)		(1,443)		(1,504)		(1,459)
Intergovernmental expense		(4,922)		(5,205)		(5,637)		(5,766)		(6,047)
Gain (loss) on sale of assets		115		(5)		(157)		(160)		(72)
Total nonoperating revenues/(expenses)	\$	(3,527)	\$	(5,229)	\$	(6,868)	\$	(7,018)	\$	(7,324)
Income before contributions	\$	8,381	\$	7,507	\$	3,831	\$	7,131	\$	5,077
Capital contributions										
Impact fees	\$	1,346	\$	1,182	\$	1,156	\$	1,099	\$	1,898
Services		635		570		546		523		671
Developer contributions		13,800		4,322		9,307		3,879		3,587
Total capital contributions	\$	15,781	\$	6,075	\$	11,009	\$	5,501	\$	6,156
Special item Proceeds from LCRA litigation settlement										
Proceeds from LCRA litigation settlement		-		-		-		-		
Change in net position	\$	24,162	\$	13,582	\$	14,840	\$	12,632	\$	11,233
Total net position - beginning of year	Ψ	192,092	Ψ	216,254	Ψ	229,836	Ψ	244,676		257,308
Cumulative effect of change in accounting principle				-		-		_ 11,070		-
Total net position - end of year	\$	216,254	\$	229,836	\$	244,676	\$	257,308	\$ 2	268,542

# NEW BRAUNFELS UTILITIES Statements of Revenues and Expenses For Fiscal Years Ended July 31, (\$ in Thousands) (Unaudited)

		<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2016</u>		<u>2017</u>
Operating revenues										
Electric services	\$	85,005	\$		\$	102,205	\$	103,062	\$	100,007
Water services		11,281		11,300		11,676		13,596		13,691
Wastewater services		10,642		11,398		11,974		12,785		13,837
Transmission system		1,531		1,468		2,051		1,974		2,016
Other operating revenues	_	2,521	_	2,912	_	3,317		3,940	_	3,276
Total operating revenues	\$	110,980	\$	125,485	\$	131,223	\$	135,356	\$	132,827
Operating expenses										
Purchased power	\$	67,771	\$	77,759	\$	82,817	\$	81,685	\$	78,328
Purchased water		2,124		2,023		2,314		2,223		2,147
Transmission and distribution		5,388		5,802		6,225		7,196		6,279
Pumping		1,317		1,166		1,310		1,306		1,016
Water treatment		2,641		2,765		3,069		3,178		4,146
Customer service		2,219		2,180		2,227		2,623		3,726
General and administrative		7,306		9,101		7,454		8,960		8,682
Depreciation		11,472		12,408		13,256		14,233		18,538
Total operating expenses		100,238	\$	113,206	\$	118,673	\$	121,404	\$	122,861
Net operating income	\$	10,742	\$	12,279	\$	12,550	\$	13,951	\$	9,966
Nonoperating revenues (expenses)										
Interest income	\$	203	\$	186	\$	246	\$	375	\$	795
Net increase (decrease) in the fair value of investments	Ψ	(25)	Ψ	(32)	Ψ	29	Ψ	49	Ψ	(178)
Interest and amortization expense		(1,697)		(2,185)		(2,310)		(3,858)		(4,321)
Intergovernmental expense		(6,171)		(6,478)		(6,406)		(6,786)		(7,779)
Gain (loss) on sale of assets		(75)		(239)		58		(18)		(2,066)
Total nonoperating revenues/(expenses)	\$	(7,765)	\$	(8,747)	\$	(8,383)	\$		\$	(13,549)
rotal honoperating revenues/ (expenses)	Ψ_	(1,103)	Ψ	(0,7 17)	Ψ	(0,505)	Ψ	(10,237)	Ψ	(10,017)
Income before contributions	\$	2,976	\$	3,532	\$	4,167	\$	3,712	\$	(3,584)
Capital contributions										
Impact fees	\$	3.860	\$	3.245	\$	4,178	\$	5,329	\$	8,861
Services	Ψ	1,298	Ψ	1,005	Ψ	1,216	Ψ	1,292	Ψ	1,962
Developer contributions		6,442		17,005		14,155		13,037		18,957
Total capital contributions	\$	11,600	\$	21,254	\$	19,549	\$	19,658	\$	29,780
Total capital contributions	Ψ	11,000	Ψ	21,201	Ψ	17,017	Ψ	17,000	Ψ	23,700
Special item										
Proceeds from LCRA litigation settlement		-		20,500		-		-		
Change in net position	\$	14,577	\$	45,286	\$	23,716	\$	23,370	\$	26,197
Total net position - beginning of year		268,542		283,118		328,404		340,484	*	363,855
Cumulative effect of change in accounting principle				-		(11,636)		-		-
Total net position - end of year	\$	283,118	\$	328,404	\$	340,484	\$	363,855	\$	390,051
- com mor position one of jour	Ψ	_55,110	Ψ	220,101	Ψ	2 10, 10 1	Ψ	200,000	Ψ	570,001

Totals may not add due to rounding.

# NEW BRAUNFELS UTILITIES Income by Source For Fiscal Years Ended July 31,

(\$ in Thousands) (Unaudited)

Fiscal Year	Electric	Water	Wastewater	Other*	Total**
2008	\$ 89,728	\$ 11,223	\$ 9,185	\$ 2,828	\$ 112,964
2009	89,191	12,647	10,356	1,598	113,792
2010	87,079	10,685	10,283	828	108,874
2011	95,679	13,059	10,459	892	120,088
2012	95,080	13,421	11,553	718	120,772
2013	88,523	14,408	12,545	765	116,240
2014	101,702	14,211	12,948	788	129,649
2015	106,678	15,207	13,998	1,067	136,950
2016	107,770	18,059	15,362	1,191	142,381
2017	103,263	15,383	14,077	2,242	134,965

<sup>\*</sup> Other Income includes interest income, mark-to-market adjustments on investments, miscellanous service income and gain (loss) on sale of assets.

<sup>\*\*</sup>Does not include Developer Contributions or Special Item

### NEW BRAUNFELS UTILITIES Average Revenue Rates For Fiscal Years Ended July 31, (Unaudited)

Fiscal Year	Electric Rate/kWh	Water Rate/per Thousand Gallons	Wastewater Monthly Revenue/Customer
2008	\$0.0801	\$3.14	\$36.17
2009	\$0.0796	\$3.19	\$41.07
2010	\$0.0742	\$3.33	\$39.60
2011	\$0.0741	\$3.20	\$39.80
2012	\$0.0724	\$3.22	\$41.08
2013	\$0.0658	\$3.37	\$40.42
2014	\$0.0689	\$3.59	\$41.50
2015	\$0.0688	\$3.73	\$41.52
2016	\$0.0694	\$3.64	\$42.49
2017	\$0.0660	\$3.79	\$44.44

#### NEW BRAUNFELS UTILITIES Revenue By Class For Fiscal Years Ended July 31, (Unaudited)

_	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Electric Services										
Residential	39%	38%	40%	38%	37%	37%	37%	37%	37%	39%
General Service	32%	31%	31%	30%	31%	29%	30%	28%	29%	31%
Industrial	29%	31%	29%	32%	31%	34%	33%	35%	33%	30%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Water Services										
Residential/Multi-Unit/Irrigation	80%	81%	81%	83%	81%	81%	82%	82%	84%	84%
General Service	17%	15%	16%	15%	15%	15%	16%	15%	15%	15%
Wholesale	2%	3%	2%	2%	3%	3%	1%	1%	0%	0%
Other	1%	2%	1%	1%	1%	1%	1%	1%	1%	1%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Wastewater Services										
Residential/Multi-Unit	69%	71%	70%	68%	69%	69%	70%	69%	69%	70%
General Service	31%	29%	30%	31%	30%	30%	29%	30%	31%	30%
Other	0%	0%	0%	0%	1%	1%	1%	1%	0%	0%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

#### NEW BRAUNFELS UTILITIES Total Indebtedness Per Customer For Fiscal Years Ended July 31, (Unaudited)

**Total Electric Total** Percentage of Water and Fiscal Indebtedness\* Wastewater **Debt Per Personal** Per Year (in thousands) **Customer** Income Capita **Customers** 2008 27,728 68,787 \$ 403 252 6.55% 2009 29,528 70,709 418 6.93% 258 2010 37,358 72,993 512 344 8.13% 467 315 2011 35,085 75,176 7.04% 427 290 2012 33,200 77,746 6.33% 2013 46,094 81,649 565 8.03% 395 509 2014 43,738 85,949 7.13% 354 2015 70,361 90,904 774 10.15% 545 117,099 2016 1,226 16.29% 876 95,536  $N/A^{1}$  $N/A^1$ 2017 112,228 101,301 1,108

<sup>\*</sup> Total Indebtedness includes Bonded Debt and the GBRA Capital Lease (which was paid off in FY 2014) and is net of unamortized premium and discount.

<sup>&</sup>lt;sup>1</sup> Some 2017 Information was not available at time of publication.

# NEW BRAUNFELS UTILITIES Revenue Bond Coverage For Fiscal Years Ended July 31, (\$ in Thousands) (Unaudited)

Fiscal		Total	,	Total		venues ble for	Bond ebt Service			
<u>Year</u>	Rev	Revenues (1)		Expenses (2)		<u>Service</u>	Requ	uirements <sup>(3)</sup>	Coverage (x)	
2008	\$	112,964	\$	87,472	\$	25,492	\$	3,875	6.58	
2009		113,792		88,705		25,087		3,942	6.36	
2010		108,874		86,218		22,656		2,721	8.33	
2011		120,088		93,918		26,170		2,852	9.18	
2012		120,772		95,048		25,724		2,836	9.07	
2013		116,240		88,766		27,475		2,313	11.88	
2014		129,649		100,798		28,851		3,149	9.16	
2015		136,950		105,417		31,534		3,143	10.03	
2016		142,381		107,159		35,222		3,131	11.25	
2017		131,930		104,393		27,537		3,134	8.79	

<sup>&</sup>lt;sup>(1)</sup> Includes interest income, net increase (decrease) in the fair value of investments, gain (loss) on sale of assets, impact fees, and services.

<sup>(2)</sup> Excludes depreciation, interest and amortization expense, and intergovernmental expense

<sup>(3)</sup> Includes principal and interest of revenue bonds

# Number of Customers by Service For Fiscal Years Ended July 31, (Unaudited)

Fiscal				
<u>Year</u>	<b>Electric</b>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
2008	28,219	21,613	18,955	68,787
2009	28,894	22,457	19,358	70,709
2010	29,595	23,440	19,958	72,993
2011	30,252	24,436	20,488	75,176
2012	31,061	25,588	21,097	77,746
2013	32,404	27,303	21,942	81,649
2014	33,975	29,089	22,885	85,949
2015	35,455	31,415	24,034	90,904
2016	36,914	33,550	25,072	95,536
2017	38,867	36,140	26,294	101,301

# COMAL COUNTY Demographic and Economic Statistics Last Ten Years \* (Unaudited)

Calendar Year	Comal County Population <sup>1</sup>	(	Personal Income (in 000's) <sup>1</sup>		Per Capita Personal Income <sup>1</sup>		Unemployme Rate <sup>2</sup>		ent -
2007	105,234	\$	3,863,830		\$	36,717		3.9%	
2008	110,119		4,232,020			40,979		4.3%	
2009	114,525		4,260,164			40,058		6.6%	
2010	108,472		4,594,481			41,984		7.0%	
2011	111,521		4,984,481			44,519		7.3%	
2012	114,384 <sup>3</sup>		5,248,803	3		45,888	3	6.1%	3
2013	116,559 <sup>3</sup>		5,742,217	3		48,466	3	4.8%	3
2014	123,694 <sup>3</sup>		6,138,500	3		49,626	3	3.6%	3
2015	129,048 <sup>3</sup>		6,931,196	3		53,710	3	3.4%	3
2016	133,692 <sup>3</sup>		7,188,696	3		53,333	3	3.6%	3

New Braunfels Utilities services area is approximately 169 square miles which includes the City of New Braunfels and the surrounding area. The majority of the service area is within Comal County, with some customer service in Hays, Guadalupe, and Bexar counties. The population amounts were obtained from the U. S. Census Bureau.

<sup>&</sup>lt;sup>1</sup> Source: http://www.bea.gov

<sup>&</sup>lt;sup>2</sup> Source: http://www.tracer2.com

<sup>&</sup>lt;sup>3</sup> Source: http://www.co.comal.tx.us/Transparency/Comprehensive-Annual-Financial-Report.htm

# COMAL COUNTY Principal Employers Current and Ten Years Ago (Unaudited)

		2	017		2	008	
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment	
Comal ISD - School District	2,648	1	4.1%	1,776	1	4.1%	
Wal-Mart Distribution Center	1,237	2	1.9%	1,200	2	2.7%	
New Braunfels ISD - School District	1,050	3	1.6%	885	3	2.0%	
Hunter Industries, Ltd.	995	4	1.5%	550	5	1.3%	
Sysco	864	5	1.3%	-	n/a	0.0%	
IBEX Corporation	659	6	1.0%	-	n/a	0.0%	
Comal County	657	7	1.0%	531	6	1.2%	
City of New Braunfels	607	8	0.9%	511	7	1.2%	
GE Oil & Gas	573	9	0.9%	-	n/a	0.0%	
HD Supply Facilities Maintenance	567	10	0.9%	450	8	1.0%	
	9,857		15.3%	5,903		13.5%	

# NEW BRAUNFELS UTILITIES Full-Time Equivalent Employees By Function (Budgeted Positions) For Fiscal Years Ended July 31, (Unaudited)

Fiscal					
<u>Year</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Support</u>	<u>Total</u>
2008	73.0	41.0	38.0	72.0	224.0
2009	70.0	36.0	43.0	72.0	221.0
2010	65.0	40.0	40.0	76.0	221.0
2011	65.0	40.0	40.0	78.5	223.5
2012	64.0	41.5	41.0	82.5	229.0
2013	64.0	41.5	42.0	83.5	231.0
2014	66.0	42.5	43.5	86.0	238.0
2015	70.0	42.0	43.5	90.5	246.0
2016	85.0	43.5	38.0	88.5	255.0
2017	95.0	44.0	39.5	96.0	274.5
2014 2015 2016	66.0 70.0 85.0	42.5 42.0 43.5	42.0 43.5 43.5 38.0	83.5 86.0 90.5 88.5	238 246 255

#### NEW BRAUNFELS UTILITIES Capital Assets by Function For Fiscal Years Ended July 31, (\$ in Thousands) (Unaudited)

# CAPITAL ASSETS BY FUNCTION FOR FISCAL YEARS ENDED JULY 31, (\$ IN THOUSANDS) (UNAUDITED)

## NEW BRAUNFELS UTILITIES Electric Sales and Peak Demand For Fiscal Years Ended July 31, (Unaudited)

<u>Fiscal Year</u>	MWh Sales	Peak Demand (kW)
2008	1,043,624	199,200
2009	1,104,589	215,295
2010	1,138,764	217,965
2011	1,227,844	240,109
2012	1,268,084	246,380
2013	1,291,324	257,164
2014	1,429,897	266,642
2015	1,486,036	279,817
2016	1,484,725	279,855
2017	1,512,675	287,963

# **COMPLIANCE**



# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

To the Utility Commission New Braunfels Utilities Austin, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of New Braunfels Utilities as of and for the year ended July 31, 2017, and have issued our report thereon dated November 30, 2017.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Braunfels Utilities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Braunfels Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of New Braunfels Utilities' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of New Braunfels Utilities are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



To the Utility Commission New Braunfels Utilities

We noted certain matters that we reported to management of the New Braunfels Utilities in a separate letter dated November 30, 2017.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Austin, Texas

November 30, 2017

Baker Tilly Virchaw Krause, UP

ANNUAL FINANCIAL REPORT

For the fiscal year ended September 30, 2017

ANNUAL FINANCIAL REPORT

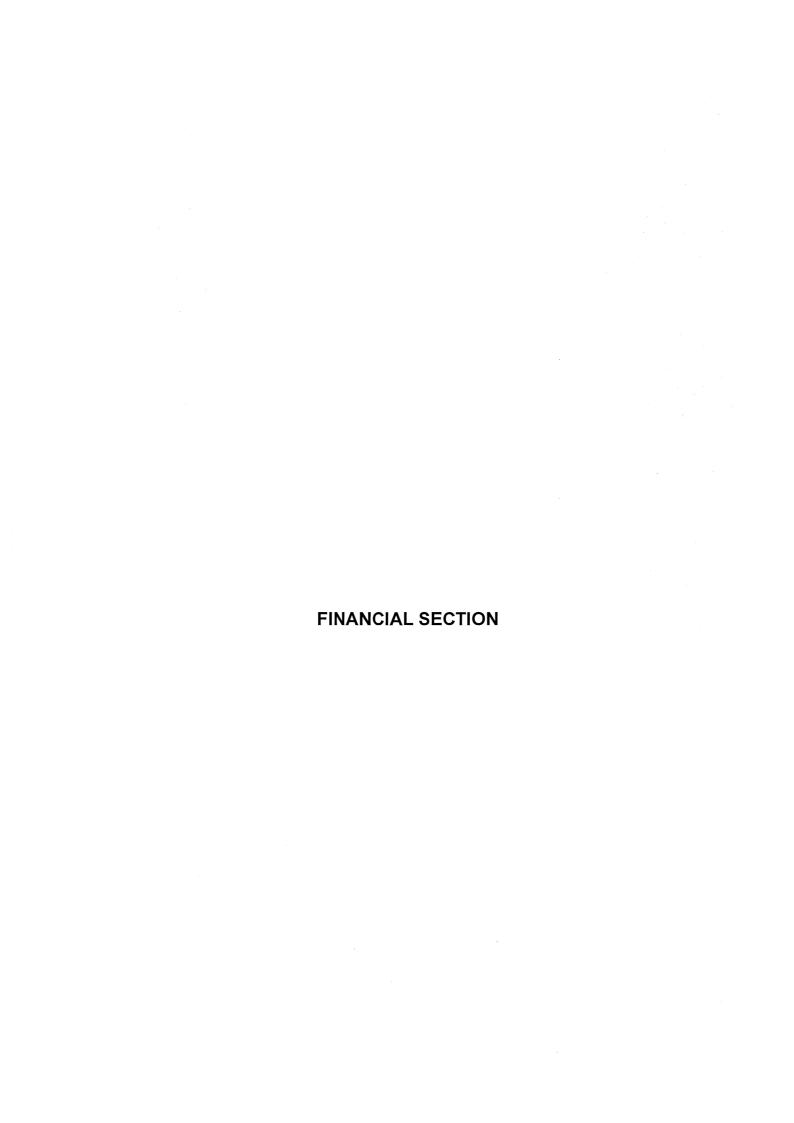
For the year ended September 30, 2017

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#### INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council City of Lockhart, Texas

Mayor and Members of Council:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lockhart, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Lockhart Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable Mayor and Members of the City Council

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of changes in net pension liability and related ratios and the schedule of employer contributions as listed in the table of contents, 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.

#### Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable Mayor and Members of the City Council

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Harrison, Waldrop & Uherk, LLP.

Certified Public Accountants

March 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2017

As management of the City of Lockhart, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

#### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2017, by \$42,350,982. Of this amount, \$9,375,749 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2017, the City's governmental funds reported combined ending fund balances of \$10,866,889, a decrease of \$1,080,973 in comparison with the prior year.
- At September 30, 2017, unassigned fund balance for the General Fund was \$3,897,547 or 46.11% of total General Fund expenditures.
- The total cost of all City activities was \$28,103,957 for the fiscal year which is an increase of \$309,153 from the prior year.
- During the year, the City's general revenues exceeded net expenses of all City activities by \$187,370.
   This represents a 0.44% increase in net position from the previous fiscal year as a result of operations.

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

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) component unit financial statements, and 4) notes to financial statements.

#### Organization and Flow of Financial Section Information

#### **Independent Auditors' Report**

Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.

#### Management's Discussion and Analysis

This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.

Pages 4 to 11

# Government-wide Financial Statements

Provides information on governmental and business-type activities of the primary government.

Pages 12 to 15

#### **Fund Financial Statements**

Provides information on the financial position of specific funds of the primary governments.

Pages 16 to 27

#### **Notes to Financial Statements**

Provides a summary of significant accounting policies and related disclosures.

Pages 28 to 59

#### **OVERVIEW OF THE FINANCIAL STATEMENTS** - (Continued)

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and interest on long-term debt. The business-type activities of the City include electric, water, wastewater, solid waste services, and an airport fund.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit of Lockhart Economic Development Corporation, Inc.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The City maintained numerous individual governmental funds during the 2016-2017 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund and 2015 Capital Project Fund which are considered major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS** - (Continued)

#### Fund Financial Statements - (Continued)

The City adopts an annual appropriated budget for its General Fund and Debt Service Fund. A Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, has been provided for the General Fund and Debt Service Fund to demonstrate compliance with this budget.

The City maintains only one type of *proprietary fund*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its electric, water, wastewater utility services, EMS, solid waste operations, and the airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in a more detailed format. The City has four major proprietary funds. They are the electric fund, the water fund, the wastewater fund, and EMSfund. Separate financial statements are presented for the major funds. Individual fund data for each of the nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs/operations. The accounting used for fiduciary funds is similar to proprietary funds.

The basic fiduciary fund financial statements can be found on pages 26 through 27 of this report.

#### Notes to Financial Statements

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

#### Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$42,350,982 at the close of the 2017 fiscal year.

By far, the largest portion of the City's net position, 72.42%, reflects its investment in capital assets (i.e., land, buildings, infrastructure, and machinery and equipment), less a related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

#### City of Lockhart, Texas

#### **Net Position**

	0					
		nmental		ess-type		
	Activ	vities	Acti	vities		otal
	20172016*		2017	2016	2017	2016
Current and other assets	\$ 11,892,770	\$ 13,316,330	\$ 19,992,497	\$ 19,587,889	\$ 31,885,267	\$ 32,904,219
Capital assets (net)	23,282,995	23,118,718	22,075,259	21,912,245	45,358,254	45,030,963
Other noncurrent assets				253,469		253,469
Total assets	35,175,765	36,435,048	42,067,756	41,753,603	77,243,521	78,188,651
Deferred outflow of resources	1,994,584	2,305,609	624,403	714,842	2,618,987	3,020,451
Current and other liabilities	1,491,546	1,769,474	2,939,323	2,978,855	4,430,869	4,748,329
Noncurrent liabilities	19,938,028	18,831,300	14,579,687	15,334,368	34,517,715	34,165,668
Total liabilities	21,429,574	20,600,774	17,519,010	18,313,223	38,948,584	38,913,997
Deferred outflow of resources	42,290	101,900	12,198	29,593	54,488	131,493
Net position:						
Net investment in						
capital assets	14,162,688	14,806,651	16,507,663	15,074,665	30,670,351	29,881,316
Restricted	1,141,195	1,093,907	1,163,687	1,071,089	2,304,882	2,164,996
Unrestricted, as restated	1,886,148	2,137,425	7,489,601	7,979,875	9,375,749	10,117,300
Total net position	\$ 17,190,031	<u>\$ 18,037,983</u>	\$ 25,160,951	\$ 24,125,629	\$ 42,350,982	\$ 42,163,612

<sup>\*</sup> Prior year restatement see footnote 16

An additional portion of the City's net position, 5.44%, represents resources that are subject to external restrictions on how they may be used (i.e., debt service). The remaining balance of unrestricted net position, \$9,375,749, may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the primary government as a whole.

**Governmental activities**. Governmental activities decreased the City's net position by \$847,952. Key elements of this decrease are as follows:

Decrease in charges for services and operating grants of \$594,555.

**Business-type activities**. Business-type activities increased the City's net position by \$1,035,322 accounting for 100.00% of the total growth in the City's net position. Key elements of this increase are as follows:

• Charges for services were \$712,700 higher due to increase in demand of the various business type activity.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS** - (Continued)

## City of Lockhart, Texas

# **Changes in Net Position**

		Goverr Acti		Business-type Activities				Total			
	2	2017	2016*	2017	,	2016	<b>*</b>	2017		2016*	
REVENUES			-								
Program revenues:											
Charges for services Operating grants and	\$ 1	,097,878	\$ 1,279,684	\$ 20,330	,035	\$ 19,617	7,335	\$ 21,427,913	3 \$	\$ 20,897,019	
contributions		202,393	615,542	7	,016		_	209,409	<b>a</b>	615,542	
Capital grants and		202,000	010,012	,	,010			200,100		010,012	
contributions		_	-	195	,261	1,042	2,796	195,26	1	1,042,796	
General revenues:											
Property taxes		,909,699	3,704,494		-		-	3,909,699		3,704,494	
Sales taxes		,549,695	1,478,065		-		-	1,549,69		1,478,065	
Franchise taxes		312,433	316,353		-		-	312,43		316,353	
Other taxes		96,529	132,234		-		-	96,529		132,234	
Impact fees		-	-		,585		3,817	83,58		263,817	
Investment earnings		99,353	59,851	118	,159		,357	217,512		121,208	
Miscellaneous		289,291	 239,590				<u>8,817</u>	289,29		503,407	
Total revenues	7	,557,271	 7,825,813	20,734	,056	21,249	<u>,122</u>	28,291,32	7 	29,074,935	
EXPENSES											
General government	2	,083,166	1,879,383		_		_	2,083,166	3	1,879,383	
Public safety		,086,371	5,230,470		_		_	5,086,37		5,230,470	
Public works		,644,292	2,586,206		_		_	2,644,292		2,586,206	
Health		22,137	17,068		_		_	22,13		17,068	
Culture and recreation	1.	,006,038	933,135		_		_	1,006,038		933,135	
Interest on long-term debt		459,629	621,121		_		_	459,629		621,121	
Electric system		_	-	8,722	.211	8,664	.234	8,722,21		8,664,234	
Water systems		_	-	3,545		3,257		3,545,084		3,257,979	
Wastewater system		_	_	1,824		2,089		1,824,11		2,089,407	
EMS operation		_	=	1,289		1,230		1,289,014		1,230,254	
Sanitation		-	_	1,345	,466	1,215		1,345,466	3	1,215,636	
Airport			_	76	,438		,911	76,438	3	69,911	
Total expenses	11,	,301,633	11,267,383	16,802	,324	16,527	,421	28,103,95	 7 	27,794,804	
Change in net position before	re										
transfers	(3,	,744,362)	(3,441,570)	3,931	,732	4,721	,701	187,370	)	1,280,131	
Transfers	2,	,896,410	 2,448,575	(2,896	<u>,410</u> )	(2,448	,575)				
Change in net position Net position - beginning, as	(	(847,952)	(992,995)	1,035	,322	2,273	,126	187,370	)	1,280,131	
restated	18,	,037,983	 19,030,978	24,125	,629	21,852	,503	42,163,612	<u> </u>	40,883,481	
Net position - ending	<u>\$ 17,</u>	,190,031	\$ 18,037,983	\$ 25,160	<u>,951</u>	\$ 24,125	,629	\$ 42,350,982	2 4	42,163,612	

<sup>\*</sup>See footnote 16

#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,866,889, a decrease of \$1,080,973 from the prior year.

Approximately 35.86% of this total amount, \$3,897,547, constitutes unassigned fund balance, which is available for spending at the government's discretion. The City also has \$609,054 of fund balance that is committed for specific projects. In addition, there is \$6,324,694 of fund balance that is restricted for specific purposes and \$35,594 that is classified as nonspendable; being that it is not available for new spending because it has already been committed: 1) for prepaid expenditures \$24,322; and 2) for inventory \$11,272.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$3,897,547. Unassigned fund balance represents 46.11% of total General Fund expenditures. The fund balance of the City's General Fund increased by \$484,608 during the current fiscal year.

The primary reason for the decrease in the governmental fund balance was due to the decrease in the capital projects fund balance as a result of spending the prior years' bond proceeds.

#### Proprietary Funds

The City's proprietary funds, the Electric Fund, the Water Fund, the Wastewater Fund, the EMS Fund, the Sanitation Fund and the Airport Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the current fiscal year amounted to \$7,489,601. The total growth for the funds was \$1,035,322 as a result of an increase in charges for services from the prior year.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual fiscal year revenues in the General Fund were \$256,044 more than the final budgeted amounts. The increase over the anticipated amount is comprised of the following items.

- \$106,369 increase in property tax revenues.
- \$86,303 increase in sales and other tax revenues.
- Overall expenses were less than the budgeted amount by \$863,213, primarily in the general government function.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$45,358,254 (net of accumulated depreciation) at the end of the current fiscal year. This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, infrastructure, and construction in progress. The net increase in the City's investment in capital assets was 0.29%.

#### City of Lockhart, Texas

#### Capital Assets

	Governmental Activities					Busine Activ	• •	Total				
	2017		2016		2017		2016		2017		2016	
Land	\$ 1,488,	954	\$	1,484,604	\$	574,710	\$	574,710	\$	2,063,664	\$	2,059,314
Construction in progress	608,	355		1,510,342		681,574		495,736		1,290,229		2,006,078
Bldgs. and improvements	7,667,	359		7,612,641		1,532,823		1,574,507		9,200,182		9,187,148
Infrastructure	12,384,	114		11,378,397		19,007,730		18,763,492		31,391,844		30,141,889
Machinery and equipment	1,133,	913		1,132,742	_	278,422		503,800		1,412,335		1,636,542
Total	\$ 23,282,9	995	\$	23,118,726	\$	22,075,259	\$	21,912,245	\$	45,358,254	\$	45,030,971

Additional information on the City's capital assets can be found in Note 6 of this report.

#### Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$25,537,601. Of this amount, \$6,650,000 represents General Obligation Tax and Revenue Bonds. The remainder of the City's bonded debt is comprised of \$17,645,000 of Combination Tax and Revenue Certificates of Obligation and unamortized premiums of \$1,242,601. The City's bonded debt had a net decrease of \$1,018,425 during the fiscal year ended September 30, 2017. Additional information on the long-term debt can be found in Note 9.

The City maintains a bond rating of "A" from Standard & Poor's.

As a Home Rule City, the City is not limited by law in the amount of debt it may issue; however, all new local bond issues must be approved by the State Attorney General.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Interest rates are remaining at lower levels and should result in decreased interest earnings.
- The City continues to experience economic growth with the construction of new businesses in the retail and manufacturing sectors.

All of these factors were considered in preparing the City's budget for the 2017-2018 fiscal year.

The certified assessed taxable property valuations for the 2017 tax roll total \$610,063,909 with a tax rate of \$.7260 per \$100 valuation. \$.6077 was allocated for maintenance and operations, and \$.1183 was allocated for interest and sinking (debt service). The projected total property tax due is \$4,295,179 for the 2017 tax year.

#### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 308 W. San Antonio Street, Lockhart, Texas 78644.

**Basic Financial Statements** 

STATEMENT OF NET POSITION September 30, 2017

ASSETS	Governmental Activities	Component Unit Lockhart Economic Development Corporation		
Current assets				
Cash and cash equivalents Receivables (net) Contractual settlement Due from other governments Inventory Prepaid expenses Total current assets Noncurrent assets Total noncurrent assets Total noncurrent assets	\$ 10,954,825 633,949 268,402 11,272 24,322 11,892,770 23,282,995 23,282,995	\$ 14,916,219 4,411,666 253,469 - 411,143 - 19,992,497 22,075,259 22,075,259	\$ 25,871,044 5,045,615 253,469 268,402 422,415 24,322 31,885,267 45,358,254 45,358,254	\$ 2,623,549 134,201 - - 400,000 10,000 3,167,750 646,560 646,560
Total assets	35,175,765	42,067,756	77,243,521	3,814,310
DEFERRED OUTFLOWS  Deferred amount on refunding Deferred outflow related to TMRS  Total deferred outflow of resources	281,304 1,713,280 1,994,584	197,375 427,028 624,403	478,679 2,140,308 2,618,987	-

LIABILITIES	Governmental Activities	Component Unit Lockhart Economic Development Corporation		
Current liabilities				
Accounts payable Payroll related payables Accrued interest payable Due to other governments Customer deposits	\$ 456,651 193,432 78,785 23,619 30,650	\$ 1,570,576 38,246 87,981 93,019 355,478	\$ 2,027,227 231,678 166,766 116,638 386,128	\$ 70,154 3,942 -
Accrued compensated absences	106,939	54,994	161,933	2,684
Current portion of long-term liabilities	601,470	739,029	1,340,499	17,494
Total current liabilities	1,491,546	2,939,323	4,430,869	94,274
Noncurrent liabilities Accrued compensated absences Noncurrent portion of long-term liabilities Net pension liability Total noncurrent liabilities	320,817 13,854,110 4,271,555 18,446,482	13,577,718 1,001,969 14,579,687	320,817 27,431,828 5,273,524 33,026,169	184,411 
Total liabilities	19,938,028	17,519,010	37,457,038	278,685
DEFERRED INFLOWS  Deferred inflow related to TMRS  Total deferred inflows	<u>42,290</u> <u>42,290</u>	12,198 12,198	54,488 54,488	<u>-</u>
NET POSITION	44400.000	40 507 000	00 070 054	044.055
Invested in capital assets, net of related debt Restricted	14,162,688 1,141,195	16,507,663 1,163,687	30,670,351 2,304,882	844,655
Unrestricted	1,141,195 1,886,148	7,489,601	2,304,882 9,375,749	2,690,970
Total net position	\$ 17,190,031	\$ 25,160,951	\$ 42,350,982	\$ 3,535,625

STATEMENT OF ACTIVITIES

For the year ended September 30, 2017

		Program Revenues				
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary Government						
Governmental activities General government Public safety	\$ 2,083,166 5,086,371	\$ 181,313 334,769	\$ - 202,393	\$ - -		
Public works Health	2,644,292 22,137	549,097 -	- -	-		
Culture and recreation Interest on long-term debt	1,006,038 459,629	32,699	- -	<u>-</u>		
Total governmental activities	11,301,633	1,097,878	202,393			
Business-type activities						
Electric	8,722,211	11,444,388	-	_		
Water	3,545,084	3,287,603	-	-		
Wastewater	1,824,111	2,578,386	-	-		
EMS	1,289,014	1,354,810	7,016	195,261		
Other	1,421,904	1,664,848				
Total business-type activities	16,802,324	20,330,035	7,016	195,261		
Total primary government	\$ 28,103,957	\$ 21,427,913	\$ 209,409	\$ 195,261		
Component Unit						
Lockhart Economic Development Corporation	\$ 437,361	\$ 73,125	\$ -	\$ -		

#### General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Impact fees

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

Net (Expense) Revenue and Changes in Net Position Primary Government			Component Unit
P			
Governmental Activities	Business- type Activities	Total	Lockhart Economic Development Corporation
\$ (1,901,853) (4,549,209) (2,095,195) (22,137) (973,339) (459,629) (10,001,362)	\$ - - - - - -	\$ (1,901,853) (4,549,209) (2,095,195) (22,137) (973,339) (459,629) (10,001,362)	\$ - - - - - -
- - - - - - (10,001,362)	2,722,177 (257,481) 754,275 268,073 242,944 3,729,988 3,729,988	2,722,177 (257,481) 754,275 268,073 242,944 3,729,988 (6,271,374)	- - - - - - -
			(364,236)
3,217,538 692,161 1,549,695 312,433 96,529 - 99,353 289,291	- - - - 83,585 118,159	3,217,538 692,161 1,549,695 312,433 96,529 83,585 217,512 289,291	- 774,847 - - - 16,822 15,787
2,896,410	(2,896,410)	200,201	10,707
9,153,410	(2,694,666)	6,458,744	807,456
(847,952)	1,035,322	187,370	443,220
18,037,983	24,125,629	42,163,612	3,092,405
\$ 17,190,031	\$ 25,160,951	\$ 42,350,982	\$ 3,535,625

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2017

	and an extraordist the second distribution of the second s	en transmitten mener signamener at har helippop blevaldarik sopratoria galentida mas ar mitro signapa tarker sop	wholesale the service of the layer would be determined in the service to provide the	
	General	2015 Certificates of Obligation	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,382,362	\$ 5,053,969	\$ 1,518,494	\$ 10,954,825
Receivables (net)	465,075	-	168,874	633,949
Due from other funds	18,483	-	-	18,483
Due from other governments	268,402	-	-	268,402
Prepaid expenditures	23,642 11,272	-	680	24,322
Inventory		<u> </u>	<u> </u>	11,272
Total assets	\$ 5,169,236	\$ 5,053,969	\$ 1,688,048	<u>\$ 11,911,253</u>
LIABILITIES				
Accounts payable	\$ 136,688	\$ 255,499	\$ 56,524	\$ 448,711
Payroll related payables	193,432	-	-	193,432
Other payables	7,940	-	-	7,940
Due to other funds	-	-	18,483	18,483
Due to other governments	23,619	-	-	23,619
Deposits	-		30,650	30,650
Total liabilities	361,679	255,499	105,657	722,835
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	266,042	_	55,487	321,529
Total deferred inflows of resources	266,042	<u> </u>	55,487	321,529
FUND BALANCES				
Nonspendable	02.640		690	04 202
Prepaid expenditures Inventory	23,642 11,272	-	680	24,322 11,272
Restricted	11,272	-	-	11,212
General government	_	_	664,319	664,319
Tourism		_	8,485	8,485
Public safety	-	_	206,068	206,068
Debt service	-	-	285,621	285,621
Various capital projects	-	4,798,470	361,731	5,160,201
Committed				
Sidewalks	31,870	-	-	31,870
Revolving loan	259,674	-	-	259,674
Industrial park	317,510	-	-	317,510
Unassigned	3,897,547			3,897,547
Total fund balances	4,541,515	4,798,470	1,526,904	10,866,889
Total liabilities, deferred inflows and				
fund balances	\$ 5,169,236	\$ 5,053,969	\$ 1,688,048	<u>\$ 11,911,253</u>

The accompanying notes are an integral part of this statement.

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2017

Total governmental fund balances		\$ 10,866,889
Amounts reported for governmental activities in the statement of net position are different because:		
Property taxes receivable and other receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.  Property taxes Other charges for services	319,661 1,868	321,529
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:  Governmental capital assets costs  Accumulated depreciation of governmental capital assets	\$ 95,429,623 (72,146,628)	23,282,995
Deferred outflows of resources are not reported in the governmental funds:  Deferred amount on refunding  Deferred amount on pension	281,304 1,713,280	1,994,584
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and certificates payable Bond premiums Net pension liability Accrued interest payable Compensated absences	(13,681,287) (774,293) (4,271,555) (78,785) (427,756)	(19,233,676)
Deferred inflows of resources are not reported in the governmental funds:  Deferred amount on pension		(42,290)
Net position of governmental activities		\$ 17,190,031

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the year ended September 30, 2017

	General	2015 Certificates of Obligation	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 3,279,140	\$ -	\$ 692,161	\$ 3,971,301
Sales and other taxes	1,878,820	-	111,401	1,990,221
Fines, fees and forfeitures	271,303	<b>-</b> ,	655,970	927,273
Licenses and permits	125,761	-	-	125,761
Intergovernmental and grants	199,920	<u>-</u>	2,473	202,393
Investment	38,617	45,926	14,810	99,353
Miscellaneous	215,033		72,970	288,003
Total revenues	6,008,594	45,926	1,549,785	7,604,305
EXPENDITURES				
Current	1 700 050		110 700	1 017 050
General government	1,728,059 4,525,288	-	119,799 225,781	1,847,858 4,751,069
Public safety Public works	1,168,180	-	223,701	1,168,180
Health and welfare	17,207	-	-	17,207
Culture and recreation	877,327	-	12,720	890,047
Capital outlay	136,633	1,607,091	74,295	1,818,019
Debt service	100,000	1,007,001	7-4,200	1,010,010
Principal retirement	_		587,160	587,160
Interest and fiscal charges	_	-	500,948	500,948
Paying agent and issue costs	-	-	1,200	1,200
Total expenditures	8,452,694	1,607,091	1,521,903	11,581,688
Excess (deficiency) of revenues				
over expenditures	(2,444,100)	(1,561,165)	27,882	(3,977,383)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,021,106	-	418,992	3,440,098
Transfers out	(92,398)	-	(451,290)	(543,688)
Total other financing sources	2,928,708	-	(32,298)	2,896,410
Net change in fund balances	484,608	(1,561,165)	(4,416)	(1,080,973)
Fund balances - beginning, as restated	4,056,907	6,359,635	1,531,320	11,947,862
Fund balances - ending	\$ 4,541,515	\$ 4,798,470	\$ 1,526,904	\$ 10,866,889

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the year ended September 30, 2017

Total net change in fund balances - governmental funds		\$ (1,080,973)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.  Increase in capital assets  Depreciation expense	\$ 2,234,608 (2,039,034)	195,574
The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position.		(31,298)
Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:  Bond principal retirement		587,160
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.	(0.1.000)	
Property taxes Other revenues	(34,298) (12,735)	(47,033)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in compensated absences  Decrease in bond premium	7,001 61,513	
Decrease in loss on bond refunding	(23,442)	
Decrease in accrued interest	4,448	
Net pension costs	(520,902)	 (471,382)
Change in net position of governmental activities		\$ (847,952)

STATEMENT OF NET POSITION PROPRIETARY FUNDS September 30, 2017

	Business-type Activities					
	Electric	Water	Wastewater	EMS	Other Funds	Total
ASSETS						
Current assets	Ф O O4 4 OOG	Ф O 555 505	Ф 0.407.704	¢ 450,000	Ф ECO 400	£ 4.4.046.040
Cash and cash equivalents Receivables (net)	\$ 2,214,006	\$ 9,555,525	\$ 2,127,704	\$ 456,802	\$ 562,182	\$ 14,916,219
Customer accounts	1,932,204	477,466	335,543	1,427,785	238,668	4,411,666
Contractual settlement	-	253,469	-	-		253,469
Inventory	411,143	, -	_	-	-	411,143
Total current assets	4,557,353	10,286,460	2,463,247	1,884,587	800,850	19,992,497
Noncurrent assets Capital assets (net)						
Land and other assets not being depreciated Buildings, improvements, and	561,703	241,312	260,699	-	192,570	1,256,284
equipment (net)	2,363,746	10,324,212	6,234,409	399,633	1,496,975	20,818,975
Total noncurrent assets	2,925,449	10,565,524	6,495,108	399,633	1,689,545	22,075,259
Total assets	7,482,802	20,851,984	8,958,355	2,284,220	2,490,395	42,067,756
DEFERRED OUTFLOWS				-		
Deferred amount on refunding	-	171,104	26,271	-	-	197,375
Deferred outflow related to TMRS	254,519	66,757	63,795		41,957	427,028
Total deferred outflow of resources	254,519	237,861	90,066		41,957	624,403

Business-type Activities								
					Other			
	Electric	Water	Wastewater	EMS	Funds	Total		
LIABILITIES								
Current liabilities								
Accounts payable	\$ 775,270	\$ 228,056	\$ 375,800	\$ 98,616	\$ 92,834	\$ 1,570,576		
Payroll related payables	21,819	6,955	5,306	-	4,166	38,246		
Accrued interest payable	9,789	64,967	13,225	-	-	87,981		
Due to other governments	93,019	-	-	-	-	93,019		
Customer deposits	251,025	93,545	-	-	7,000	351,570		
Unearned revenue	-	-	-	-	3,908	3,908		
Accrued compensated absences	32,398	11,410	7,331	-	3,855	54,994		
Current portion of long-term obligation	ons							
Capital leases	129,764	90,175	-	-	-	219,939		
Bonds, certificates and notes	47,929	385,191	85,970			519,090		
Total current liabilities	1,361,013	880,299	487,632	98,616	111,763	2,939,323		
Noncurrent liabilities								
Net pension liability	580,088	210,941	105,470	-	105,470	1,001,969		
Noncurrent portion of long-term								
obligations	880,949	10,794,712	1,902,057		_	13,577,718		
Total noncurrent liabilities	_1,461,037	11,005,653	2,007,527		105,470	14,579,687		
Total liabilities	2,822,050	11,885,952	2,495,159	98,616	217,233	<u>17,519,010</u>		
DEFERRED INFLOWS								
Deferred inflow related to TMRS	6,710	1,666	3,479	_	343	12,198		
	6,710	1,666	3,479		343	12,198		
Total deferred inflows	0,710	1,000			343	12,190		
NET POSITION								
Invested in capital assets, net of debt	1,866,807	7,398,741	5,152,937	399,633	1,689,545	16,507,663		
Restricted	198,308	563,643	401,736	-	-	1,163,687		
Unrestricted net position	2,843,446	1,239,843	995,110	1,785,971	625,231	7,489,601		
Total net position	\$ 4,908,561	\$ 9,202,227	\$ 6,549,783	\$ 2,185,604	\$ 2,314,776	\$ 25,160,951		

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the year ended September 30, 2017

	Business-type Activities						
	Electric	Water	Wastewater				
OPERATING REVENUES							
Charges for services	\$ 11,406,791	\$ 3,270,565	\$ 2,574,845				
Miscellaneous	37,597	17,038	3,541				
Total operating revenues	11,444,388	3,287,603	2,578,386				
OPERATING EXPENSES							
Personnel services	1,025,694	393,688	221,317				
Contracts and services	178,807	23,861	27,445				
Materials and supplies	68,824	32,178	21,521				
Maintenance and repairs	214,153	299,858	277,511				
Power, water, and water treatment	6,744,877	1,860,160	979,695				
Depreciation	388,222	560,060	218,564				
Miscellaneous	63,725	5,349	10,998				
Total operating expenses	8,684,302	3,175,154	1,757,051				
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	2,760,086	112,449	821,335				
NONOPERATING REVENUES (EXPENSES)							
Investment income	15,966	77,728	16,933				
Impact fees	-	45,285	38,300				
Noncapital grants and contributions	•	-	-				
Interest expense	(37,909)	(369,930)	(67,060)				
Net nonoperating revenues (expenses)	(21,943)	(246,917)	(11,827)				
Income before transfers and contributions	2,738,143	(134,468)	809,508				
Contributions and transfers Capital grants and contributions	_	_	_				
Transfers out	(2,162,600)	(134,253)	(407,005)				
Total contributions and transfers	(2,162,600)	(134,253)	(407,005)				
Change in net position	575,543	(268,721)	402,503				
Net position - beginning	4,333,018	9,470,948	6,147,280				
Net position - ending	\$ 4,908,561	\$ 9,202,227	\$ 6,549,783				

 Business-ty		
	Other	
 EMS	Funds	Total
\$ 1,354,578	\$ 1,645,208	\$ 20,251,987
 232	19,640	78,048
 1,354,810	1,664,848	20,330,035
_	215,073	1,855,772
1,188,352	1,118,764	2,537,229
1,262	7,467	131,252
3,513	14,026	809,061
-	-	9,584,732
95,887	61,584	1,324,317
 _	4,990	85,062
1,289,014	1,421,904	16,327,425
65,796	242,944	4,002,610
3,490	4,042	118,159
	-	83,585
7,016	-	7,016
 		(474,899)
 10,506	4,042	(266,139)
76,302	246,986	3,736,471
195,261	-	195,261
 _	(192,552)	(2,896,410)
 195,261	(192,552)	(2,701,149)
271,563	54,434	1,035,322
 1,914,041	2,260,342	24,125,629
\$ 2,185,604	\$ 2,314,776	\$ 25,160,951

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the year ended September 30, 2017

	Ви	es	
	Electric	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES	- And the state of		
Cash received from customers	\$ 11,354,850	\$ 3,273,850	\$ 2,562,091
Cash payments to suppliers for goods and services	(7,395,214)	(2,192,546)	(1,155,055)
Cash payments to employees for services	(1,000,643)	(320,596)	(251,098)
Net cash provided by operating activities	2,958,993	760,708	1,155,938
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Customer deposits	8,400	3,470	_
Noncapital grants and contributions	-	-	- -
Impact fees received	_	45,285	38,300
Cash paid to other funds	(2,162,600)	(134,253)	(407,005)
Net cash used by noncapital financing activities	(2,154,200)	(85,498)	(368,705)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	(237,260)	(478,576)	(575,253)
Capital grants and contributions	-	-	-
Contractual settlement received	-	238,703	-
Principal paid on capital debt	(296,680)	(541,780)	(74,390)
Interest paid on capital debt	(38,947)	(387,849)	(68,908)
Net cash used by capital financing activities	(572,887)	(1,169,502)	(718,551)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u> 15,966</u>	77,728	16,933
Net cash provided (used) by investing activities	15,966	77,728	16,933
Net increase (decrease) in cash and cash equivalents	247,872	(416,564)	85,615
Cash and cash equivalents at beginning of year	1,966,134	9,972,089	2,042,089
Cash and cash equivalents at end of year	\$ 2,214,006	\$ 9,555,525	\$ 2,127,704
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss) Adjustments to reconcile operating income to net	\$ 2,760,086	\$ 112,449	\$ 821,335
cash provided by operating activities  Depreciation  Change in assets and liabilities:	388,222	560,060	218,564
(Increase) decrease in receivables (Increase) decrease in inventory	(89,538) (46,259)	(13,753)	(16,295)
(Increase) decrease in deferred outflow related to TMRS	45,064	9,172	12,523
Increase (decrease) in accounts and other payables	(78,569)	28,860	162,115
Increase (decrease) in payroll related liabilities	(11,918)	66,863	(40,832)
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in deferred inflow related to TMRS	(8,095)	(2,943)	(1,472)
Net cash provided by operating activities	\$ 2,958,993	\$ 760,708	\$ 1,155,938
· · · · · · · · · · · · · · · · · · ·			

The accompanying notes are an integral part of this statement.

-	Business-typ	oe Activities	_
	EMS	Other Funds	Total
\$ 	1,315,045 (1,192,793) - 122,252	\$ 1,647,26: (1,149,34) (192,03) 305,884	1) (13,084,949) B) (1,764,375)
	7,016 - - 7,016	(192,55) (192,47)	- 7,016 - 83,585 2) (2,896,410)
	(196,240) 195,261 - - - (979)		- (1,487,329) - 195,261 - 238,703 - (912,850) - (495,704) - (2,461,919)
	3,490 3,490 131,779	4,04; 4,04; 117,44;	2 118,159 9 166,151
 \$	325,023 456,802	\$ 562,183	
\$	65,796	\$ 242,94	
	95,887	61,58	1,324,317
	(39,765) - - 334 - -	(18,08) 2,870 16,06 49	- (46,259) - 66,759 5 115,616 5 30,178
\$	122,252	\$ 305,88	

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS September 30, 2017

	Private Purpose Agency Trust Funds							
ASSETS								
Cash and cash equivalents	\$ 1,712	<u>\$ 18,965</u>						
Total assets	1,712	\$ 18,965						
LIABILITIES								
Due to others	<u>-</u>	\$ 18,965						
Total liabilities		<u>\$ 18,965</u>						
NET POSITION								
Held for various purposes	\$ 1,712							

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the year ended September 30, 2017

	Private PurposeTrust
ADDITIONS Investment income Total additions	\$ <u>13</u> 13
DEDUCTIONS	<del>_</del>
Change in net position	13
Net position - beginning	1,699
Net position - ending	\$ 1,712

The accompanying notes are an integral part of this statement.

# CITY OF LOCKHART, TEXAS NOTES TO FINANCIAL STATEMENTS September 30, 2017

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NOTES TO FINANCIAL STATEMENTS September 30, 2017

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lockhart, Texas (the "City") is a municipal corporation operating under a home rule charter as authorized in Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Council-Manager form of government in which all powers of the City are vested in an elective council. The City Council consists of the mayor and six council members. The mayor and two council members are elected at large with the remaining council members elected by district. The City provides services related to the following: public safety, public works, sanitation, health and welfare, culture and recreation, economic development, planning and zoning, and general administrative services.

#### A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable, and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units.

The Lockhart Economic Development Corporation (LEDC) is a nonprofit corporation that was incorporated under the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6 Section (a), to receive and account for the proceeds of a designated sales tax levied to benefit the economic development of Lockhart. The LEDC meets the criteria of a discretely presented component unit and is presented as a governmental fund type. Complete financial statements for the Lockhart Economic Development Corporation may be obtained at City Hall. No other organizations met the necessary criteria for inclusion as component units for the year ended September 30, 2017.

This component unit is discretely presented in the financial statements. Complete financial statements of the individual component unit can be obtained from the Office of the Finance Director, 308 W. San Antonio Street, Lockhart, Texas 78644.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

#### B. Government-wide and Fund Financial Statements - (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when transactions occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 2015 Certificates of Obligation Fund accounts for the proceeds received and expenditures incurred related to the City's issuance of certificates of obligation in 2016. The proceeds from this issue will be used to fund various projects, the majority of which relate to infrastructure improvements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

The City reports the following major enterprise (proprietary) funds:

The Electric Fund accounts for the activities of the City related to its provision of electricity.

The Water Fund is used to account for the establishment and maintenance of water facilities within the municipal boundaries of the City.

The Wastewater Fund is used to account for the establishment and maintenance of sewage and drainage facilities within the municipal boundaries of the City.

The Emergency Medical Services Fund (EMS) is used to account for the activities related to providing ambulance services for the City.

Additionally, the City reports the following fund types:

Special Revenue Funds - Funds of this type account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the governmental funds.

Capital Projects Funds - These funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Separate financial statements are provided for governmental funds, proprietary funds, discretely presented component units, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Private Purpose Trust Funds - These funds are used to account for resources legally held in trust for use by organizations that are separate from the City. All resources of these funds, including any earnings on invested resources, may be used to support the organizations' activities. There is no requirement that any portion of these resources be preserved as capital.

Agency Funds - These funds are custodial in nature and are used to account for the receipt, temporary investment, and remittance of resources to third parties. Because of the nature of these funds, they do not present results of operations or have a measurement focus.

The proprietary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used between various City functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### D. Budgets and Budgetary Accounting

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The Water Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost connecting new customers to the water system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Between 60 and 90 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them. A budget is prepared for the City's General Fund and Debt Service Fund.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. The budget is adopted by City Council through the passage of an ordinance no later than the beginning of each fiscal year, or as soon thereafter as is practical.
- 4. No funds may be expended or encumbered which will exceed appropriations; however, the City Manager is authorized to transfer budgeted amounts within and among departments of individual funds in amounts not to exceed \$5,000. Any revisions that alter the total expenditures/expenses of any fund must be approved by the City Council.
- 5. The budgets for the City's governmental funds are prepared in accordance with the basis of accounting utilized by those funds. The budgets for the enterprise funds are adopted under a basis consistent with generally accepted accounting principles (GAAP), except that depreciation, certain capital expenses, nonoperating income, and expense items are not considered.
- 6. Formal budgetary integration is employed as a management control device during the year for all governmental funds and proprietary funds.
- 7. All appropriations lapse at year-end.

#### E. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the City are in compliance with the City Council's investment policies.

Investments for the City, as well as the component unit, are recorded at amortized cost, which as of September 30, 2017, approximates fair value. Because the fair value of the City's investments did not materially differ from cost, no adjustments were made to the City's reporting amounts. See Note 3 for further discussion.

#### F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All receivables are reported net of an applicable allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 4.5% of outstanding property taxes at September 30, 2017.

The Caldwell County Appraisal District bills and collects property taxes for the City. These taxes are levied on October 1<sup>st</sup> of each year and are payable by the following January 31<sup>st</sup>, at which time penalties and interest charges are assessed on unpaid balances. An enforceable lien on property is attached on all ad valorem taxes unpaid as of January 1<sup>st</sup> following the year of levy.

#### G. Inventories and Prepaid Items

All inventories are valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/expenditures in both government-wide and fund financial statements.

#### H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no construction period interest expense was capitalized by the City's enterprise funds.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	<u>Years</u>
Buildings and Improvements Public Domain Infrastructure Utility System Infrastructure Machinery and Equipment	10-50 10-40 30-50 5-10

#### I. Compensated Absences

Vested or accumulated vacation and sick pay that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. Amounts of vested or accumulated vacation and sick pay that are not expected to be liquidated with expendable available financial resources are reported in the government wide financial statements. Vested or accumulated vacation and sick pay of the enterprise funds are recorded as an expense and liability of that fund as the benefits accrue to employees. The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

#### J. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and losses on refunding are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable deferred amounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### K. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is the deferred amount calculated in the actuarial pension study required by GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" (GASB No. 68) and the current year pension payments reported in the government-wide statement of net position

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that are considered deferred inflows of resources. One of the items arises only under a modified accrual basis of accounting and this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from a variety of sources and are further defined in Note 4. The other item that qualifies for reporting as a deferred inflow of resources is calculated in the actuarial pension study required by GASB No. 68. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's pension liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 68.

#### M. Fund Balance Policies

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance amounts that are not in spendable form (such as inventory or prepaid items) because they are either not in spendable form, or legally or contractually required to be maintained in-tact:
- Restricted fund balance amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation;
- Committed fund balance amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;
- Assigned fund balance amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, assigned, or any combination of those classifications. In addition, the General Fund may also include an unassigned amount.

Commitments will only be used for specific purposes pursuant to a formal action (ordinance) of the City Council. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. A two-thirds majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

#### N. Net Position Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

#### O. Minimum Fund Balance Policy

The City will maintain a minimum unassigned fund balance in its General Fund of 25 percent of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. When fund balance falls below the 25 percent range, the City will replenish shortages/deficiencies. Should unassigned fund balance of the General Fund ever exceed the maximum 25 percent range, the City will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

#### P. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with GAAP requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **Excess Expenditures Over Appropriations**

In the General Fund there was one instance where expenditures exceeded appropriations. Health and Welfare expenditures exceeded the budget by \$6,525.

#### NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2017, the City had the following investments:

Investment Type	Amortized Cost	Weighted Average <u>Maturity (Days)</u>
Public Funds Investment Pools TexPool MBIA Texas CLASS TexStar	\$ 6,008,320 10,803,103 8,046,322	44 56 41
Total	\$ 24,857,745	

As previously discussed in Note 1, the investments are reported in the accompanying statements at amortized cost.

#### A. Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments in non-operating funds to less than five years from the time of purchase. The weighted average maturity of investments of the City's operating funds cannot exceed one year from the time of purchase. TexPool's weighted average maturity cannot exceed 60 days.

#### B. Credit Risk

It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent. The City's investments in the public funds investment pools include those with TexPool, MBIA Texas CLASS and TexStar. The pools operate in full compliance with the Public Funds Investment Act. TexPool, MBIA Texas CLASS and TexStar are rated AAAm by Standard & Poor's.

#### C. Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the City was not exposed to concentration of credit risk.

# NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

#### D. Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized. The City's deposits are therefore not subject to custodial credit risk at September 30, 2017.

#### E. Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2017, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Note 19 for discussions relative to the investments of the City's component unit.

#### NOTE 4: RECEIVABLES

Receivables as of year-end for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

								onmajor ustype	١	Nonmajor Govt.		
	General	Electric	Water	_	<u>Wa</u>	<u>istewate</u> r	EMS	Funds		Funds		Total
Receivables:												
Ad valorem taxes	\$ 317,249	\$ -	\$	-	\$	-	\$ -	\$ -	\$	66,706	\$	383,955
Franchise taxes	66,302	-		-		-	-	-		-		66,302
Municipal court fines	1,349,839	-		-		-	-	-		98,187	•	1,448,026
Customer accounts	-	1,971,679	487,25	3		341,792	2,988,336	243,265		-	(	6,032,325
Occupancy taxes	-	-		-		-	-	-		22,103		22,103
Miscellaneous	210,560	_		_		_		 	_	117,762		328,322
Gross receivables	1,943,950	1,971,679	487,25	3		341,792	2,988,336	243,265		304,758	8	8,281,033
Less: Allowance for												
uncollectibles	(1,478,875)	(39,475)	(9,78	<u>7</u> )		(6,249)	(1,560,551)	 (4,597)		(135,884)	_(;	3,235,418)
Net total receivables	\$ 465,075	\$ 1,932,204	\$ 477,46	<u>6</u>	\$	335,543	<u>\$ 1,427,785</u>	\$ 238,668	\$	168,874	\$ !	5,045,615

#### NOTE 4: RECEIVABLES - (Continued)

The City is permitted by a local charter to levy taxes up to limits set by the Constitution and laws of the State of Texas. Currently, the State of Texas does not set limits on the rate at which ad valorem taxes may be assessed. The combined tax rate for the year ended September 30, 2017, was \$0.7333 per \$100 of assessed valuation. Property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on October 1<sup>st</sup> and payable by the following January 31<sup>st</sup>, which comprises the collection dates for the current tax roll.

The City's governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable). The governmental funds may also defer revenue recognition in connection with resources that have been received, but not yet recognizable (unearned). At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	_ <u>Uı</u>	navailable	Une	arned	Total		
General Fund Ad valorem taxes	\$	264,174	\$	-	\$	264,174	
Charges for services Nonmajor Funds		1,868		-		1,868	
Ad valorem taxes		55,487				55,487	
	\$	321,529	\$	_	\$	321,529	

#### NOTE 5: DUE FROM OTHER GOVERNMENTS

The City reported amounts due from other governments as of the end of the current fiscal year. These amounts are comprised of the following at September 30, 2017:

	_	General	
Sales taxes	<u>\$</u>	268,402	
	\$	268,402	

# NOTE 6: CAPITAL ASSETS

The capital asset activity of the City was as follows for the year ended September 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities Capital assets, not being depreciated				
Land	\$ 1,484,604	\$ 4,350	\$ -	\$ 1,488,954
Construction in progress	1,510,342	1,663,764	2,565,451	608,655
Total capital assets not being depreciated	2,994,946	1,668,114	2,565,451	2,097,609
Capital assets, being depreciated				
Machinery and equipment	6,178,538	325,579	159,779	6,344,338
Buildings	11,484,190	304,749	_	11,788,939
Infrastructure	72,728,425	2,470,312	450.770	75,198,737
Total capital assets being depreciated	90,391,153	3,100,640	159,779	93,332,014
Less accumulated depreciation for				
Machinery and equipment	5,045,796	324,408	159,779	5,210,425
Buildings	3,871,549	250,031	-	4,121,580
Infrastructure	61,350,028	1,464,595		62,814,623
Total accumulated depreciation	70,267,373	2,039,034	159,779	72,146,628
Total capital assets being depreciated, net	20,123,780	1,061,606	-	21,185,386
Governmental activities capital assets, net	\$ 23,118,726	\$ 2,729,720	\$ 2,565,451	\$ 23,282,995
Business-type activities Capital assets, not being depreciated				
Land	\$ 574,710	\$ -	\$ -	\$ 574,710
Construction in progress	495,736	340,816	154,978	681,574
Total capital assets not being depreciated	1,070,446	340,816	154,978	1,256,284
Capital assets, being depreciated				
Machinery and equipment	5,875,016	196,240	_	6,071,256
Buildings and improvements	4,570,434	-	_	4,570,434
Infrastructure	36,694,515	1,105,253		37,799,768
Total capital assets being depreciated	47,139,965	1,301,493	_	_48,441,458
Less accumulated depreciation for				
Machinery and equipment	5,371,216	421,618	_	5,792,834
Buildings and improvements	2,995,927	41,684	-	3,037,611
Infrastructure	17,931,023	861,015	_	18,792,038
Total accumulated depreciation	26,298,166	1,324,317		_27,622,483
Total capital assets being depreciated, net	20,841,799	(22,824)	-	20,818,975
Business-type activities capital assets, net	\$ 21,912,245	\$ 317,992	\$ 154,978	\$ 22,075,259

#### NOTE 6: CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activ	vities	í
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General government	\$	105,215
Public safety		286,036
Public works		1,534,637
Health		4,930
Parks and recreation		108,216
Total depreciation expense - governmental activities	\$ 2	2,039,034
Business-type activities		
Electric	\$	388,222
Water		560,060
Wastewater		218,564
EMS		95,887
Solid Waste		8,766
Airport		52,818
Total depreciation expense - business-type activities	\$ 1	1,324,317

#### **DEFINED BENEFIT PENSION PLAN** NOTE 7:

#### Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a sixmember Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

#### **Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump-sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

#### Benefits Provided - (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2017 were as follows:

Employee deposit rate	6.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	
(expressed as age/years of service)	60/5, 0/20
Updated service credit	100.0 repeating
Annuity increase (to retirees)	70.0% of CPI

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	71
Inactive employees entitled to but not yet receiving benefits	104
Active employees	<u> 133</u>
	_308

#### Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.86% and 13.06% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$754,327, and were equal to the required contributions.

#### **Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### Actuarial Assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Overall Payroll Growth	3.0%

Investment Rate of Return 6.75%, net of pension plan investment expense,

including inflation

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

		Long-Term
		Expected
	Target	Real Rate of
Asset Class	Allocation	Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	<u>5.00%</u>	7.75%
Total	100.00%	

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase (Decrease)					
	Total Pension		Plan Fiduciary		Net Pension	
		Liability	1_	Net Position		Liability
		(a)		(b)		(a) - (b)
Balance at 12/31/2015	\$	28,655,653	\$	23,682,371	\$	4,973,282
Changes for the year:						
Service cost		809,909		-		809,909
Interest		1,924,544		-		1,924,544
Difference between expected and						
actual experience		213,804		-		213,804
Change of assumptions		-		-		-
Contributions - Employer		-		708,591		(708,591)
Contributions - Employee		-		358,731		(358,731)
Net investment income		-		1,599,743		(1,599,743)
Benefit payments, including refunds						
of employee contributions		(1,097,681)		(1,097,681)		-
Administrative expense		-		(18,076)		18,076
Other changes		_		(974)		974
Net changes		1,850,576		1,550,334		300,242
Balance at 12/31/2016	\$	30,506,229	\$	25,232,705	\$	5,273,524

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.0% Decrease in		1.0% Increase in
	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's Net Pension Liability:	\$9,770,400	\$5,273,524	\$1,620,807

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

<u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the year ended September 30, 2017, the City recognized pension expense of \$1,346,923.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
	of Resources	of Resources
Differences between expected and actual economic experience	\$ 406,636	\$ 54,488
Changes in actuarial assumptions	67,148	-
Difference between projected and actual investment earnings	1,087,323	-
Contributions subsequent to the measurement date	579,201	-
Total	\$ 2,140,308	\$ 54,488

\$2,140,308 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2017	\$ 569,814
2018	578,611
2019	358,430
2020	(235)
2021	-
Thereafter	-

#### NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1<sup>st</sup> of any year to be effective the following January 1<sup>st</sup>.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retired term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2017 and 2016 were \$14,040 and \$14,265, respectively, which equaled the required contributions each year.

# NOTE 9: LONG-TERM DEBT

# A. Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 9,381,395	\$ -	\$ (587,160)	\$ 8,794,235	\$ 601,470
General obligation bonds	4,887,052		-	4,887,052	
Total bonds and certificates	44.000.447		(507.400)	42 004 207	604.470
payable	14,268,447		(587,160)	13,681,287	601,470
Bond premium	835,806		(61,513)	774,293	_
Compensated absences	434,757	301,570	(308,571)	427,756	106,939
Net pension liability	3,978,626	292,929	_	4,271,555	
Total governmental activity					
long-term liabilities	\$ 19,517,636	\$ 594,499	\$ (957,244)	<u>\$ 19,154,891</u>	\$ 708,409
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 9,070,641	\$ -	\$ (219,876)	\$ 8,850,765	\$ 243,530
General obligation bonds	1,880,560		(117,612)	1,762,948	120,000
Total bonds and certificates	10.051.001		(007.400)	40.040.740	000 500
payable	10,951,201		(337,488)	10,613,713	363,530
Bond premium	500,572		(32,264)	468,308	<u> </u>
State infrastructure note	3,166,553		(151,766)	3,014,787	155,560
Capital leases payable	643,534		(423,595)	219,939	219,939
Compensated absences	55,349	70,206	(70,561)	54,994	54,994
Net pension liability	994,656	7,313	_	1,001,969	_
Total business-type activity					
long-term liabilities	\$ 16,311,865	\$ 77,519	<u>\$ (1,015,674</u> )	\$ 15,373,710	\$ 794,023

#### B. Bonds and Certificates Payable - Governmental Activities

Bonds and certificates payable of the City's governmental activities at September 30, 2017, were comprised of the following individual issues:

2009 Certificates of Obligation due in annual installments ranging from \$135,000 to \$140, 000 through August 1, 2018; interest rate at 4.77%.	\$ 140,000
2006 Combination Certificates of Obligation due in annual installments ranging from \$30,000 to \$45,000 through August 1, 2021; interest rate at 4.10%.	175,000
2006-A Combination Certificates of Obligation due in annual installments ranging from \$167,436 to \$260,456 through August 1, 2021; interest rate at 4.12%.	971,850
2015 Combination Certificates of Obligation due in annual installments ranging from \$184,400 to \$596,995 through August 1, 2035; interest rate at 3.39%.	7,507,385
2016 General Obligation Refunding Bonds due in annual installments ranging from \$205,700 to \$680,680 through August 1, 2028; interest rate at 3.6%.	 4,887,052
	\$ 13.681.287

Annual debt service requirements to maturity for the City's governmental activity bonds and certificates are as follows:

Year Ending					
September 30	 Principal	Interest		 Total	
2018	\$ 601,470	\$	483,207	\$ 1,084,677	
2019	690,800		456,409	1,147,209	
2020	727,162		432,504	1,159,666	
2021	745,722		408,367	1,154,089	
2022	903,038		382,584	1,285,622	
2023-2027	3,982,485		1,198,283	5,180,768	
2028-2032	3,760,185		697,755	4,457,940	
2033-2035	 2,270,425		197,106	2,467,531	
	\$ 13,681,287	\$	4,256,215	\$ 17,937,502	

The City is scheduled to receive annual installments ranging from \$48,093 to \$65,676 from LEDC and annual installments ranging from \$170,304 to \$290,798 from Wastewater Utility Fund for the 2015 Combination Certificates of Obligation through August 1, 2035.

# C. Bonds and Certificates Payable - Business-type Activities

Bonds and certificates payable of the City's business-type activities at September 30, 2017, were comprised of the following individual issues:

2009 General Obligation Refunding Bonds due in annual installments of \$115,000 to \$120,000 through February 1, 2018; interest rate at 4.33%.	\$	120,000
2006-A Combination Certificates of Obligation due in annual installments ranging from \$16,403 to \$19,544 through August 1, 2012; interest rate at 4.12%.		73,150
2015 Combination Certificates of Obligation due in annual installments ranging from \$215,600 to \$698,005 through August 1, 2035; interest rate at 3.39%.		8,777,615
2016 General Obligation Refunding Bonds due in annual installments of \$69,300 to \$229,320 through February 1, 2028; interest rate at 3.60%.		1,642,948
	\$ ^	10,613,713

The annual debt service requirements to maturity for the above-listed obligations of the City's business-type activities are as follows:

Year Ending					
September 30	 Principal	Interest		 Total	
2018	\$ 363,530	\$	365,712	\$ 729,242	
2019	324,200		351,136	675,336	
2020	337,838		342,890	680,728	
2021	344,278		334,589	678,867	
2022	606,962		324,041	931,003	
2023-2027	2,692,515		1,042,005	3,734,520	
2028-2032	3,289,815		748,857	4,038,672	
2033-2035	 2,654,575	-	230,456	 2,885,031	
	\$ 10,613,713	\$	3,739,686	\$ 14,353,399	

### D. State Infrastructure Notes - Business-type Activities

2013 State Infrastructure Bank Loan is due in annual installments of \$230,000 through June 2033, interest rate of 2.5%.

Annual debt service requirements to maturity for the City's business-type activity State Infrastructure Notes are as follows:

Year Ending September 30	-	Principal		Interest	Total			
2018	\$	155,560	\$	75,370	\$	230,930		
2019		159,449		71,481		230,930		
2020		163,435		67,495		230,930		
2021		167,521	63,409			230,930		
2022		171,709	59,221			230,930		
2023-2027		925,124		229,526		1,154,650		
2028-2032		1,046,692		107,958		1,154,650		
2033		225,297		5,633		230,930		
	\$	3,014,787	\$	680,093	\$	3,694,880		

#### D. Capital Leases

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, are as follows:

;	Year Ending September 30	Business-type Activities			
	2018	\$ 219,939			
Total minimum lease	payments	\$ 219,939			

#### E. <u>Debt Reserves</u>

There are certain reserve requirements for the various debt issues that are currently outstanding. The following are the reserve requirements by issue:

		F	Reserve
		Re	quirement
2006	Combination Certificates of Obligation	\$	3,500
2006A	Combination Certificates of Obligation		20,900
2009	General Obligation Refunding Bonds		2,400
2009	Combination Certificates of Obligation		2,800
2015	Combination Certificates of Obligation		325,700
2016	General Obligation Refunding Bonds		130,600
		\$	485,900

F. Debt Reserves - (Continued)

The cash balances reserved for the reserve requirements are as follows:

Fund	Cash
Debt Service I & S Fund	\$ 285,621
Water Utility Fund	200,279
	\$ 485,900

#### NOTE 10: CONDUIT DEBT OBLIGATIONS

#### Lockhart-Luling Water Delivery System

The Guadalupe-Blanco River Authority (GBRA) contracted with the City in 2002 to provide a reliable quantity of treated water through the Luling Water Treatment Plant. For the mutual benefit of the parties, GBRA, the City of Luling, and the City of Lockhart entered into an agreement that enabled GBRA to pump treated water from the Luling Water Treatment Plant to the Lockhart Treatment Plant ground storage reservoir through the water delivery system.

GBRA issued \$4,950,000 in Contract Revenue Refunding Bonds in fiscal year 2014 for the water delivery system. As of September 30, 2017, there was \$4,215,000 bonds outstanding. Through the agreement, the City has agreed to pay GBRA on an annual basis for twenty-five years the following:

(a.) principal and interest on any bonds issued to pay off the financing, refinancing, design, permitting, construction, and equipping the project; (b.) operation and maintenance of the water delivery system; (c.) operation and maintenance of the Luling Water Treatment Plant; (d.) reserve and contingency fund payments, if any; and (e.) capital recovery charges.

#### NOTE 10: CONDUIT DEBT OBLIGATIONS - (Continued)

#### Lockhart Wastewater Treatment Plant

GBRA entered into a contract on June 15, 1994 with the City whereby GBRA would construct a Regional Wastewater Treatment System to receive, treat and dispose of wastewater collected by the City's collection system.

GBRA issued \$4,025,000 of Contract Revenue Refunding Bonds in the fiscal year 2010 for the treatment system. As of September 30, 2017 there were no refunding bonds outstanding. Under the provisions of the contract, the City has agreed to pay GBRA through 2017 the following:

(a.) all operation and maintenance expenses of the Regional Wastewater Treatment System; (b.) amounts necessary to pay debt service on the bonds; (c.) amounts necessary to establish and maintain funds established by the resolution authorizing the issuance of the bonds; and (d.) amounts necessary to restore any deficiency in funds established by the resolution.

#### NOTE 11: CONTRACTUAL SETTLEMENT

The City reached a settlement agreement with a vendor during the 2006 fiscal year in a dispute over the performance of equipment used in its utility system infrastructure. Under the settlement agreement, the vendor agreed to pay the City a total of \$3,210,173 in multiple installments extending through the year 2018. As of September 30, 2017, the City had received \$2,956,704 in scheduled installment payments. The remaining balance due the City is reported as receivable in the accompanying government-wide and proprietary fund Statements of Net Position.

#### NOTE 12: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2017, the City purchased insurance through the Texas Municipal League (TML) to cover its risk of loss in these areas. Substantially all risk of loss for events occurring during the current year has been transferred to TML by the payment of insurance premiums. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

#### **NOTE 13: RELATED PARTY TRANSACTIONS**

During the fiscal year ending September 30, 2017, LEDC (a discretely presented component unit of the City) transferred a total of \$87,561 to the City. The City's Debt Service Fund, a nonmajor governmental fund, received \$48,093 to be used to pay debt service costs related to qualifying economic development projects previously paid for by debt issued by the City. The remaining transfers pertained to the reimbursement of eligible current period expenditures incurred by the City related to economic development activities and administrative services provided to LEDC by the City.

#### NOTE 14: CONTINGENCIES AND COMMITMENTS

#### A. Litigation

The City was not involved in any significant litigation as of September 30, 2017, and management was not aware of any threatened litigation or unasserted claims as of that date.

#### B. Grant Programs

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any monies received may be required, and the collectibility of any related receivables at September 30, 2017, may be impaired. In the opinion of the administration of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the City's various grant programs.

#### C. Water Purchase Commitment

The City has entered into an agreement with the Guadalupe-Blanco River Authority (GBRA) that obligates the City to purchase its water from GBRA through December 31, 2027.

### NOTE 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

### A. Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2017, were as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 18,483

#### B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. These transfers are intended to provide the necessary resources to meet the operating and debt service obligations of the receiving funds. During the current fiscal year, transfers between funds consisted of the following:

Transfers In						
 General		Nonmajor Govt.	Total			
\$  2,162,600 134,253 236,701 192,552 295,000	***************************************	92,398 - - 170,304 - 156,290 418,992	2,16 1; 4( 1) 4;	92,398 62,600 34,253 07,005 92,552 51,290 40,098		
\$	General  \$ - 2,162,600 134,253 236,701 192,552 295,000	General \$  2,162,600 134,253 236,701 192,552 295,000	General         Nonmajor Govt.           \$ - \$ 92,398           2,162,600         134,253           236,701         170,304           192,552         - 295,000           156,290	General         Nonmajor Govt.         T           \$ - \$ 92,398         \$ 92,398           2,162,600         - 2,16           134,253         - 13           236,701         170,304         46           192,552         - 19           295,000         156,290         48		

#### NOTE 16: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

A restatement was made to the beginning balances of the capital assets of the governmental activities. The result of the restatement decreased the government activities net position by \$194,379 decreased the beginning capital assets by \$194,288 and increased accumulated depreciation by \$91.

In addition, there was a restatement as a decrease to the beginning fund balance in the major governmental capital project of \$93,535 with a corresponding increase to the nonmajor governmental funds beginning fund balance.

# **NOTE 17: FUND BALANCES**

The following is a detail of the governmental fund balances as of September 30, 2017:

		Governmental Fund Balances							
	Non	spendable		Restricted	Committed		Unassigned		Total
General									
Prepaid expenditures	\$	23,642	\$	-	\$	-	\$ -	\$	23,642
Inventory		11,272		-		-	-		11,272
Sidewalks		- ,		-		31,870	-		31,870
Revolving loan		-		-		259,674	-		259,674
Industrial park		_		-		317,510	-		317,510
Unassigned		-				-	3,897,547		3,897,547
2015 Cert. of Oblig.									
Various capital projects		_		4,798,470		-	_		4,798,470
Nonmajor Governmental									
Prepaid expenditures		680		-		_	-		680
Various capital projects		-		361,731		-	_		361,731
General government		_		664,319		-	-		664,319
Tourism		-		8,485		-	-		8,485
Public safety		-		206,068		-	_		206,068
Debt service	F	_		285,621	**********	_			285,621
	\$	35,594	\$	6,324,694	\$	609,054	\$ 3,897,547	\$1	0,866,889

#### NOTE 18: TAX ABATEMENTS AND REBATES

The City of Lockhart enters into tax abatement and rebate agreements with local businesses under the state local government code, title 12, subtitle A, chapter 380. Under the code, the governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans or grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. For the fiscal year ended September 30, 2017, the City of Lockhart rebated sales taxes totaling \$5,436 under this program, including the following tax rebate agreement that exceeded 10 percent of the total amount rebated:

A 50 percent sales tax rebate to a glass and mirror manufacturing company for purchasing land and building a manufacturing and distribution facility. The rebate amounted to \$5,436.

#### NOTE 19: LOCKHART ECONOMIC DEVELOPMENT CORPORATION

As described in Note 1, the Lockhart Economic Development Corporation is a component unit of the City. It is reported in a separate column to emphasize that it is legally separate for accounting purposes from the City. Following are note disclosures relating to this component unit:

#### A. Organization

The Lockhart Economic Development Corporation (LEDC), a public instrumentality and nonprofit corporation, was created under Section 4B of the Development Corporation Act of 1979, Article 5190.6 of the Revised Civil Statutes of Texas (the "Act") on June 26, 1996. Under the Act, the Board of Directors consists of seven members appointed by and who serve at the pleasure of the City Council of the City for two-year terms.

LEDC may enter into any project authorized by the Act including, but not limited to, such projects as promotion and development of new and expanded business enterprises, job training centers, infrastructure improvements, public safety, municipal buildings, civic centers, recreation facilities, and other related facilities.

LEDC prepares annual financial statements as of September 30<sup>th</sup> of each year. LEDC reports its financial results as a governmental type of entity.

#### B. Summary of Significant Accounting Policies

The accounting and reporting policies of LEDC conform to GAAP, as applicable to governmental units. The more significant of LEDC's accounting policies are described below.

#### 1. Reporting Entity - Component Unit Status

LEDC meets the criteria established by GASB to be a component unit of the City, due to the fact that the City Council of Lockhart appoints each member of its Board of Directors. LEDC is included in the City's annual financial statements as a discretely presented component unit.

#### 2. Government-wide and Fund Accounting

The combined government-wide and fund financial statements (i.e., the Statement of Net Position and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance) report information on all activities of LEDC.

The combined Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance demonstrate the degree to which the direct expenses of LEDC are offset by program revenues. Direct expenses are those that are clearly identifiable with the LEDC's specific function, that of economic development. Program revenues include a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. For the year ended September 30, 2017, all of LEDC's revenues were classified as general revenues.

The government-wide and fund financial statements are provided for LEDC with a column for adjustments between the two statements.

#### NOTE 19: LOCKHART ECONOMIC DEVELOPMENT CORPORATION - (Continued)

### B. Summary of Significant Accounting Policies - (Continued)

#### 3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide information (i.e., the columns labeled "Statement of Net Position" and "Statement of Activities") in the financial statements is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund (i.e., the column labeled "General Fund") financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LEDC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred.

Sales taxes and interest revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when LEDC receives cash.

The Corporation reports the following governmental fund type:

<u>Major Fund</u> - The General Fund is LEDC's operating fund. All financial resources are accounted for in the General Fund. The General Fund's transactions consist primarily of revenues realized from the collection of sales tax revenue dedicated to the purpose of economic development and transfers to the City (reported as economic development expenditures) to be used for purposes authorized by LEDC's enabling legislation.

LEDC reports no other funds.

#### 4. Cash, Cash Equivalents, and Investments

Cash includes all amounts on deposit with financial institutions in demand accounts. All short-term investments that are highly liquid are considered to be cash equivalents. An investment is considered highly liquid if it is convertible to a known amount of cash and has a maturity date of no longer than three months from the date the investment was purchased.

LEDC may invest in any instruments authorized by the Public Funds Investment Act of the State of Texas. These instruments include, but are not limited to, the following: obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposit issued by state or national banks which are guaranteed or insured by the FDIC; and deposits in statewide investment pools which meet certain restrictive criteria. LEDC reports its investments at fair value.

# B. Summary of Significant Accounting Policies - (Continued)

## 5. Budgets and Budgetary Accounting

The Board of Directors submits an annual budget to the City for approval in accordance with the Texas Municipal Budget Act. By September of each year, the Board of Directors, with approval by the City, adopts an annual fiscal year budget for the General Fund. Once approved, the Board of Directors may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budget of LEDC is prepared on a modified accrual basis of accounting. Revenues are budgeted in the year receipts are expected, and expenditures are budgeted in the year that the applicable purchase occurs. Any unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

# 6. Federal Income Taxes

LEDC is exempt from Federal income taxes due to its classification as a governmental entity under the guidelines of the Internal Revenue Service.

# 7. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with GAAP requires LEDC to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

# C. <u>Deposits and Investments</u>

LEDC pools its funds with the City for investment, and as such, follows the City's policies and procedures pertaining to investment transactions. Following is a discussion of various risks associated with the City's (and accordingly LEDC's) investments as of and for the year ending September 30, 2017:

# 1. <u>Interest Rate Risk</u>

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to one year or less from the time of purchase.

### 2. Credit Risk

As previously mentioned, it is LEDC's policy to limit its investments to those that are authorized under the Texas Public Funds Investment Act. Additionally, any money market mutual funds or local government investment pools must be rated no lower than AAA by at least one nationally recognized rating service. As of September 30, 2017, TexPool was rated AAAM by Standard and Poor's and MBIA Texas CLASS was rated AAA/V-1+ by Fitch.

# 3. Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. As such, at year-end LEDC was not exposed to concentration of credit risk.

## C. Deposits and Investments - (Continued)

# 4. Custodial Credit Risk - Deposits

Custodial credit risk refers to the risk that in the event of a bank failure, LEDC's deposits may not be returned to it. The City's investment policies require that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. As of September 30, 2017, and for the year then ended, the City and LEDC were not exposed to any custodial credit risk.

It is managements' understanding that the LEDC, a discretely presented component unit, and any other 4A and 4B economic development entity is not considered a "political subdivision" as defined by Section 330.15 of the FDIC's regulation. Therefore, the Corporation's bank deposits may not be insured above \$250,000 even though they are secured by the pledged collateral agreement of the City.

# 5. <u>Custodial Credit Risk - Investments</u>

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2017, and for the year then ended, the City and LEDC were not exposed to any custodial credit risk.

# D. Sales Taxes

LEDC, by law, is to receive one-half cent of the sales tax earned by the City and paid monthly to the City by the State of Texas. LEDC's outstanding receivable of the sales tax earned by the City for the year ended September 30, 2017, was \$134,201. The City collects the sales tax from the State of Texas and then pays LEDC's portion monthly when collected.

## E. Restricted Net Position

The legislation under which LEDC was created restricts the use of sales tax revenue received by LEDC to projects related to quality of life improvements, including economic development that will attract and retain primary employers. Some of the types of projects authorized in the legislation are listed previously. There were no restrictions on LEDC's net position as of September 30, 2017, other than those imposed through the enabling legislation.

# F. Inventory

Inventory consists of various tracts of land that LEDC has purchased to be used for future economic development projects. There was no change in the inventory from the previous year.

# G. Capital Assets

The LEDC owns two buildings which are rented to businesses. The total cost of the facilities are as follows:

	Beginning Balance Increases		Decreases	Ending Balance
Discretely presented component unit				
Capital assets, not being depreciated Land	\$ 264,857	\$ -	\$ 156,857	\$ 108,000
Total capital assets not being depreciated	264,857		156,857	108,000
Capital assets, being depreciated Buildings Total capital assets being depreciated	2,035,053 2,035,053			612,000
Less accumulated depreciation for Buildings	141,292	21,073	88,925	73,440
Total accumulated depreciation	141,292	21,073	88,925	73,440
Total capital assets being depreciated, net	1,893,761	(21,073)	1,334,128	538,560
Discretely presented component unit capital assets, net	\$ 2,158,618	\$ (21,073)	\$ 1,490,985	\$ 646,560

Depreciation expense was charged to functions/programs of the LEDC as follows:

# Discretely presented component unit

General government

\$ 21,073

# H. Long-Term Debt

An analysis of changes in long term-debt is as follows:

	Beginning Balance			Ending Balance	Due Within One Year		
Discretely presented component unit							
Notes payable Compensated absences	\$ 1,114,604 	\$ - 4,234	\$ (912,699) (1,550)	\$ 201,905 2,684	\$ 17,494 2,684		
Total discretely presented component unit	\$ 1,114,604	\$ 4,234	\$ (914,249)	\$ 204,589	\$ 20,178		

# H. Long-Term Debt - (Continued)

Maturities of long term-debt is as follows:

Year Ending					
September 30	F	Principal	Interest		Total
	-				
2018	\$	17,494	\$	8,717	\$ 26,211
2019		18,298		7,913	26,211
2020		19,138		7,073	26,211
2021		20,017		6,193	26,210
2022		20,937		5,274	26,211
2023-2027		106,021		1,297	 107,318
	\$	201,905	\$	36,467	\$ 238,372

# I. Contingencies and Commitments

# 1. <u>Litigation</u>

LEDC was not involved in any litigation as of September 30, 2017, and management was not aware of any threatened litigation or unasserted claims as of that date.

### 2. Commitments

The LEDC is scheduled to make annual installments ranging from \$48,093 to \$65,676 to the City for the 2015 Combination Certificates of Obligation through August 1, 2035.

### j. tax Abatements and Rebates

The Lockhart Economic Development Corporation enters into tax rebate agreements with local businesses under the state local government code, title 12, subtitle C1, chapter 505. Under the code, the governing body of a municipality may create a Type B corporation and provide for the administration of one or more programs, including programs for making loans or grants of public money to promote state or local economic development and to stimulate business and commercial activity in the municipality. For the fiscal year ended September 30, 2017, the Lockhart Economic Development Corporation rebated sales taxes totaling \$2,718 under this program, including the following tax rebate agreement that exceeded 10 percent of the total amount rebated:

A 50 percent sales tax rebate to a glass and mirror manufacturing company for purchasing land and building a manufacturing and distribution facility. The rebate amounted to \$2,718.

Required Supplementary Information

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND

For the year ended September 30, 2017

DEVENUES	Or	Budget iginal / Final		Actual Amounts	Fi	ariance with nal Budget Positive Negative)
REVENUES Property taxes	\$	3,172,771	\$	3,279,140	\$	106,369
Sales and other taxes	ψ	1,792,517	Ψ	1,878,820	Ψ	86,303
Fines, fees, and forfeitures		297,006		271,303		(25,703)
Licenses and permits		175,000		125,761		(49,239)
Intergovernmental and grants		166,224		199,920		33,696
Investment		14,600		38,617		24,017
Miscellaneous		134,432		215,033		80,601
Total revenues		5,752,550		6,008,594		256,044
EXPENDITURES Current General government		2,401,752		1,728,059		673,693
Public safety		4,654,563		4,525,288		129,275
Public works		1,218,816		1,168,180		50,636
Health and welfare		10,682		17,207		(6,525)
Culture and recreation		893,094		877,327		15,767
Capital outlay		137,000		136,633	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	367
Total expenditures		9,315,907		8,452,694		863,213
Excess (deficiency) of revenues over expenditures		(3,563,357)		(2,444,100)		1,119,257
OTHER FINANCING SOURCES (USES)						
Transfers in		2,915,546		3,021,106		105,560
Transfers out		(86,523)		(92,398)		(5,875)
Total other financing sources (uses)		2,829,023		2,928,708		99,685
Net change in fund balance		(734,334)		484,608		1,218,942
Fund balance - beginning		4,056,907		4,056,907		<del>-</del>
Fund balance - ending	\$	3,322,573	\$	4,541,515	\$	1,218,942

# CITY OF LOCKHART, TEXAS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Last ten years

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		2014		2015	2016
Total Pension Liability					
Service cost Interest (on the total pension liability) Difference between expected and actual experience Change of assumptions Benefit payments, including refunds of employee	\$	659,622 1,759,695 (275,265)	\$	755,292 1,840,606 541,546 143,888	\$ 809,909 1,924,544 213,804
contributions		(987,219)		(1,084,811)	(1,097,681)
Net Change in Total Pension Liability		1,156,833		2,196,521	1,850,576
Total Pension Liability - Beginning		25,302,299		26,459,132	28,655,653
Total Pension Liability - Ending (a)	\$	26,459,132	\$	28,655,653	\$ 30,506,229
lan Fiduciary Net Position					
Contributions - Employer Contributions - Employee Net investment income	\$	662,456 321,581 1,282,369	\$	721,903 352,824 34,935	\$ 708,591 358,731 1,599,743
Benefit payments, including refunds of employee contributions Administrative expense Other		(987,219) (13,388) (1,101)		(1,084,811) (21,283) (1,051)	(1,097,681) (18,076) (974)
Net Change in Plan Fiduciary Net Position		1,264,698		2,517	1,550,334
Plan Fiduciary Net Position - Beginning		22,415,156		23,679,854	23,682,371
Plan Fiduciary Net Position - Ending (b)	\$	23,679,854	\$	23,682,371	\$ 25,232,705
let Pension Liability - Ending (a) - (b)	\$	2,779,278	\$	4,973,282	\$ 5,273,524
lan Fiduciary Net Position as a Percentage of Total Pension Liability		89.50%		82.64%	82.71%
Covered Employee Payroll	\$	5,359,686	\$	5,730,595	\$ 5,937,749
let Pension Liability as a Percentage of Covered Employee Payroll		51.86%		86.78%	88.81%

NOTE: Information for the prior seven years was not readily available. The City will compile the respective information over the next seven years as provided by TMRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last ten fiscal years

	2015			2016	2017		
Actuarially Determined Contribution	\$	692,664	\$	734,637	\$	754,327	
Contribution in relation to the actuarially determined contribution		(692,664)		(734,637)		(754,327)	
Contribution deficiency (excess)	\$	-	\$	-	\$	_	
Covered employee payroll	\$	5,617,224	\$	6,129,529	\$	5,911,532	
Contributions as a percentage of covered employee payroll		12.33%		11.99%		12.76%	

NOTE: Information for the prior seven fiscal years was not readily available. The City will compile the respective information over the next seven fiscal years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION September 30, 2017

### NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. There was one line item where actual expenditures exceeded the budgeted amount, this was health and welfare and the excess expenditure amount was \$6,525.

### NOTE 2: TEXAS MUNICIPAL RETIREMENT SYSTEM

#### Valuation Date

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

# Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll, Closed

Remaining Amortization Period 29 years

Asset Valuation Method 10 year Smoothed Market; 15% Soft Corridor

Inflation 2.5%

Salary Increases 3.50% to 10.5% including inflation

Investment Rate of Return 6.75%

Retirement Age Experience-based table of rates that are specific

to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience

study of the period 2010-2014

Mortality RP2000 Combined Mortality Table with Blue

Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with

scale BB.

# Other Information

There were no benefit changes during the year.

**Combining and Individual Fund Statements** 

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2017

		Total lonmajor Special enue Funds		Total Ionmajor Debt rvice Fund		Total Ionmajor Capital oject Funds	Total
ASSETS Current appets							
Current assets  Cash and cash equivalents	\$	840,492	\$	285,621	\$	392,381	\$ 1,518,494
Receivables (net)	Ψ	113,387	Ψ	55,487	Ψ	392,301	168,874
Prepaid expenditures		680		-		_	680
Total assets	\$	954,559	\$	341,108	\$	392,381	\$ 1,688,048
LIABILITIES							
Accounts payable	\$	56,524	\$	_	\$	_	\$ 56,524
Due to other funds		18,483	·	_		-	18,483
Deposits						30,650	30,650
Total liabilities		75,007				30,650	105,657
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue		_		55,487		_	55,487
Total deferred inflows of resources	and the second	<u> </u>		55,487			55,487
FUND BALANCES							
Nonspendable							
Prepaid expenditures		680		-		-	680
Restricted							
General government		664,319		-		-	664,319
Tourism Public safety		8,485		-		=	8,485
Debt service		206,068		- 285,621		_	206,068 285,621
Various capital projects		_		200,021		361,731	361,731
Total fund balances		879,552		285,621		361,731	1,526,904
Total liabilities, deferred inflorer and							_
Total liabilities, deferred inflows and fund balances	\$	954,559	\$	341,108	\$	392,381	\$ 1,688,048
Tuttu Datatioes	Ψ	₹,558	Ψ	J <del>-1</del> 1,100	Ψ	J3Z,J01	Ψ 1,000,040

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS September 30, 2017

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Capital Project Funds	Total
REVENUES	Φ.	Φ 000 101	•	Φ 000.404
Property taxes Sales and other taxes	\$ - 111,401	\$ 692,161	\$ -	\$ 692,161 111,401
Fines, fees, and forfeitures	655,970	_	-	655,970
Intergovernmental and grants	2,473		_	2,473
Investment	6,570	5,115	3,125	14,810
Miscellaneous	-	72,970	-	72,970
Total revenues	776,414	770,246	3,125	1,549,785
EXPENDITURES				
Current				
General government	119,799	-	_	119,799
Public safety	225,781	-	-	225,781
Culture and recreation	12,720	-	-	12,720
Capital outlay	-	-	74,295	74,295
Debt service				
Principal retirement	-	587,160	-	587,160
Interest and fiscal charges	-	500,948	-	500,948
Paying agent and issue costs		1,200		1,200
Total expenditures	358,300	1,089,308	74,295	1,521,903
Excess (deficiency) of revenues				
over expenditures	418,114	(319,062)	(71,170)	27,882
OTHER FINANCING SOURCES (USES)				
Transfers in	92,398	326,594	_	418,992
Transfers out	(451,290)	-	_	(451,290)
Total other financing sources (uses)	(358,892)	326,594	_	(32,298)
Net change in fund balances	59,222	7,532	(71,170)	(4,416)
Fund balances - beginning, as restated	820,330	278,089	432,901	1,531,320
Fund balances - ending	\$ 879,552	\$ 285,621	\$ 361,731	\$ 1,526,904

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS September 30, 2017

	Radio Tower Equipment Replacement		Forfeited Property		Hotel / Motel Occupancy Tax		TCEQ NPS Grant		 Road Impact Fees #1	Road Impact Fees #2	
ASSETS Current assets Cash and cash equivalents Receivables (net) Prepaid expenditures	\$	64,069 - -	\$	3,662 - -	\$	160 22,103	\$	5,907 - -	\$ 462,906 - -	\$	6,056 - -
Total assets	\$	64,069	\$	3,662	\$	22,263	\$	5,907	\$ 462,906	\$	6,056
LIABILITIES  Accounts payable  Due to other funds  Total liabilities	\$	<u>-</u>	\$	- 	\$	12,106 7,579 19,685	\$	- - -	\$ - - -	\$	- - -
FUND BALANCES Nonspendable Restricted General government Tourism Public safety Total fund balances		- - 64,069 64,069		3,662 3,662		- 2,578 - 2,578		5,907 5,907	 462,906 - - 462,906		6,056 - - 6,056
Total liabilities and fund balances	\$	64,069	\$	3,662	\$	22,263	\$	5,907	\$ 462,906	\$	6,056

unicipal Court chnology	Radio System aintenance	Municipal Court Security	 Child Safety	Court ficiency	Juvenile Case Manager	ruancy Court
\$ 6,801 730	\$ 110,858	\$ 10,172 547	\$ 18,195 440	\$ 9,174 106	\$ 9,986 1,028	\$ 353 31
\$ 7,531	\$ 110,858	\$ 10,719	\$ 18,635	\$ 9,280	\$ 11,014	\$ 384
\$ - - -	\$ 43,684	\$  - 	\$ - - -	\$ - - -	\$ - - -	\$ <u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
- 7,531	- 67,174	- 10,719	- 18,635	9,280	- 11,014	- 384
7,531	 67,174	 10,719	18,635	 9,280	11,014	384
\$ 7,531	\$ 110,858	\$ 10,719	\$ 18,635	\$ 9,280	\$ 11,014	\$ 384

(continued)

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS September 30, 2017

ASSETS Current assets	-	Cable ducation	<u>lr</u>	nsportation System nprovmts	<u>  Im</u>	Orainage System nprovmts	Ed	Law forcement lucation - Police	 Total
Cash and cash equivalents Receivables (net)	\$	13,621 6,082	\$	74,837 54,386	\$	29,455 27,934	\$	14,280	\$ 840,492 113,387
Prepaid expenditures		-		-				680	680
Total assets	\$	19,703	\$	129,223	\$	57,389	\$	14,960	\$ 954,559
LIABILITIES  Accounts payable  Due to other funds  Total liabilities	\$	54 	\$	- 	\$ 	10,904 10,904	\$	680 	\$ 56,524 18,483 75,007
FUND BALANCES Nonspendable Restricted		-		-		-		680	680
General government Tourism Public safety		19,649 - - - 19,649		129,223		46,485 - - 46,485		13,600 14,280	 664,319 8,485 206,068 879,552
Total fund balances  Total liabilities and fund balances	\$	19,703	\$	129,223 129,223	\$	57,389	\$	14,280	\$ 954,559

(concluded)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS September 30, 2017

	Radio Tower Equipment Replacement	Forfeited Property	Hotel / Motel Occupancy Tax	TCEQ NPS Grant	Road Impact Fees #1	Road Impact Fees #2
REVENUES Sales and other taxes Fines, fees, and forfeitures Intergovernmental and grants Investment	\$ - - 509	\$ - - 29	\$ 87,766 - 440 	\$ - - - 80	\$ - 22,083 - 3,661 25,744	\$ - 6,041 - 15 6,056
Total revenues		29	00,339	00	25,744	0,030
EXPENDITURES Current General government Public safety Culture and recreation Total expenditures	329 	- - - -	35,482 - 12,720 48,202	- - - -	35,151 - - 35,151	
Excess (deficiency) of revenues over expenditures	180	29	40,157	80	(9,407)	6,056
OTHER FINANCING SOURCES (USES) Transfers in Transfers out Total other financing sources (uses)	- 	- 	(40,000) (40,000)			- 
Net change in fund balances	180	29	157	80	(9,407)	6,056
Fund balances - beginning	63,889	3,633	2,421	5,827	472,313	_
Fund balances - ending	\$ 64,069	\$ 3,662	\$ 2,578	\$ 5,907	\$ 462,906	\$ 6,056

Municipal Court Technology	Radio System Maintenance	Municipal Court Security	Child Safety	Court Efficiency	Juvenile Case Manager	Truancy Court
\$ - 6,338	\$ - 129,975	\$ - 4,756	\$ - 2,360	\$ - 442	\$ - 7,615	\$ - 231
6,382	683 130,658	80 4,836	134 2,494	70 512	55 7,670	3 234
13,449 	205,128 	6,195 	- - - -	- - -	- - 	- - - -
(7,067)	(74,470)	(1,359)	2,494	512	7,670	234
	92,398 92,398	- - -	- 		- 	- 
(7,067)	17,928	(1,359)	2,494	512	7,670	234
14,598 \$ 7,531	49,246 \$ 67,174	12,078 \$ 10,719	16,141 \$ 18,635	8,768         9,280	3,344 \$ 11,014	150 \$ 384

(continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2017

	Cable Education	Transportation System Improvmts	Drainage System Improvmts	Law Enforcement Education - Police	Total
REVENUES Sales and other taxes	\$ 23,635	\$ -	\$ -	\$ -	\$ 111,401
Fines, fees, and forfeitures	Ψ 23,033	φ - 288,151	187,978	Ψ -	655,970
Intergovernmental and grants	_	200,101	-	2,033	2,473
Investment	165	470	310	109	6,570
Total revenues	23,800	288,621	188,288	2,142	776,414
EXPENDITURES Current					
General government	41,693	925	6,548	_	119,799
Public safety	-	-	-	680	225,781
Culture and recreation	-	-	-	-	12,720
otal expenditures	41,693	925	6,548	680	358,300
Excess (deficiency) of revenues over expenditures	(17,893)	287,696	181,740	1,462	418,114
OTHER FINANCING SOURCES (USES)					00.000
Transfers in	-	(260,000)	- (151,290)	-	92,398 (451,290)
Transfers out		(260,000)	(151,290)		(358,892)
otal other financing sources (uses)		(200,000)	(101,230)		(550,092)
let change in fund balances	(17,893)	27,696	30,450	1,462	59,222
und balances - beginning	37,542	101,527	16,035	12,818	820,330
und balances - ending	\$ 19,649	\$ 129,223	\$ 46,485	\$ 14,280	\$ 879,552

(concluded)

COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECT FUNDS September 30, 2017

ASSETS	Clearfork Detention Basin	Clearfork Section 1 Sidewalk	2009 Certificates of Obligation	Total
Current assets	\$ 21.620	Ф 16 2EE	¢ 254.406	¢ 202.204
Cash and cash equivalents	·	\$ 16,355	\$ 354,406	\$ 392,381
Total assets	<u>\$ 21,620</u>	\$ 16,355	\$ 354,406	<u>\$ 392,381</u>
LIABILITIES  Deposits  Total liabilities	\$ 17,450 17,450	\$ 13,200 13,200	\$	\$ 30,650 30,650
FUND BALANCES Restricted				
Various capital projects	4,170	3,155	354,406	361,731
Total fund balances	4,170	3,155	354,406	361,731
Total liabilities and fund balances	\$ 21,620	\$ 16,355	\$ 354,406	\$ 392,381

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECT FUNDS
September 30, 2017

	Clearfork Detention Basin	Clearfork Section 1 Sidewalk	2009 Certificates of Obligation	Total
REVENUES	470	Φ. 400	Φ 0.000	0.405
Investment	<u>\$ 172</u>	<u>\$ 130</u>	\$ 2,823	<u>\$ 3,125</u>
Total revenues	172	130	2,823	3,125
EXPENDITURES Capital outlay Total expenditures		· <u>····</u>	74,295 74,295	74,295 74,295
Excess (deficiency) of revenues over expenditures	172	130	(71,472)	(71,170)
Fund balances - beginning	3,998	3,025	425,878	432,901
Fund balances - ending	\$ 4,170	\$ 3,155	\$ 354,406	\$ 361,731

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL

NONMAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

			2017				2016
	Fina Budg		Actual	Variance Positive (Negative)			Actual
REVENUES					_		
Taxes							
Ad valorem	\$ 65	8,181	\$ 692,161	\$	33,980	\$	696,861
Investment income		-	5,115		5,115		2,727
Miscellaneous		-	 72,970		72,970		350,515
Total revenues	65	8,181	 770,246		112,065		1,050,103
EXPENDITURES							
Debt service							
Principal retirement	58	7,160	587,160		-		855,322
Interest and fiscal charges	50	0,948	500,948		-		566,342
Paying agent fees and issue costs		400	 1,200		(800)		151,889
Total expenditures	1,08	8,508	 1,089,308		(800)		1,573,553
Excess (deficiency) of revenues							
over expenditures	(43	0,327)	(319,062)		111,265		(523,450)
OTHER FINANCING SOURCES (USES)							
Bonds issued		-	-		-		4,887,402
Premium on issuance of bonds		-	-		-		593,157
Payment to escrow		-	-		-		(5,455,484)
Transfers in	37	4,686	 326,594	W	(48,092)		413,545
Total other financing sources (uses)	37	4,686	 326,594		(48,092)	•	438,620
Net change in fund balance	\$ (5	<u>5,641</u> )	7,532	\$	63,173		(84,830)
Fund balance at beginning of year			 278,089				362,919
Fund balance at end of year			\$ 285,621			\$	278,089

CITY OF LOCKHART, TEXAS
COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS September 30, 2017

	Sanitation	Airport	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 468,277	\$ 93,905	\$ 562,182
Receivables (net)	237,913	755	238,668
Total current assets	706,190	94,660	800,850
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	120,409	72,161	192,570
Buildings, improvements, and equipment (net)	52,165	1,444,810	1,496,975
Total noncurrent assets	172,574	1,516,971	1,689,545
Total assets	878,764	1,611,631	2,490,395
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to TMRS	41,957		41,957
Total deferred outflows of resources	41,957		41,957
LIABILITIES			
Current liabilities			
Accounts payable	92,518	316	92,834
Payroll related payables	4,166	-	4,166
Customer deposits	50	6,950	7,000
Unearned revenue	-	3,908	3,908
Accrued compensated absences	3,855		3,855
Total current liabilities	100,589	11,174	111,763
Noncurrent liabilities			
Net pension liability	105,470	<u> </u>	105,470
Total liabilities	206,059	11,174	217,233
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS	343	·	343
Total deferred inflows of resources	343		343
NET POSITION			
Invested in capital assets, net of related debt	172,574	1,516,971	1,689,545
Unrestricted net position	541,745	83,486	625,231
Total net position	\$ 714,319	\$ 1,600,457	\$ 2,314,776

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS

For the year ended September 30, 201	For the	year ended	September 30.	2017
--------------------------------------	---------	------------	---------------	------

	Sanit	ation	Airport			Total
OPERATING REVENUES						
Charges for services	\$ 1,5	74,494	\$	70,714	\$	1,645,208
Miscellaneous	**************************************	18,865		775		19,640
Total operating revenues	1,5	93,359	Militaria del repubblica de la constanta de la	71,489		1,664,848
OPERATING EXPENSES						
Personnel services	2	15,073		_		215,073
Contracts and services	1,1	05,644		13,120		1,118,764
Materials and supplies		7,467		_		7,467
Maintenance and repairs		3,526		10,500		14,026
Depreciation		8,766		52,818		61,584
Miscellaneous		4,990		_		4,990
Total operating expenses	1,3	45,466		76,438		1,421,904
Operating income before nonoperating revenues						
(expenses) and transfers	2	47,893		(4,949)		242,944
NONOPERATING REVENUES (EXPENSES)						
Investment income		3,449		593		4,042
Net nonoperating revenues (expenses)	***************************************	3,449		593	-	4,042
Income (loss) before transfers	2	51,342		(4,356)		246,986
Transfers out	(1	92,552)		_		(192,552)
Change in net position		58,790		(4,356)		54,434
Net position - beginning	6	55,529		1,604,813		2,260,342
Net position - ending	\$ 7	14,319	\$	1,600,457	\$	2,314,776

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the year ended September 30, 2017

		Sanitation		Airport		Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$	1,574,883	\$	72,380	\$	1,647,263
Cash payments to suppliers for goods and services	Ψ	(1,125,112)	Ψ	(24,229)	Ψ	(1,149,341)
Cash payments to employees for services		(192,038)		(= 1,==5)		(192,038)
Net cash provided by operating activities		257,733		48,151		305,884
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Customer deposits		-		75		75
Cash paid to other funds		(192,552)				(192,552)
Net cash provided (used) by noncapital financing activities	-	(192,552)	****	75		(192,477)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Acquisition of capital assets		-				<u>-</u>
Net cash used by capital financing activities		_		-		
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income		3,449		593		4,042
Net cash provided (used) by investing activities		3,449		593	-	4,042
Net increase in cash and cash equivalents		68,630		48,819		117,449
Cash and cash equivalents at beginning of year	-	399,647		45,086		444,733
Cash and cash equivalents at end of year	\$	468,277	\$	93,905	\$	562,182
RECONCILIATION OF OPERATING INCOME TO NET						
CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$	247,893	\$	(4,949)	\$	242,944
Adjustments to reconcile operating income to net						
cash provided by operating activities:						
Depreciation		8,766		52,818		61,584
Change in assets and liabilities:						
(Increase) decrease in accounts receivable		(18,476)		396		(18,080)
Increase (decrease) in accounts and other payables		3,485		(609)		2,876
Increase (decrease) in payroll related liabilities		16,065		-		16,065
Increase (decrease) in unearned revenue				495		495
Net cash provided by operating activities	\$	257,733	\$	48,151	<u>\$</u>	305,884

CITY OF LOCKHART, TEXAS
COMBINING STATEMENT OF NET POSITION FIDUCIARY FUNDS September 30, 2017

	Private Purpose Trusts					
	Glosserman Trust			Brock Cabin Trust		Total
ASSETS	<del></del>					
Cash and cash equivalents	\$	513	\$	1,199	\$	1,712
Total assets		513		1,199		1,712
LIABILITIES						
Due to others	***************************************	-		_		_
Total liabilities	-				•••	
NET POSITION						
Held for various purposes	\$	513	\$	1,199	\$	1,712

 	Ager	ncy Funds	<del></del>			
 nfiscated roperty						Total
\$ 9,444	\$	8,458	\$	\$ 1,063		18,965
\$ 9,444	\$ 8,458		\$	1,063	\$	18,965
\$ 9,444	\$	8,458	\$	1,063	\$	18,965
\$ 9,444	\$	8,458	\$	1,063	\$	18,965

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE PURPOSE TRUSTS

For the year ended September 30, 2017

	Glosser Trus	Ca	rock abin rust	Total		
ADDITIONS Investment income Total additions	\$	4	<u>\$</u>	9	\$	13 13
DEDUCTIONS						
Change in net position		4		9		13
Net position - beginning		509		1,190		1,699
Net position - ending	\$	513	\$	1,199	\$	1,712

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

# HARRISON, WALDROP & UHEREK, L.L.P.



STEPHEN W. VAN MANEN, CPA DENNIS C. CIHAL, CPA ERIC L. KUCERA, CPA CLAYTON P. VAN PELT, CPA ROBERT W. SCHAAR, CPA MELISSA M. TERRY, CPA

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members of the City Council City of Lockhart, Texas

# Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lockhart, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 12, 2018. The financial statements of the Lockhart Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Mayor and Members of the City Council

# Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

# Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HARRISON, WALDROP & UHEREK, L.L.P.

Harrison, Waldrop & Uherk, UP

Certified Public Accountants

March 12, 2018

# GOFORTH SPECIAL UTILITY DISTRICT

REPORT ON FINANCIAL STATEMENTS (With Supplemental Material)

YEAR ENDED DECEMBER 31, 2016

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# BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

17014 Seven Pines Drive Spring, Texas 77379 (281) 379-1065 (281) 379-6322 (fax)

RICHARD W. BREEDLOVE, CPA President JILL A. HENZE, CPA Vice President

# INDEPENDENT AUDITORS' REPORT

April 5, 2017

Board of Directors Goforth Special Utility District Niederwald, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goforth Special Utility District, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Goforth Special Utility District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

# Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Goforth Special Utility District, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# Other Matters

# Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 19 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.

# Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Goforth Special Utility District's basic financial statements. The accompanying Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Breedlove & Co., P.C.

# GOFORTH SPECIAL UTILITY DISTRICT

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, provision of water and sanitary sewer services. Other activities, such as recreation facilities, and solid waste collection are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

# GOFORTH SPECIAL UTILITY DISTRICT

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

### FUND FINANCIAL STATEMENTS

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

# Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describe the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

# NOTES TO FINANCIAL STATEMENTS

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

# FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's overall financial position and operations for the past year is summarized as follows based on the information included in the government-wide financial statements.

# Summary of Net Position

	2016	2015
Current and other assets	\$ 6 983 143	\$ 5 231 433
Capital assets	9 557 393	9 785 261
Total assets	\$16 540 536	\$15 016 694
Current liabilities	\$ 433 963	\$ 272 494
Total liabilities	\$ 433 963	\$ 272 494
Net position:		
Net investment in capital assets	\$ 9 557 393	\$ 9 785 261
Restricted	5 514 008	4 302 746
Unrestricted	1 035 172	656 193
Total net position	\$16 106 573	\$14 744 200

The total net position of the District increased by \$1,362,373, or about 9%. The majority of the increase in net position is because the increase in revenues was greater than the increase in expenses.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

# Summary of Changes in Net Position

	2016	2015
Revenues:		
Water service revenues	\$ 6 448 998	\$ 5 688 285
Capital recovery revenue	613 775	562 530
Other revenues	141 363	114 263
Total revenues	7 204 136	6 365 078
Expenses:		
Depreciation	756 728	738 281
Expenses for services	5 085 035	4 646 591
Total expenses	5 841 763	5 384 872
Change in net position	1 362 373	980 206
Net position, beginning of year	14 744 200	13 763 994
Net position, end of year	\$16 106 573	\$14 744 200

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's combined fund balances as of the end of the fiscal year ended December 31, 2016, were \$6,549,180, an increase of \$1,590,241 from the prior year.

The general fund's fund balance increased by \$378,979.

The capital projects fund's fund balance increased by \$1,211,262.

## **BUDGETARY HIGHLIGHTS**

There were several minor differences between the final budgetary amounts and actual amounts. The major difference between budget and actual was due to an unexpected decrease in professional fees and repair and maintenance, an unanticipated increase in waste water revenue, and less tap connection fee revenue and capital recovery improvement revenue than expected. The budgetary net position balance as of December 31, 2016 was expected to be \$16,235,105 and the actual end of year net position balance was \$16,106,573.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

#### CAPITAL ASSETS AND RELATED DEBT

## Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below.

Capital Assets (Net of accumulated depreciation)

	 2016	 2015
Land	\$ 602 296	\$ 602 296
Infrastructure	8 955 097	 9 182 965
Total capital assets	\$ 9 557 393	\$ 9 785 261

The District added \$528,860 in capital assets during the year, mostly due to water line extensions.

#### Debt

The District did not incur any debt during the year.

# CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Cline and Company, P.C., *Certified Public Accountants*, 202 West Prairie Lea Street, P.O. Box 238, Lockhart, Texas 78644-0238.

# STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2016

		Capital			Statement of
	General Fund	Projects Fund	Total	Adjustments	Net Position
ASSETS					
ASSE15					
Cash and cash equivalents	\$ 615 422	\$ 666 154	\$ 1 281 576	\$ -	\$ 1 281 576
Temporary investments	-	1 906 974	1 906 974	-	1 906 974
Held to maturity investments	-	2 940 880	2 940 880	-	2 940 880
Service accounts receivable	639 604	-	639 604	-	639 604
Interest receivable	37 883	-	37 883	-	37 883
Inventory	130 730	-	130 730	-	130 730
Prepayments	44 663	-	44 663	-	44 663
Other assets	833	-	833	-	833
Capital assets					
Land	-	-	-	602 296	602 296
Infrastructure (net of accumulated					
depreciation of \$8,297,356)			<u>-</u> _	8 955 097	8 955 097
Total assets	\$ 1 469 135	\$ 5514 008	\$ 6 983 143	\$ 9 557 393	\$ 16 540 536
	<u>·</u>	<u> </u>	<u>-</u>	<del>-</del>	
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ 433 963	\$ -	\$ 433 963	\$ -	\$ 433 963
Total liabilities	433 963		433 963		433 963
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted, reported in:					
Capital projects fund	_	5 514 008	5 514 008	(5 514 008)	_
Unassigned	1 035 172	-	1 035 172	(1 035 172)	-
Total fund balances	1 035 172	5 514 008	6 549 180	(6 549 180)	_
Total liabilities and fund balances	\$ 1 469 135	\$ 5514 008	\$ 6 983 143		
Net position:					
Net investment in capital assets				9 557 393	9 557 393
Restricted for capital projects				5 514 008	5 514 008
Unrestricted				1 035 172	1 035 172
Total net position				16 106 573	16 106 573
Total liabilities, deferred inflows of resources					· <u>·······</u>
and net position				<u>\$ 9 557 393</u>	<u>\$ 16 540 536</u>

# STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2016

		Statement of			
	General Fund	Projects Fund	Total	Adjustments	Activities
Revenues:					
Charges for water service	\$ 5 128 761	\$ -	\$ 5 128 761	\$ -	\$ 5 128 761
Charges for waste water	1 069 804	-	1 069 804	· -	1 069 804
Tap connection fees	250 433	-	250 433	-	250 433
Investment earnings	-	111 350	111 350	-	111 350
Capital recovery improvements	613 775	_	613 775	_	613 775
Gain on sale of assets	6 885	-	6 885	-	6 885
Miscellaneous income	23 128	<u> </u>	23 128	<u> </u>	23 128
Total revenues	7 092 786	111 350	7 204 136		7 204 136
Expenditures/expenses:					
Service operations:					
Purchased water service and fees	2 517 512	-	2 517 512	-	2 517 512
Regional aquifer fees	50 712	-	50 712	-	50 712
Salaries, benefits and payroll taxes	1 120 301	-	1 120 301	-	1 120 301
Contracted services	91 519	-	91 519	-	91 519
Professional fees	144 862	-	144 862	-	144 862
Director fees	8 400	-	8 400	-	8 400
Repairs and maintenance	541 420	-	541 420	-	541 420
Utilities	122 290	_	122 290	-	122 290
Auto and truck expense	61 497	-	61 497	-	61 497
Other	426 522	-	426 522	-	426 522
Capital outlay	528 860	-	528 860	(528 860)	-
Depreciation				756 728	756 728
Total expenditures/expenses	5 613 895		5 613 895	227 868	5 841 763
Excess (deficiency) of revenues over expenditures	1 478 891	111 350	1 590 241		
Other financing sources/uses:					
Transfer between funds	(1 099 912)	1 099 912			
Excess (deficiency) of revenues and transfers in over					
expenditures and transfers out	378 979	1 211 262	1 590 241	( 227 868)	
Change in net position					1 362 373
Fund balance/net position:					
Beginning of the year	656 193	4 302 746	4 958 939	9 785 261	14 744 200
End of the year	\$ 1 035 172	\$ 5514008	\$ 6 549 180	\$ 9 557 393	\$ 16 106 573

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

# NOTE (1) SIGNIFICANT ACCOUNTING POLICIES

Goforth Special Utility District ("the District") was created by voter approval on March 21, 2005. Goforth Water Supply Corporation was converted to a special utility district on February 29, 2008 in accordance with Texas state law. The Board of Directors held its first meeting on March 19, 2008. The District was established to provide water service to the residents of the District.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the District are described below.

#### A. REPORTING ENTITY

The District is a Texas Special Utility District with a seven-member board of directors who are elected by individuals owning property within the boundaries of the district. The Directors are elected to serve three year terms on a specific staggered basis.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is not a participant in any joint venture and has not identified any entities which would be component units of the District.

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District.

# B. BASIS OF PRESENTATION

The financial transactions of the District are recorded in individual funds and account groups. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

#### a. Governmental Funds

General Fund - To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund - To account for the accumulation of financial resources for, and the payment of, general long-term debt principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund - To account for financial resources designated to construct or acquire capital facilities and improvements. Such resources are derived principally from proceeds of the sale of bonds.

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 (Continued)

## NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **B. BASIS OF PRESENTATION**

# b. Fund Balances

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance amounts that are available for any purpose.

The District uses the following classifications for net position:

Net investment in Capital Assets - To indicate the value of capital invested in capital assets less accumulated depreciation, net of associated debt.

Restricted - To indicate the funds restricted within the General Fund for the purposes of contingencies or emergencies. The Board must approve any changes in the restriction of this fund balance.

Unrestricted - To indicate net assets that are available for use in future periods.

#### C. BASIS OF ACCOUNTING

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become available and measurable. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable.

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 (Continued)

## NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. BASIS OF ACCOUNTING (Continued)

The District has adopted GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." In compliance with GASB 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended December 31, 2016. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The "Adjustments" column on these statements represents the infrastructure of the District and related debt. Depreciation is retroactively recorded for all infrastructure assets. All fund balances are adjusted to reflect net position.

# D. CASH AND CASH EQUIVALENTS

The District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### E. INVENTORIES

Inventories are recorded at average cost and consist primarily of maintenance supplies.

#### F. CAPITAL ASSETS

The cost of capital assets includes all costs associated with the creation of the District, and the construction of facilities including infrastructure (immovable) assets which are of value only to the District.

The District capitalized the cost of meters and boxes and residential lines as part of the water system in Capital Assets. The full cost of facilities owned by the District is capitalized; funds provided by others are shown as contributions on the Balance Sheet. Depreciation of capital assets is not recorded in the accounts of governmental funds, but is recorded as an Adjustment on the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance. The District capitalized all land and land improvements, buildings and facilities, improvements, equipment and other assets over \$5,000. Assets are depreciated on a straight-line basis using lives established by the Texas Commission on Environmental Quality ranging from 3-45 years. Land is not a depreciable asset.

#### G. INVESTMENTS

Held to maturity investments are recorded at amortized cost which represents fair market value. Temporary investments are highly liquid investments with a maturity of greater than three months when purchased.

# H. BUDGET

The District adopts a budget each fiscal year for the general fund on substantially the same basis used to reflect actual revenues and expenditures. The budget was formally adopted by the board members at a duly advertised public meeting. Approval by the Board of Directors is required for revisions that alter the total expenditures. Reported budgeted amounts are as adopted and approved by the Board of Directors. Budgeted amounts lapse annually.

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 (Continued)

# NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total fund balance at December 31, 2016

## I. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although those estimates are based on our knowledge of current events or actions that may happen in the future, actual results could differ from those estimates.

#### J. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net position and governmental funds balance sheet are different because:

\$ 6549180

Capital assets used in governmental activities are not financial and are not reported in the funds	9 557 393
Adjustment to fund balance to arrive at net position	9 557 393
Total net position at December 31, 2016	<u>\$ 16 106 573</u>
Amounts reported for governmental activities in the statement of activities are different b	ecause:
Change in fund balance	\$ 1 590 241
Government funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of those assets is allocated over their estimated	
useful lives and depreciated.	528 860
Depreciation expense is not included in the funds	( 756 728)
Change in net position of governmental activities	\$ 1 362 373

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 (Continued)

# NOTE (2) WATER AND SEWER SERVICE RATES

Effective November 1, 2016 and 2015, the District adopted the following rates:

# Water Service

Residential and Apartment Monthly Charges per connection:

	Effective	Effective
	Nov. 1, 2015	Nov. 1, 2016
First 5,000 gallons of water used (minimum bill)	\$30.00	\$31.00
Each 1,000 gallons of water used up to 5,000 gallons	2.75	3.00
Each 1,000 gallons of water used over 5,000 gallons, up to 10,000	4.38	4.63
Each 1,000 gallons of water used over 10,000 gallons, up to 20,000	6.01	6.26
Each 1,000 gallons of water used over 20,000 gallons, up to 30,000	7.63	7.88
Each 1,000 gallons of water used over 30,000 gallons, up to 40,000	9.25	9.51
Each 1,000 gallons of water used thereafter	11.89	12.14
I 4 F		

# Impact Fee

Cost of initiating water service to new
customers (non-refundable)

\$2 425.00

# Tap Fees and Sewer Inspection

Residential Tap Fee:

5/8 inch X 3/4 inch tap	\$ 325.00
<sup>3</sup> / <sub>4</sub> inch tap	\$ 487.50
1 inch tap	\$ 812.50
1 inch or larger	Actual Cost

# NOTE (3) WATER AND SEWER SERVICE CUSTOMERS

The following is the number of water and sewer connections serviced by the District:

December 31, 2016	6,812
December 31, 2015	6,174
December 31, 2014	5,560

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 (Continued)

#### NOTE (4) RETIREMENT PLAN

The District participated in a defined contribution plan administered by Capital Guardian Trust. The plan complies with IRS regulations and can be amended by the Board pursuant to applicable IRS guidelines.

The District is required to contribute 5% of annual covered payroll. For the year ended December 31, 2016, actual contributions by the District were \$40,128.

Participants are fully vested at the date participation begins.

# NOTE (5) CHANGES IN CAPITAL ASSETS

	Begi	nning of	ning of Depreciation							
	Year		Year Additions		Disposals		Expense		End of Year	
Land	\$ (	502 296	\$	_	\$	_	\$		\$	602 296
Physical plant	15 (	516 133		415 349		-		-	10	6 031 482
Buildings	4	599 682		10 754		-		-		610 436
Furniture, fixtures and equipment		560 657		102 757		(52 879)		-		610 535
Less: Accumulated depreciation	(7:	593 507)				52 879		(756 728)	(	8 <u>297 356</u> )
	9	182 965		528 860				(756 728)	:	8 955 097
Totals, net	\$ 97	785 261	\$	528 860	\$	_	\$	(756 728)	\$ 9	9 557 393

Additions relate mostly to water lines and two vehicles.

# NOTE (6) DEPOSITS AND INVESTMENTS

# <u>Custodial Credit Risk – Deposits</u>

The contracted depository bank used by the General Fund was First Lockhart National Bank for operations. The largest cash, savings, and time deposit combined account balance was \$877,075 and occurred on October 26, 2016. Of these funds, \$250,000 was secured by FDIC coverage, and \$500,000 was collateralized by pledged securities held at the bank in the District's name. The remaining \$127,075 was not secured.

# **Investment Policies**

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has complied with the Act's provisions during its fiscal year ended December 31, 2016.

Deposits were with various contracted depository banks in checking accounts, money market accounts, and certificates of deposit during the year. The deposits were secured by FDIC coverage, and when necessary, additional securities were pledged. The funds exceeded FDIC and pledged securities in the checking account at various times throughout the year. All other deposits were adequately secured during the year.

Statutes authorize the District to invest in direct or indirect obligations of the United States, the State or any county, school district, or other political subdivision of the State. Funds of the District may be placed in certificates of deposit of State or National banks or savings associations within the State. The District held investments totaling \$1,835,399 at December 31, 2016, in certificate of deposit accounts in various separate financial institutions and one U.S. Treasury Note in the amount of \$71,575. In addition, the District was invested in the following held to maturity investments at year end:

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 (Continued)

# NOTE (6) DEPOSITS AND INVESTMENTS (Continued)

	Interest Rate	Maturity Date	Face Value	Original Cost	Amortized Cost
St. Louis Ind Dev Authority	6.750%	03/15/35	\$ 50 000	50 625	\$ 50 450
University of Cincinnati Ohio	6.484%	06/01/39	50 000		50 568
Chicago Illinois	6.207%	01/01/32	25 000	25 613	25 417
North Fort Bend Water Authority	6.018%	12/15/35	20 000	20 420	20 301
Armstrong School District	7.000%	03/15/41	30 000	31 537	31 232
Louisiana Environment	6.270%	11/01/40	50 000	49 350	49 278
Kentucky Asset Liability	5.339%	04/01/22	25 000	25 125	25 059
Louisiana Environment	6.080%	12/15/25	50 000	51 550	50 884
Hilliard Ohio School Bond	5.550%	12/01/25	25 000	25 375	25 213
Seacoast Florida Utility Authority	6.680%	03/01/39	25 000	25 605	25 473
Rhode Island Clean Water	5.000%	10/01/19	25 000	28 500	25 872
St. Louis County	3.000%	05/15/18	25 000	25 381	25 057
Michigan Municipal Bond Authority	5.000%	10/01/18	25 000	27 742	25 390
Salina Kansas Water and Sewage	3.000%	10/01/19	25 000	24 938	24 985
Macomb Interceptor Drain District	3.150%	05/01/17	50 000	51 319	50 000
New York City NY Transitional Fin Auth Bldg	4.100%	11/01/27	40 000	40 040	40 031
New York Dorm Authority	5.000%	12/01/20	15 000	16 463	15 652
San Marcos Refunding Bond	3.000%	08/15/22	25 000	24 886	24 946
Austin Water and Waste Water System	3.125%	11/15/23	25 000	25 000	25 000
Guadalupe Blanco River Authority	3.250%	09/01/24	10 000	10 500	10 290
Battle Ground Washington Recovery	6.250%	12/01/25	20 000	22 652	21 632
Redford MI ISD	7.750%	05/01/24	25 000	30 768	28 363
Talawanda OH ISD	5.750%	12/01/24	15 000	16 791	16 046
Michigan State Finance Authority	6.500%	05/01/26	20 000	22 382	21 437
DFW International Airport Revenue TX	5.000%	11/01/29	40 000	46 707	46 191
Port Authority of NY/NJ	4.823%	06/01/45	50 000	52 545	52 375
Sugar Land Texas Sales Tax	4.250%	02/15/19	10 000	10 675	10 195
Worcester MA Taxable Muni	4.000%	06/15/35	50 000	51 020	50 918
Southwest TX Higher Education Authority SMU	3.250%	10/01/30	50 000	51 299	51 125
Clarkston MI Community Schools	2.500%	05/01/21	75 000	75 834	75 556
Lower Colorado River TX Auth. Series A	5.000%	05/15/31	80 000	95 426	94 398
Beaumont TX Revenue Bond	5.000%	03/01/32	45 000	53 782	53 233
State Gos 2016 Series CA	4.000%	09/01/31	45 000	51 267	50 849
State Gos 2nd Series PA	4.000%	09/15/30	40 000	45 091	44 727
Alaska Municipal Bond	5.000%	12/01/28	100 000	118 873	117 300
Trinity River Auth. Revenue TX	4.000%	08/01/33	25 000	26 688	26 589
Connecticut State Special Tax Obligation	5.305%	12/01/23	20 000	24 350	22 610
Florida State Department	7.045%	07/01/29	25 000	28 250	27 438
Franklin County OH	6.540%	12/01/36	40 000		46 490
St. Louis Rockwood ISD MO	4.750%	02/01/24	10 000	11 150	10 730

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 (Continued)

# NOTE (6) DEPOSITS AND INVESTMENTS (Continued)

	Interest	Maturity	Face	Original	Amortized
-	Rate	Date	Value	Cost	Cost
New York Finance Authority	6.204%	07/15/25	20 000	24 600	23 068
Ohio Infrastructure	4.518%	06/15/21	10 000	11 125	10 561
American Municipal Power OH	7.300%	02/15/30	30 000	37 425	35 677
Cook County Community High School District IL	6.350%	12/01/25	20 000	23 650	22 434
San Antonio Airport TX	5.250%	07/01/23	30 000	33 638	32 182
Tennessee Valley Authority	3.875%	02/15/21	30 000	32 351	31 175
Regional Transportation District CO	5.000%	06/01/21	10 000	11 204	10 604
State Development Finance Authority KS	5.000%	06/15/21	10 000	11 018	10 510
Orlando Capital Improvement FL	7.100%	10/01/39	25 000	26 875	26 587
Kentucky State Rural Water	4.000%	02/01/21	25 000	26 883	25 943
Lacey Municipal Sewer Utility NJ	3.100%	11/01/19	45 000	45 695	45 260
Atlantic City Univ NJ	5.000%	09/01/21	65 000	74 007	72 206
Oklahoma City Water Revenue OK	5.000%	07/01/35	25 000	29 847	29 592
DeKalb County ISD Bond IL	6.400%	01/01/29	20 000	21 750	21 314
Washington State University	6.314%	10/01/29	15 000	16 500	16 124
Kentucky Municipal Power System	6.240%	09/01/28	20 000	21 473	21 081
Indianapolis School Building Corporation	5.731%	07/15/29	15 000	15 930	15 698
Indiana State Bond Bank Revenue Bonds	4.009%	01/15/24	50 000	51 725	51 206
NW Utility District Hamilton County TN	3.450%	09/01/26	30 000	30 150	30 111
Jefferson County KY School District Financial Corp	3.250%	11/01/26	30 000	29 550	29 588
Kendall Kane & Will Counties IL Cmnty Unit Sch Dist	4.375%	02/01/24	20 000	20 650	20 455
New York NY General Obligation	3.150%	08/01/22	80 000	81 954	81 222
New York State Urban Dev Corp Revenue	3.200%	03/15/22	20 000	20 629	20 392
Novato General Obligation CA	4.125%	08/01/27	20 000	21 121	20 863
University of Illinois IL Auxillary Facility System	5.000%	04/01/26	50 000	56 029	54 523
Macomb Township MI Building Authority Refunding	4.000%	04/01/23	50 000	55 990	53 992
Goodyear AZ Public Corp Mini Facs Revenue Bonds	4.000%	07/01/27	20 000	20 968	20 746
Kendall Kane & Will Counties IL Cmnty Unit Sch Dist	4.250%	10/01/19	35 000	39 041	36 617
W Contra Costa ISD Gos CA	6.555%	08/01/24	50 000	63 232	61 578
Saginaw County MI Pension Obligation	5.070%	05/01/28	20 000	20 505	20 397
Metro Washington DC Airport Revenue	5.000%	10/01/28	85 000	99 160	96 127
Logan County ISD's KY	2.000%	09/01/22	75 000	78 014	77 511
Maricopa County AZ Elem School District	6.243%	07/01/26	10 000	11 681	11 261
San Mateo CA Union High School Dist Build America	5.725%	09/01/24	20 000	22 675	21 874
Jefferson County ISD KY	2.000%	10/01/22	75 000	78 053	77 544
Groveport-Madison OH Local School District Const	4.000%	10/01/28	45 000	48 950	48 104
Sou Broward Hosp Distr Build America Bonds	6.978%	05/01/39	5 000	5 662	5 584
Contra Costa County CA Fire Protection District	5.040%	08/01/21	15 000	16 657	15 946
Romeoville 2016 Series A Gos IL	2.000%	12/30/22	75 000	77 934	77 445
FHLMC Note	1.650%	08/28/20	15 000	15 370	15 277
University of CA Gen Rev SR 2015 CA	2.909%	05/15/23	50 000	53 735	53 201
			\$ 2 760 000	\$ 2 997 875	\$ 2 940 880

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 (Continued)

# NOTE (7) CAPITAL RECOVERY IMPROVEMENTS

The District receives capital recovery improvement income primarily from developers within the District as reimbursement for construction projects. Payments to the District depend on development each year. For the year ended December 31, 2016, the District received \$613,775 in capital recovery improvement income.

# NOTE (8) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 5, 2017, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

# REQUIRED SUPPLEMENTARY INFORMATION

# BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget*	Actual	Variance Positive (Negative)
Revenues:			
Charges for water service	\$ 5 121 380	\$ 5 128 761	\$ 7 381
Charges for waste water	850 000	1 069 804	219 804
Tap connection fees	463 275	250 433	(212 842)
Investment earnings	144 000	111 350	( 32 650)
Capital recovery improvements	974 850	613 775	( 361 075)
Gain on sale of assets	-	6 885	6 885
Miscellaneous income	40 000	23 128	( 16 872)
Total revenues	7 593 505	7 204 136	( 389 369)
Expenditures/expenses:			
Service operations:			
Purchased water service and fees	2 462 000	2 517 512	( 55 512)
Regional aquifer fees	76 000	50 712	25 288
Salaries, benefits and payroll taxes	1 056 000	1 120 301	( 64 301)
Contracted services	90 000	91 519	(1519)
Professional fees	350 000	144 862	205 138
Director fees	8 400	8 400	_
Repairs and maintenance	650 000	541 420	108 580
Utilities	117 000	122 290	(5 290)
Auto and truck expense	126 000	61 497	64 503
Other	442 200	426 522	15 678
Depreciation	725 000	756 728	( 31 728)
Total expenditures/expenses	6 102 600	5 841 763	260 837
Excess (deficiency) of revenues over expenditures	1 490 905	1 362 373	( 128 532)
Net Position:			
Beginning of the year	14 744 200	14 744 200	
End of the year	<u>\$16 235 105</u>	<u>\$16 106 573</u>	\$ (128 532)

<sup>\*</sup> Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

# TEXAS SUPPLEMENTARY INFORMATION

# TSI-1. SERVICES AND RATES FOR THE YEAR ENDED DECEMBER 31, 2016

# 1. Services Provided by the District:

Retail Water, Parks/Recreation, Irrigation, Roads

## 2. Retail Service Providers

a. Retail Rates for a 5/8" meter or equivalent:

Most prevalent type of meter (if not a 5/8"): 3/4" meter

	Minimum <u>Charge</u>	Minimum <u>Usage</u>	Flat Rate <u>Y/N</u>	Rate per 1,000 Gallons Over <u>Minimum</u>	Usage Levels
Water	\$31.00	0	N	\$3.00	0 - 5,000
				4.63	5,000 - 10,000
				6.26	10,000 - 20,000
				7.88	20,000 - 30,000
				9.51	30,000 - 40,000
				12.14	40,000 and over

Total charges per 10,000 gallons usage: Water \$69.15

# b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
1.10101 2.110				
Unmetered	-	-	x 1.0	-
< or = 3/4"	6 733	6 733	x 1.0	6 733
1"	34	34	x 2.5	85
1 1/2"	27	27	x 5.0	135
2"	11	11	x 8.0	88
3"	2	2	x 15.0	30
4"	5	5	x 25.0	125
6"	-	-	x 50.0	_
8"	-	-	x 80.0	_
10"	<u>-</u> _	<u>-</u>	x 115.0	
Total Water	6 812	6 812		7 196

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system: 600,263 Water Accountability Ratio: .92 Gallons billed to customers: 550,856

# TEXAS SUPPLEMENTARY INFORMATION

# TSI-1. SERVICES AND RATES FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

Counties in which district is located		Caldwell, Hays,	and Travis
Is the District located entirely within one county	?		Yes No
Is the District located within a city?	Entirely	Partly X	Not at All
Cities in which the District is located:	Kyle, Buda, Nie	<u>derwald</u>	
Is the District located within a city's extra territorial jurisdiction (ETJ)?	Entirely	Partly X	Not at All
ETJs in which the District is located:		Kyle, Buda, Nie	ederwald
Are Board members appointed by an office outside the District?			Yes No X

4. Location of District:

# TEXAS SUPPLEMENTARY INFORMATION

# TSI-2. GENERAL FUND EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2016

Personnel Expenditures (including benefits)*	\$ 1 120 301
Professional Fees	
Auditing	10 008
Legal	36 091
Engineering	98 763
Purchased Services for Resale	
Bulk water and sewer service purchases	2 568 224
Contracted Services	
Bookkeeping	91 519
Utilities	122 290
Repairs and Maintenanace	541 420
Administrative Expenditures	
Directors' fees	8 400
Office supplies	68 855
Insurance	140 749
Other administrative expenditures	278 415
Capital Outlay	
Capitalized assets	528 860
Total Expenditures	\$ 5 613 895
*Number of persons employed by the District:	
Full-time	12
Part-time	

# TEXAS SUPPLEMENTARY INFORMATION

# TSI-3. TEMPORARY INVESTMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Funds	Interest Rate	Maturity	Balances End of Year	Accrued Interest Receivable at End of Year
Certificates of Deposit and Treasury Note:				
Legacy TX BK Plano TX	0.650%	01/03/17	\$ 100 000	\$ 2
Discover Bank DL	3.150%	06/24/25	59 061	33
Goldman Sachs Bank NY	2.900%	12/18/25	68 192	67
Mercantil Coral Gables FL	1.650%	09/28/21	70 000	297
First Fin El Dorado AR	1.400%	10/28/21	50 000	6
First Premier Sioux Falls SD	3.000%	10/10/24	49 993	317
Discover Bank DL	2.050%	11/02/26	50 000	166
Goldman Sachs Bank USA	1.000%	03/06/17	100 000	323
Goldman Sachs Bank USA	2.450%	03/04/22	40 000	320
Discover Bank	2.700%	10/23/20	50 000	259
Goldman Sachs Bank USA	2.000%	03/04/20	40 000	261
Goldman Sachs Bank USA	2.350%	07/23/20	25 000	261
Capital One Bank	1.750%	08/27/18	75 000	460
Capital One Bank	2.350%	08/26/20	75 000	618
First Premier Bank	2.700%	08/19/22	50 000	496
Ally Bank Midvale	1.500%	11/28/17	27 000	38
Ally Bank Midvale	1.050%	11/07/17	65 000	103
Ally Bank Midvale	1.550%	06/25/18	50 000	15
Wells Fargo Sioux Falls SD	1.100%	04/06/18	150 000	118
Capital One Bank	2.000%	09/23/19	150 000	822
Capital One Bank	2.000%	09/30/19	95 000	484
Discover Bank	1.950%	10/15/19	70 000	292
Wells Fargo Bank NA	1.150%	12/04/17	95 000	90
MB Financial Bank USA	1.650%	12/02/20	60 000	81
Goldman Sachs Bank USA	1.650%	12/10/18	45 000	47
Discover Bank	2.200%	10/21/20	75 270	325
BMW Bank NA UT	2.150%	12/10/19	50 883	65
US Treasury Note	1.125%	01/15/21	71 575	367
Total Capital Projects Fund			1 906 974	6 733
Total - All Funds			\$ 1 906 974	\$ 6733

# TEXAS SUPPLEMENTARY INFORMATION

# TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES, GENERAL FUND FIVE YEARS ENDED DECEMBER 31, 2016

	Amounts						
	2016	2015	2014	2013	2012		
General Fund Revenues							
Water service	\$5 128 761	\$4 501 052	\$3 101 431	\$2 831 146	\$2 599 495		
Wastewater charges	1 069 804	853 633	749 644	647 165	406 147		
Reconnection and tap fees	250 433	333 600	318 795	80 215	41 040		
Capital recovery improvements	613 775	562 530	452 805	213 256	649 999		
Gain on sale of assets	6 885	-	4 586	3 838	4 500		
Miscellaneous income	23 128	21 117	30 334	20 128	48 605		
<b>Total General Fund Revenues</b>	7 092 786	6 271 932	4 657 595	3 795 748	3 749 786		
General Fund Expenditures							
Professional fees	144 862	258 393	196 489	106 416	152 320		
Purchased and contracted services	2 659 743	2 309 779	1 979 127	1 345 615	1 061 572		
Recurring operating expenditures	1 616 720	1 517 082	1 370 191	1 317 073	1 143 716		
Repairs and maintenance	541 420	478 824	400 347	314 144	502 424		
Utilities	122 290	82 513	110 996	108 672	109 843		
Capital outlay	528 860	279 755	398 221	695 726	177 217		
Total General Fund Expenditures	5 613 895	4 926 346	4 455 371	3 887 646	3 147 092		
Excess Revenues (Expenditures)	<u>\$1 478 891</u>	\$1 345 586	\$ 202 224	\$ (91898)	\$ 602 694		
Total Active Retail Water Connections	6 812	6 174	5 560	5 204	4 886		

Percent	of Fund	Total	Revenues
FEIGEIII	CH 1 THE	LUMAL	IX C VCHUCS

2016		2015		2014		2013		2012	
72.3	%	71.8	%	66.6	%	74.7	%	69.4	%
15.1		13.6		16.1		17.0		10.8	
3.5		5.3		6.8		2.1		1.1	
8.7		9.0		9.7		5.6		17.3	
0.1		0.0		0.1		0.1		0.1	
0.3		0.3		0.7		0.5		1.3	
100.0		100.0		100.0		100.0		100.0	
2.0		4.1		4.2		2.8		4.1	
37.5		36.8		42.5		35.5		28.3	
22.8		24.2		29.4		34.7		30.5	
7.6		7.6		8.6		8.3		13.4	
1.7		1.3		2.4		2.9		2.9	
7.5		4.5		8.5		18.3		4.7	
79.1		78.5		95.6		102.5		83.9	
20.9	%	21.5	%	4.4	%	(2.5)	%	16.1	%

# TEXAS SUPPLEMENTARY INFORMATION

# TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS DECEMBER 31, 2016

Complete District Mailing Address: Goforth Special Utility District

8900 Niederwald Strasse Kyle, Texas 78640-3921

District Business Telephone Number: (512) 376-5695

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

Names	Term of office (Elected or Appointed)	Fees of Office Paid* FYE 12/31/16		Expense Reimburse- ments FYE 12/31/16	Title at Year End
Board Members:					
Debbie Sandoval	(Elected) 12/14 -12/17	\$	1 200	\$ -	President
Ronald Bell	(Elected) 12/13 -12/16 12/16 -12/19	\$	1 200	\$ -	Vice President
Lesley Simpson	(Elected) 12/15 -12/18	\$	1 200	\$ -	Secretary/Treasurer
Joe Maxwell	(Elected) 12/14 -12/17	\$	1 200	\$ -	Board Member
Travis McDonald	(Elected) 12/13 -12/16 12/16 -12/19	\$	1 200	\$ -	Board Member
Sara Fairchild	(Appointed) 12/15 - 12/18	\$	1 200	\$ -	Board Member
Elisandro Leos	(Appointed) (Elected) 11/15 - 12/16 12/16 - 12/19	\$	1 200	\$ -	Board Member

<sup>\*</sup> Fees of Office are the amounts actually paid to a director during the district's fiscal year.

# TEXAS SUPPLEMENTARY INFORMATION

# TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS DECEMBER 31, 2016 (Continued)

		Expense				
			Fees	Reimburse-		
			Paid*		ments	Title at
Names	Date Hired	FY	E 12/31/16	FYE 12/31/16		Year End
Consultants:						
Cline and Company, P.C.	1987	\$	89 672	\$	1 009	Bookkeeper
Jackson Walker, LLP	12/1/1998	\$	66 390	\$	118	Attorney
Breedlove & Co., P.C.	12/2/2008	\$	10 008	\$	-	Auditor
Southwest Engineers	pre 1986	\$	197 465	\$	-	Engineer

<sup>\*</sup> Fees of Office are the amounts actually paid to a consultant during the district's fiscal year.

REPORT ON FINANCIAL STATEMENTS (With Supplemental Material)

YEAR ENDED DECEMBER 31, 2012

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# BREEDLOVE & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

17014 Seven Pines Drive Spring, Texas 77379 (281) 379-1065 (281) 379-6322 (fax)

RICHARD W. BREEDLOVE, CPA President

#### INDEPENDENT AUDITORS' REPORT

April 15, 2013

Board of Directors Goforth Special Utility District Niederwald, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Goforth Special Utility District, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Goforth Special Utility District's basic financial statements as listed in the table of contents.

# Management's Responsibility for the Financial Statements

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

# Auditor's Responsibility

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

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

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

# **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Goforth Special Utility District, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 18 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 Goforth Special Utility District's basic financial statements. The accompanying Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Breedlove & Co., P.C.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and other supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, provision of water and sanitary sewer services. Other activities, such as recreation facilities, and solid waste collection are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities of the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current year.

Although the statement of activities looks different from a commercial enterprise's statement of income, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as change in net position, essentially the same thing.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

#### FUND FINANCIAL STATEMENTS

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

## Governmental Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water, sewer and drainage systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describe the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

# NOTES TO FINANCIAL STATEMENTS

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

# FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's overall financial position and operations for the past year is summarized as follows based on the information included in the government-wide financial statements.

# Summary of Net Position

	2012	2011
Current and other assets	\$ 3 473 910	\$ 2 781 121
Capital assets	10 566 984	5 261 025
Total assets	\$14 040 894	\$ 8 042 146
Current liabilities	\$ 205 992	\$ 163 774
Total liabilities	\$ 205 992	\$ 163 774
Net position:		
Net investment in capital assets	\$10 566 984	\$ 5 261 025
Restricted	2 318 857	1 536 767
Unretricted	949 061	1 080 580
Total net position	\$13 834 902	\$ 7 878 372

The total net assets of the District increased by \$5,956,530, or about 76%. The majority of the increase in net assets is related to contributed land and infrastructure.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

# Summary of Changes in Net Position

	2012	2011
Revenues:		
Water service revenues	\$ 3 046 682	\$ 2 865 059
Capital recovery revenue	649 999	178 242
Other revenues	100 982	56 514
Total revenues	3 797 663	3 099 815
Depreciation	656 104	401 543
Expenses for services	2 969 875	2 609 798
Total expenses	3 625 979	3 011 341
Change in net position before other items	171 684	88 474
Contributed land and infrastructure	5 784 846	-
Net position, beginning of year	7 878 372	7 789 898
Net position, end of year	\$13 834 902	\$ 7 878 372

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's combined fund balances as of the end of the fiscal year ended December 31, 2012, were \$3,267,918, an increase of \$650,571 from the prior year.

The general fund's fund balance decreased by \$131,519.

The capital projects fund's fund balance increased by \$782,090.

## **BUDGETARY HIGHLIGHTS**

There were several minor differences between the final budgetary amounts and actual amounts. The major difference between budget and actual was due to more capital recovery improvement revenue than anticipated as the stated budget did not allow for much in reimbursements and more depreciation than anticipated due to an increase in assets. The budgetary net position balance as of December 31, 2012 was expected to be \$8,011,572 and the actual end of year net position balance was \$13,834,902.

# MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

#### CAPITAL ASSETS AND RELATED DEBT

## Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized below.

Capital Assets (Net of accumulated depreciation)

	2012		2011		
Land	\$	590 489	\$	390 489	
Infrastructure		9 976 495		4 870 536	
Total capital assets	\$1	0 566 984	\$	5 261 025	

The District added \$5,962,063 and disposed of \$46,060 in capital assets during the year, mostly due to contributed land and infrastructure.

# Debt

The District did not incur any debt during the year.

# CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for anyone with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Cline and Company, P.C., *Certified Public Accountants*, 202 West Prairie Lea Street, Lockhart, Texas 78644-0238.

# STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2012

		Capital			Statement of
	General Fund	Projects Fund	Total	Adjustments	Net Position
<u>ASSETS</u>					
Cash and cash equivalents	\$ 681 261	\$ 704 496	\$ 1 385 757	\$ -	\$ 1 385 757
Certificates of deposit	-	511 714	511 714	-	511 714
Held to maturity investments	-	1 102 647	1 102 647	-	1 102 647
Other receivables	328 204	-	328 204	-	328 204
Inventory	108 460	-	108 460	-	108 460
Prepayments	36 370	-	36 370	-	36 370
Other assets	758	-	758	-	758
Capital assets (net of accumulated depreciation)					
Land	-	-	-	590 489	590 489
Infrastructure				9 976 495	9 976 495
Total assets	\$ 1 155 053	\$ 2318857	\$ 3 473 910	\$ 10 566 984	\$ 14 040 894
<u>LIABILITIES</u>					
Accounts payable and accrued liabilities	\$ 205 992	\$ -	\$ 205 992	\$ -	\$ 205 992
Total liabilities	205 992		205 992		205 992
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted, reported in:					
Capital projects funds	-	2 318 857	2 318 857	(2 318 857)	-
Unassigned	949 061	-	949 061	( 949 061)	-
Total fund balances	949 061	2 318 857	3 267 918	(3 267 918)	
Total liabilities and fund balances	<u>\$ 1 155 053</u>	<u>\$ 2 318 857</u>	\$ 3 473 910		
Net position:					
Net investment in capital assets				10 566 984	10 566 984
Restricted for capital projects				2 318 857	2 318 857
Unrestricted				949 061	949 061
Total net position				\$ 13 834 902	\$ 13 834 902

# STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2012

		Capital	Statement of		
	General Fund	Projects Fund	Total	Adjustments	Activities
Revenues:					
Charges for water service	\$ 2 599 495	\$ -	\$ 2599495	\$ -	\$ 2599495
Charges for waste water	406 147	-	406 147	-	406 147
Tap connection fees	41 040	-	41 040	-	41 040
Investment earnings	-	47 877	47 877	-	47 877
Capital recovery improvements	649 999	-	649 999	-	649 999
Gain on sale of assets	4 500		4 500	-	4 500
Miscellaneous income	48 605		48 605		48 605
Total revenues	3 749 786	47 877	3 797 663		3 797 663
Expenditures/expenses:					
Service operations:					
Purchased water service and fees	945 019	-	945 019	-	945 019
Regional aquifer fees	60 203	-	60 203	-	60 203
Salaries, benefits and payroll taxes	763 326	-	763 326	-	763 326
Contracted services	56 350	-	56 350	-	56 350
Professional fees	152 320	-	152 320	-	152 320
Director fees	8 400	-	8 400	-	8 400
Repairs and maintenance	502 424	-	502 424	-	502 424
Utilities	109 843	-	109 843	-	109 843
Auto and truck expense	109 290	-	109 290	-	109 290
Other	262 700	-	262 700	-	262 700
Capital outlay	177 217	-	177 217	( 177 217)	-
Depreciation				656 104	656 104
Total expenditures/expenses	3 147 092		3 147 092	478 887	3 625 979
Excess (deficiency) of revenues over expenditures	602 694	47 877	650 571	( 478 887)	171 684
Other financing sources/uses:					
Transfer between funds	(734 213)	734 213	-		
Contributed land and infrastructure				5 784 846	5 784 846
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	( 131 519)	782 090	650 571	5 305 959	
Change in net position					5 956 530
Fund balance/net position:					
Beginning of the year	1 080 580	1 536 767	2 617 347	5 261 025	7 878 372
End of the year	\$ 949 061	\$ 2318857	\$ 3 267 918	\$ 10 566 984	\$ 13 834 902

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012

#### NOTE (1) SIGNIFICANT ACCOUNTING POLICIES

Goforth Special Utility District ("the District") was created by voter approval on March 21, 2005. Goforth Water Supply Corporation was converted to a special utility district on February 29, 2008 in accordance with Texas state law. The Board of Directors held its first meeting on March 19, 2008. The District was established to provide water service to the residents of the District.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the District are described below.

#### A. REPORTING ENTITY

The District is a Texas Special Utility District with a seven-member board of directors who are elected by individuals owning property within the boundaries of the district. The Directors are elected to serve four year terms, with three members elected at one election and the other four elected two years later.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is not a participant in any joint venture and has not identified any entities which would be component units of the District.

The District is a special-purpose government that is governed by a separately elected governing body. It is legally separate and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the District.

# **B. BASIS OF PRESENTATION**

The financial transactions of the District are recorded in individual funds and account groups. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

# a. <u>Governmental Funds</u>

General Fund - To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund - To account for the accumulation of financial resources for, and the payment of, general long-term debt principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund - To account for financial resources designated to construct or acquire capital facilities and improvements. Such resources are derived principally from proceeds of the sale of bonds.

# NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 (Continued)

## NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **B. BASIS OF PRESENTATION**

#### b. Fund Balances

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints place on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance amounts that are available for any purpose.

The District uses the following classifications for net position:

Net investment in Capital Assets - To indicate the value of capital invested in capital assets less accumulated depreciation, net of associated debt.

Restricted - To indicate the funds restricted within the General Fund for the purposes of contingencies or emergencies. The Board must approve any changes in the restriction of this fund balance.

Unrestricted - To indicate net assets that are available for use in future periods.

# C. BASIS OF ACCOUNTING

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they become available and measurable. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the period in which the fund liability is incurred, if measurable.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 (Continued)

### NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. BASIS OF ACCOUNTING (Continued)

The District has adopted GASB 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." In compliance with GASB 34, the District has presented a Statement of Net Position and Statement of Activities for the year ended December 31, 2012. These statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded in the period they are earned, and expenses are recorded in the period they are incurred. The "Adjustments" column on these statements represents the infrastructure of the District and related debt. Depreciation is retroactively recorded for all infrastructure assets. All fund balances are adjusted to reflect net position.

### D. CASH AND CASH EQUIVALENTS

The District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### E. INVENTORIES

Inventories are recorded at average cost and consist primarily of maintenance supplies.

### F. FIXED ASSETS

The cost of fixed assets includes all costs associated with the creation of the District, and the construction of facilities including infrastructure (immovable) assets which are of value only to the District.

The District capitalized the cost of meters and boxes and residential lines as part of the water system in General Fixed Assets. The full cost of facilities owned by the District is capitalized; funds provided by others are shown as contributions on the Balance Sheet. Depreciation of fixed assets is not recorded in the accounts of governmental funds, but is recorded as an Adjustment on the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance. The District capitalized all land and land improvements, buildings and facilities and improvements over \$7,500, and equipment and other assets over \$1,500. Assets are depreciated using lives established by the Texas Commission on Environmental Quality. Land is not a depreciable asset.

### G. BUDGET

The District adopts a budget each fiscal year for the general fund on substantially the same basis used to reflect actual revenues and expenditures. The budget was formally adopted by the board members at a duly advertised public meeting. Approval by the Board of Directors is required for revisions that alter the total expenditures. Reported budgeted amounts are as adopted and approved by the Board of Directors. Budgeted amounts lapse annually.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 (Continued)

### NOTE (1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Fund Balance at December 31, 2012

### H. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although those estimates are based on our knowledge of current events or actions that may happen in the future, actual results could differ from those estimates.

### I. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net position and governmental funds balance sheet are different because:

\$ 3 267 918

Capital assets used in governmental activities are not financial and are not reported in the funds	10 566 984
Adjustment to fund balance to arrive at net position	10 566 984
Net position at December 31, 2012	\$13 834 902
Amounts reported for governmental activities in the statement of activities are different b	ecause:
Change in fund balance	\$ 650 571
Government funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of those assets is allocated over their estimated useful lives and depreciated.	177 217
Depreciation expense is not included in the funds	( 656 104)
Contributed land and infrastructure is not reported in the funds	5 784 846
Change in net position of governmental activities	\$ 5 956 530

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 (Continued)

### NOTE (2) WATER AND SEWER SERVICE RATES

Effective November 1, 2008, the District adopted the following rates:

### Water Service

Residential and Apartment Monthly Charges per connection:

First 5,000 gallons of water used (minimum bill)	\$ 22.00
Each 1,000 gallons of water used up to 5,000 gallons	2.00
Each 1,000 gallons of water used over 5,000 gallons, up to 10,000	2.35
Each 1,000 gallons of water used over 10,000 gallons, up to 20,000	3.50
Each 1,000 gallons of water used over 20,000 gallons, up to 30,000	4.25
Each 1,000 gallons of water used over 30,000 gallons, up to 40,000	5.00
Each 1,000 gallons of water used thereafter	6.00

### Impact Fee

Cost of initiating water service to new customers (non-refundable)

\$ 2425

### Tap Fees and Sewer Inspection

Residential Tap Fee:

5/8 inch X 3/4 inch tap	\$ 325.00
<sup>3</sup> / <sub>4</sub> inch tap	\$ 487.50
1 inch tap	\$ 812.50
1 inch or larger	Actual Cost

### NOTE (3) WATER AND SEWER SERVICE CUSTOMERS

The following is the number of water and sewer connections serviced by the District:

December 31, 2012 4,886 December 31, 2011 4,566 December 31, 2010 4,233

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 (Continued)

### NOTE (4) RETIREMENT PLAN

The District participated in a defined contribution plan administered by Capital Guardian Trust. The plan complies with IRS regulations and can be amended by the Board pursuant to applicable IRS guidelines.

The District is required to contribute 5% of annual covered payroll. For the year ended December 31, 2012, actual contributions by the District were \$27,804.

Participants are fully vested at the date participation begins.

### NOTE (5) CHANGES IN FIXED ASSETS

	Beginning of		Depreciation				
	Year	Additions	Disposal	Expense	End of Year		
Land	\$ 390 489	\$ 200 000	\$ -	\$ -	\$ 590 489		
Physical plant	8 972 128	5 708 460	-	-	14 680 588		
Buildings	412 506	-	-	-	412 506		
Furniture, fixtures and equipment	442 569	53 603	( 46 060)	-	450 112		
Less: Accumulated depreciation	(4 956 667)		46 060	( 656 104)	(5 566 711)		
	4 870 536	5 762 063		( 656 104)	9 976 495		
Totals	\$ 5 261 025	\$ 5 962 063	\$ -	\$ (656 104)	\$ 10 566 984		

### NOTE (6) DEPOSITS AND INVESTMENTS

### Custodial Credit Risk – Deposits

The contracted depository bank used by the General Fund was First Lockhart National Bank for operations. The largest cash, savings, and time deposit combined account balance was \$1,276,225 and occurred on November 15, 2012. Of these funds, \$250,000 was secured by FDIC coverage. The remaining \$1,026,225 was not secured.

### **Investment Policies**

Local governments are subject to the Public Funds Investment Act as amended during the 1995 legislative session. The Act directs local governments to adopt a written investment policy that primarily emphasizes safety of principal and liquidity. Also addressed under the Act are the areas of investment diversification, yield, maturity, and quality of investment management. The District has substantially complied with the Act's provisions during its fiscal year ended December 31, 2012.

Deposits were with various contracted depository banks in checking accounts, money market accounts, and certificates of deposit during the year. The deposits were secured by FDIC coverage, and when necessary, additional securities were pledged. The funds were properly secured at all times.

Statutes authorize the District to invest in direct or indirect obligations of the United States, the State or any county, school district, or other political subdivision of the State. Funds of the District may be placed in certificates of deposit of State or National banks or savings associations within the State. The District held investments in the amount of \$511,714 at December 31, 2012, in certificate of deposit accounts in various separate financial institutions. In addition, the District was invested in the following held to maturity investments at year end:

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 (Continued)

### NOTE (6) DEPOSITS AND INVESTMENTS (Continued)

St. Louis Ind Dev Authority		Interest	Maturity	Face	Original	Amortized
University of Cincinnati Chicago Illinois Chicago Illinoi	-	Rate	Date	Value	Cost	Cost
University of Cincinnati Chicago Illinois Chicago Illinoi	St. Louis Ind Day Authority	6.750%	03/15/35	\$ 50,000	\$ 50.625	\$ 50.550
Chicago Illinois   Chicago Ill	•			·		
North Fort Bend Water Authority 6.018% 12/15/35 20 000 20 420 20 369 Armstrong School District 7.000% 03/15/41 30 000 31 537 31 436   Louisiana Environment 6.270% 11/01/40 50 000 49 350 49 326   Kentucky Asset 5.339% 04/01/22 25 000 25 125 25 103   Louisiana Environment 6.080% 12/15/25 50 000 51 550 51 328   Hilliard Ohio School Bond 5.550% 12/01/25 50 000 51 550 51 328   Hilliard Ohio School Bond 5.550% 12/01/25 25 000 25 375 25 321   Seacoast Florida Utility Authority 6.680% 03/01/39 25 000 25 605 25 561   Rhode Island Clean Water 5.000% 10/01/19 25 000 28 500 27 624   St. Louis County 3.000% 05/15/18 25 000 25 81 25 273   Massachusetts State 4.000% 08/01/16 15 000 16 238 15 741   Collierville TN Water and Sewer 4.000% 06/01/18 25 000 26 757 26 255   Michigan Municipal Bond Authority 5.000% 10/01/19 25 000 27 742 26 958   Salina Kansas Water and Sewage 3.000% 10/01/19 25 000 24 938 24 954   Macomb Interceptor Drain District 3.150% 05/01/17 50 000 51 319 50 879   Lockport Illinois 0.000% 11/01/13 50 000 47 726 50 000   New York Dorm Authority 5.000% 12/01/20 20 000 21 950 21 516   San Marcos Refunding Bond 3.000% 08/15/22 25 000 24 886 24 907   Austin Water and Waste Water System 3.125% 11/15/23 25 000 25 000 25 000   Guadalupe Blanco River Authority 3.250% 09/01/24 10 000 10 500 10 458   Battle Ground Washington Recovery 6.250% 12/01/25 20 000 25 000 25 000   Guadalupe Blanco River Authority 5.500% 05/01/24 25 000 30 768 30 287   Talawanda OH ISD 7.750% 05/01/24 25 000 30 768 30 287   Sugar Land Texas Sales Tax 4.250% 05/01/24 25 000 30 768 30 287   Sugar Land Texas Sales Tax 4.250% 05/01/24 25 000 30 768 30 287   Sugar Land Texas Sales Tax 4.250% 05/01/24 25 000 30 768 30 287   Sugar Land Texas Sales Tax 4.250% 05/01/24 25 000 30 768 30 287   Sugar Land Texas Sales Tax 4.250% 05/01/26 20 000 27 357 72 74 35   Sugar Land Texas Sales Tax 4.250% 05/01/26 20 000 27 357 72 74 35   Sugar Land Texas Sales Tax 4.250% 05/01/26 20 000 27 357 72 74 35   Sugar Land Texas Sales Tax 4.250% 05/01/26 20 000 27 357 72 74 35	•					
Armstrong School District	_					
Louisiana Environment						
Kentucky Asset         5.339%         04/01/22         25 000         25 125         25 103           Louisiana Environment         6.080%         12/15/25         50 000         51 550         51 328           Hilliard Ohio School Bond         5.550%         12/01/25         25 000         25 605         25 321           Seacoast Florida Utility Authority         6.680%         03/01/39         25 000         25 605         25 501           Rhode Island Clean Water         5.000%         10/01/19         25 000         25 381         25 273           Massachusetts State         4.000%         08/01/16         15 000         25 381         25 273           Massachusetts State         4.000%         08/01/18         25 000         25 381         25 273           Michigan Municipal Bond Authority         5.000%         10/01/18         25 000         26 757         26 255           Michigan Municipal Bond Authority         5.000%         10/01/18         25 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         27 742         26 958 <tr< td=""><td>_</td><td></td><td></td><td></td><td></td><td></td></tr<>	_					
Louisiana Environment   6.080%   12/15/25   50 000   51 550   51 328   Hilliard Ohio School Bond   5.550%   12/01/25   25 000   25 375   25 321   Seacoast Florida Utility Authority   6.680%   03/01/39   25 000   25 605   25 561   Rhode Island Clean Water   5.000%   10/01/19   25 000   28 500   27 624   St. Louis County   3.000%   05/15/18   25 000   25 381   25 273   Massachusetts State   4.000%   08/01/16   15 000   16 238   15 741   Collierville TN Water and Sewer   4.000%   06/01/18   25 000   26 757   26 255   Riliana Kansas Water and Sewage   3.000%   10/01/19   25 000   27 742   26 958   Salina Kansas Water and Sewage   3.000%   10/01/19   25 000   24 938   24 954   Macomb Interceptor Drain District   3.150%   05/01/17   50 000   24 938   24 954   Macomb Interceptor Drain District   3.150%   05/01/17   50 000   47 726   50 000   Rev York Dorm Authority   5.000%   12/01/20   20 000   21 950   21 516   San Marcos Refunding Bond   3.000%   08/15/22   25 000   24 886   24 907   Austin Water and Waste Water System   3.125%   11/15/23   25 000   25 000   25 000   25 000   Guadalupe Blanco River Authority   3.250%   09/01/24   10 000   10 500   10 458   Battle Ground Washington Recovery   6.250%   12/01/25   20 000   22 382   22 212   St. Louis County Mtg   5.650%   05/01/26   20 000   22 382   22 212   St. Louis County Mtg   5.650%   08/01/15   70 000   78 359   75 573   Sugar Land Texas Sales Tax   4.250%   09/01/13   25 000   27 537   27 435   Western Lake Superior MN   4.300%   10/01/18   15 000   16 089   15 544   Southern State Water Dev Board   4.500%   06/01/13   25 000   20 775   20 387   California State   4.1004   04/01/15   15 000   15 865   15 649   Aurora Co Cops   3.625%   06/01/14   20 000   20 775   20 387   California State   4.1004   04/01/15   15 000   15 865   15 649   Aurora Co Cops   3.625%   06/01/14   20 000   20 775   20 387   California State Water Dev Board   4.500%   01/15/17   15 000   15 647   15 151   15 151   15 151   15 151   15 151   15 151   15 151   15 151   15 151   15 151						
Hilliard Ohio School Bond   5.550%   12/01/25   25 000   25 375   25 321     Seacoast Florida Utility Authority   6.680%   03/01/39   25 000   25 605   25 561     Rhode Island Clean Water   5.000%   10/01/19   25 000   25 800   27 624     St. Louis County   3.000%   05/15/18   25 000   25 381   25 273     Massachusetts State   4.000%   08/01/16   15 000   16 238   15 741     Collierville TN Water and Sewer   4.000%   06/01/18   25 000   26 757   26 255     Michigan Municipal Bond Authority   5.000%   10/01/18   25 000   27 742   26 958     Macomb Interceptor Drain District   3.150%   05/01/17   50 000   24 938   24 954     Macomb Interceptor Drain District   3.150%   05/01/17   50 000   51 319   50 879     Lockport Illinois   0.000%   11/01/13   50 000   47 726   50 000     New York Dorm Authority   5.000%   12/01/20   20 000   21 950   21 516     San Marcos Refunding Bond   3.000%   08/15/22   25 000   25 000   25 000     Quadalupe Blanco River Authority   3.250%   09/01/24   10 000   10 500   10 458     Battle Ground Washington Recovery   6.250%   12/01/25   20 000   22 653   22 448     Redford MI ISD   7.750%   05/01/24   25 000   30 768   30 287     Talawanda OH ISD   5.750%   12/01/24   25 000   30 768   30 287     Talawanda OH ISD   5.750%   12/01/24   15 000   16 791   16 642     Michigan State Finance Authority   6.500%   05/01/26   20 000   22 382   22 212     St. Louis County Mtg   5.650%   08/01/15   70 000   78 359   75 573     Sugar Land Texas Sales Tax   4.250%   02/15/19   10 000   15 924   15 878     Grand River Dam Authority OK   5.000%   06/01/13   25 000   27 537   27 435     Western Lake Superior MN   4.300%   01/01/18   15 000   16 356   16 130     Texas State Water Dev Board   4.500%   07/15/20   15 000   15 864   15 576     Chicago Metro Water Reclamation IL   5.375%   12/01/13   10 000   10 650   10 000     Indianapolis IN Local Public   4.000%   01/15/17   15 000   15 15 47   15 15 15						
Seacoast Florida Utility Authority         6.680%         03/01/39         25 000         25 605         25 561           Rhode Island Clean Water         5.000%         10/01/19         25 000         28 500         27 624           St. Louis County         3.000%         05/15/18         25 000         28 510         27 624           St. Louis County         3.000%         05/15/18         25 000         25 381         25 273           Massachusetts State         4.000%         08/01/16         15 000         26 757         26 255           Michigan Municipal Bond Authority         5.000%         10/01/18         25 000         27 742         26 958           Salina Kansas Water and Sewage         3.000%         10/01/19         25 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         47 726         50 000           New York Dorm Authority         5.000%         11/01/13         50 000         47 726         50 000           New York Dorm Authority         5.000%         12/01/20         20 000         21 950         21 516						
Rhode Island Clean Water         5.000%         10/01/19         25 000         28 500         27 624           St. Louis County         3.000%         05/15/18         25 000         25 381         25 273           Massachusetts State         4.000%         08/01/16         15 000         16 238         15 741           Collierville TN Water and Sewer         4.000%         06/01/18         25 000         26 757         26 255           Michigan Municipal Bond Authority         5.000%         10/01/18         25 000         27 742         26 958           Salina Kansas Water and Sewage         3.000%         10/01/19         25 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         24 938         24 954           Macomb Interceptor Drain District         3.150         05/01/17         50 000         21 950						
St. Louis County         3.000%         05/15/18         25 000         25 381         25 273           Massachusetts State         4.000%         08/01/16         15 000         16 238         15 741           Colierville TN Water and Sewer         4.000%         06/01/18         25 000         26 757         26 255           Michigan Municipal Bond Authority         5.000%         10/01/19         25 000         24 938         24 954           Salina Kansas Water and Sewage         3.000%         10/01/19         25 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         21 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         47 726         50 000           New York Dorm Authority         5.000%         12/01/20         20 000         21 950         21 516           San Marcos Refunding Bond         3.000%         08/15/22         25 000         24 886         24 907           Austin Water and Waste Water System         3.125%         01/15/23         25 000         25 000         25 000           Guadalupe Blanco River Authority         3.250%         09/01/24         10 000         10 500         10 458 </td <td>•</td> <td></td> <td></td> <td></td> <td></td> <td></td>	•					
Massachusetts State         4.000%         08/01/16         15 000         16 238         15 741           Collierville TN Water and Sewer         4.000%         06/01/18         25 000         26 757         26 255           Michigan Municipal Bond Authority         5.000%         10/01/18         25 000         27 742         26 958           Salina Kansas Water and Sewage         3.000%         10/01/19         25 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         51 319         50 879           Lockport Illinois         0.000%         11/01/13         50 000         47 726         50 000           New York Dorm Authority         5.000%         12/01/20         20 000         21 950         21 516           San Marcos Refunding Bond         3.000%         08/15/22         25 000         24 886         24 907           Austin Water and Waste Water System         3.125%         11/15/23         25 000         25 000         25 000           Guadalupe Blanco River Authority         3.250%         09/01/24         10 000         10 500         10 458           Battle Ground Washington Recovery         6.250%         12/01/25         20 000         22 653         22 448						
Collierville TN Water and Sewer         4.000%         06/01/18         25 000         26 757         26 255           Michigan Municipal Bond Authority         5.000%         10/01/18         25 000         27 742         26 958           Salina Kansas Water and Sewage         3.000%         10/01/19         25 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         51 319         50 879           Lockport Illinois         0.000%         11/01/13         50 000         47 726         50 000           New York Dorm Authority         5.000%         12/01/20         20 000         21 950         21 516           San Marcos Refunding Bond         3.000%         08/15/22         25 000         24 886         24 907           Austin Water and Waste Water System         3.125%         11/15/23         25 000         25 000         25 000           Guadalupe Blanco River Authority         3.250%         09/01/24         10 000         10 500         10 458           Battle Ground Washington Recovery         6.250%         12/01/25         20 000         22 653         22 448           Redford MI ISD         7.750%         05/01/24         25 000         30 768         30 287	-					
Michigan Municipal Bond Authority         5.000%         10/01/18         25 000         27 742         26 958           Salina Kansas Water and Sewage         3.000%         10/01/19         25 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         51 319         50 879           Lockport Illinois         0.000%         11/01/13         50 000         47 726         50 000           New York Dorm Authority         5.000%         12/01/20         20 000         21 950         21 516           San Marcos Refunding Bond         3.000%         08/15/22         25 000         24 886         24 907           Austin Water and Waste Water System         3.125%         11/15/23         25 000         25 000         25 000           Guadalupe Blanco River Authority         3.250%         09/01/24         10 000         10 500         10 458           Battle Ground Washington Recovery         6.250%         12/01/25         20 000         22 653         22 448           Redford MI ISD         7.750%         05/01/24         25 000         30 768         30 287           Talawanda OH ISD         5.750%         12/01/24         15 000         16 791         16 642						
Salina Kansas Water and Sewage         3.000%         10/01/19         25 000         24 938         24 954           Macomb Interceptor Drain District         3.150%         05/01/17         50 000         51 319         50 879           Lockport Illinois         0.000%         11/01/13         50 000         47 726         50 000           New York Dorm Authority         5.000%         12/01/20         20 000         21 950         21 516           San Marcos Refunding Bond         3.000%         08/15/22         25 000         24 886         24 907           Austin Water and Waste Water System         3.125%         11/15/23         25 000         25 000         25 000           Guadalupe Blanco River Authority         3.250%         09/01/24         10 000         10 500         10 458           Battle Ground Washington Recovery         6.250%         12/01/25         20 000         22 653         22 448           Redford MI ISD         7.750%         05/01/24         25 000         30 768         30 287           Talawanda OH ISD         5.750%         12/01/24         15 000         16 791         16 642           Michigan State Finance Authority         6.500%         05/01/26         20 000         22 382         22 212      <						
Macomb Interceptor Drain District         3.150%         05/01/17         50 000         51 319         50 879           Lockport Illinois         0.000%         11/01/13         50 000         47 726         50 000           New York Dorm Authority         5.000%         12/01/20         20 000         21 950         21 516           San Marcos Refunding Bond         3.000%         08/15/22         25 000         24 886         24 907           Austin Water and Waste Water System         3.125%         11/15/23         25 000         25 000         25 000           Guadalupe Blanco River Authority         3.250%         09/01/24         10 000         10 500         10 458           Battle Ground Washington Recovery         6.250%         12/01/25         20 000         22 653         22 448           Redford MI ISD         7.750%         05/01/24         25 000         30 768         30 287           Talawanda OH ISD         5.750%         12/01/24         15 000         16 791         16 642           Michigan State Finance Authority         6.500%         05/01/26         20 000         22 382         22 212           St. Louis County Mtg         5.650%         08/01/15         70 000         78 359         75 573						
Lockport Illinois         0.000%         11/01/13         50 000         47 726         50 000           New York Dorm Authority         5.000%         12/01/20         20 000         21 950         21 516           San Marcos Refunding Bond         3.000%         08/15/22         25 000         24 886         24 907           Austin Water and Waste Water System         3.125%         11/15/23         25 000         25 000         25 000           Guadalupe Blanco River Authority         3.250%         09/01/24         10 000         10 500         10 458           Battle Ground Washington Recovery         6.250%         12/01/25         20 000         22 653         22 448           Redford MI ISD         7.750%         05/01/24         25 000         30 768         30 287           Talawanda OH ISD         5.750%         12/01/25         20 000         22 382         22 212           Michigan State Finance Authority         6.500%         05/01/26         20 000         22 382         22 212           St. Louis County Mtg         5.650%         08/01/15         70 000         78 359         75 573           Sugar Land Texas Sales Tax         4.250%         02/15/19         10 000         10 675         10 579           C	_					
New York Dorm Authority         5.000%         12/01/20         20 000         21 950         21 516           San Marcos Refunding Bond         3.000%         08/15/22         25 000         24 886         24 907           Austin Water and Waste Water System         3.125%         11/15/23         25 000         25 000         25 000           Guadalupe Blanco River Authority         3.250%         09/01/24         10 000         10 500         10 458           Battle Ground Washington Recovery         6.250%         12/01/25         20 000         22 653         22 448           Redford MI ISD         7.750%         05/01/24         25 000         30 768         30 287           Talawanda OH ISD         5.750%         12/01/24         15 000         16 791         16 642           Michigan State Finance Authority         6.500%         05/01/26         20 000         22 382         22 212           St. Louis County Mtg         5.650%         08/01/15         70 000         78 359         75 573           Sugar Land Texas Sales Tax         4.250%         02/15/19         10 000         10 675         10 579           Cuyahoga County OH Revenue         6.000%         01/01/32         15 000         15 675         10 579	_					
San Marcos Refunding Bond         3.000%         08/15/22         25 000         24 886         24 907           Austin Water and Waste Water System         3.125%         11/15/23         25 000         25 000         25 000           Guadalupe Blanco River Authority         3.250%         09/01/24         10 000         10 500         10 458           Battle Ground Washington Recovery         6.250%         12/01/25         20 000         22 653         22 448           Redford MI ISD         7.750%         05/01/24         25 000         30 768         30 287           Talawanda OH ISD         5.750%         12/01/24         15 000         16 791         16 642           Michigan State Finance Authority         6.500%         05/01/26         20 000         22 382         22 212           St. Louis County Mtg         5.650%         08/01/15         70 000         78 359         75 573           Sugar Land Texas Sales Tax         4.250%         02/15/19         10 000         10 675         10 579           Cuyahoga County OH Revenue         6.000%         01/01/32         15 000         15 924         15 878           Grand River Dam Authority OK         5.000%         06/01/13         25 000         27 537         27 435	_					
Austin Water and Waste Water System       3.125%       11/15/23       25 000       25 000       25 000         Guadalupe Blanco River Authority       3.250%       09/01/24       10 000       10 500       10 458         Battle Ground Washington Recovery       6.250%       12/01/25       20 000       22 653       22 448         Redford MI ISD       7.750%       05/01/24       25 000       30 768       30 287         Talawanda OH ISD       5.750%       12/01/24       15 000       16 791       16 642         Michigan State Finance Authority       6.500%       05/01/26       20 000       22 382       22 212         St. Louis County Mtg       5.650%       08/01/15       70 000       78 359       75 573         Sugar Land Texas Sales Tax       4.250%       02/15/19       10 000       10 675       10 579         Cuyahoga County OH Revenue       6.000%       01/01/32       15 000       15 924       15 878         Grand River Dam Authority OK       5.000%       06/01/13       25 000       26 125       25 000         NC State Med Care Comm Health       6.600%       12/01/36       25 000       27 537       27 435         Western Lake Superior MN       4.300%       10/01/18       15 000 <td< td=""><td>-</td><td></td><td></td><td></td><td></td><td></td></td<>	-					
Guadalupe Blanco River Authority         3.250%         09/01/24         10 000         10 500         10 458           Battle Ground Washington Recovery         6.250%         12/01/25         20 000         22 653         22 448           Redford MI ISD         7.750%         05/01/24         25 000         30 768         30 287           Talawanda OH ISD         5.750%         12/01/24         15 000         16 791         16 642           Michigan State Finance Authority         6.500%         05/01/26         20 000         22 382         22 212           St. Louis County Mtg         5.650%         08/01/15         70 000         78 359         75 573           Sugar Land Texas Sales Tax         4.250%         02/15/19         10 000         10 675         10 579           Cuyahoga County OH Revenue         6.000%         01/01/32         15 000         15 924         15 878           Grand River Dam Authority OK         5.000%         06/01/13         25 000         26 125         25 000           NC State Med Care Comm Health         6.600%         12/01/36         25 000         27 537         27 435           Western Lake Superior MN         4.300%         10/01/18         15 000         16 089         15 544						
Battle Ground Washington Recovery         6.250%         12/01/25         20 000         22 653         22 448           Redford MI ISD         7.750%         05/01/24         25 000         30 768         30 287           Talawanda OH ISD         5.750%         12/01/24         15 000         16 791         16 642           Michigan State Finance Authority         6.500%         05/01/26         20 000         22 382         22 212           St. Louis County Mtg         5.650%         08/01/15         70 000         78 359         75 573           Sugar Land Texas Sales Tax         4.250%         02/15/19         10 000         10 675         10 579           Cuyahoga County OH Revenue         6.000%         01/01/32         15 000         15 924         15 878           Grand River Dam Authority OK         5.000%         06/01/13         25 000         26 125         25 000           NC State Med Care Comm Health         6.600%         12/01/36         25 000         27 537         27 435           Western Lake Superior MN         4.300%         10/01/18         15 000         16 356         16 130           Texas State Water Dev Board         4.500%         07/15/20         15 000         15 865         15 649 <td< td=""><td>-</td><td></td><td></td><td></td><td></td><td></td></td<>	-					
Redford MI ISD         7.750%         05/01/24         25 000         30 768         30 287           Talawanda OH ISD         5.750%         12/01/24         15 000         16 791         16 642           Michigan State Finance Authority         6.500%         05/01/26         20 000         22 382         22 212           St. Louis County Mtg         5.650%         08/01/15         70 000         78 359         75 573           Sugar Land Texas Sales Tax         4.250%         02/15/19         10 000         10 675         10 579           Cuyahoga County OH Revenue         6.000%         01/01/32         15 000         15 924         15 878           Grand River Dam Authority OK         5.000%         06/01/13         25 000         26 125         25 000           NC State Med Care Comm Health         6.600%         12/01/36         25 000         27 537         27 435           Western Lake Superior MN         4.300%         10/01/18         15 000         16 356         16 130           Texas State Water Dev Board         4.500%         07/15/20         15 000         16 089         15 544           Southern State Univ MO         3.550%         10/01/16         15 000         15 865         15 649           Aurora Co	-					
Talawanda OH ISD         5.750%         12/01/24         15 000         16 791         16 642           Michigan State Finance Authority         6.500%         05/01/26         20 000         22 382         22 212           St. Louis County Mtg         5.650%         08/01/15         70 000         78 359         75 573           Sugar Land Texas Sales Tax         4.250%         02/15/19         10 000         10 675         10 579           Cuyahoga County OH Revenue         6.000%         01/01/32         15 000         15 924         15 878           Grand River Dam Authority OK         5.000%         06/01/13         25 000         26 125         25 000           NC State Med Care Comm Health         6.600%         12/01/36         25 000         27 537         27 435           Western Lake Superior MN         4.300%         10/01/18         15 000         16 356         16 130           Texas State Water Dev Board         4.500%         07/15/20         15 000         16 089         15 544           Southern State Univ MO         3.550%         10/01/16         15 000         15 865         15 649           Aurora Co Cops         3.625%         06/01/14         20 000         20 775         20 387           California						
Michigan State Finance Authority6.500%05/01/2620 00022 38222 212St. Louis County Mtg5.650%08/01/1570 00078 35975 573Sugar Land Texas Sales Tax4.250%02/15/1910 00010 67510 579Cuyahoga County OH Revenue6.000%01/01/3215 00015 92415 878Grand River Dam Authority OK5.000%06/01/1325 00026 12525 000NC State Med Care Comm Health6.600%12/01/3625 00027 53727 435Western Lake Superior MN4.300%10/01/1815 00016 35616 130Texas State Water Dev Board4.500%07/15/2015 00016 08915 544Southern State Univ MO3.550%10/01/1615 00015 86515 649Aurora Co Cops3.625%06/01/1420 00020 77520 387California State4.100%04/01/1515 00015 86415 576Chicago Metro Water Reclamation IL5.375%12/01/1310 00010 65010 000Indianapolis IN Local Public4.000%01/15/1715 00015 64715 518						
St. Louis County Mtg       5.650%       08/01/15       70 000       78 359       75 573         Sugar Land Texas Sales Tax       4.250%       02/15/19       10 000       10 675       10 579         Cuyahoga County OH Revenue       6.000%       01/01/32       15 000       15 924       15 878         Grand River Dam Authority OK       5.000%       06/01/13       25 000       26 125       25 000         NC State Med Care Comm Health       6.600%       12/01/36       25 000       27 537       27 435         Western Lake Superior MN       4.300%       10/01/18       15 000       16 356       16 130         Texas State Water Dev Board       4.500%       07/15/20       15 000       16 089       15 544         Southern State Univ MO       3.550%       10/01/16       15 000       15 865       15 649         Aurora Co Cops       3.625%       06/01/14       20 000       20 775       20 387         California State       4.100%       04/01/15       15 000       15 864       15 576         Chicago Metro Water Reclamation IL       5.375%       12/01/13       10 000       10 650       10 000         Indianapolis IN Local Public       4.000%       01/15/17       15 000       15 647 <t< td=""><td></td><td></td><td></td><td></td><td></td><td></td></t<>						
Sugar Land Texas Sales Tax       4.250%       02/15/19       10 000       10 675       10 579         Cuyahoga County OH Revenue       6.000%       01/01/32       15 000       15 924       15 878         Grand River Dam Authority OK       5.000%       06/01/13       25 000       26 125       25 000         NC State Med Care Comm Health       6.600%       12/01/36       25 000       27 537       27 435         Western Lake Superior MN       4.300%       10/01/18       15 000       16 356       16 130         Texas State Water Dev Board       4.500%       07/15/20       15 000       16 089       15 544         Southern State Univ MO       3.550%       10/01/16       15 000       15 865       15 649         Aurora Co Cops       3.625%       06/01/14       20 000       20 775       20 387         California State       4.100%       04/01/15       15 000       15 864       15 576         Chicago Metro Water Reclamation IL       5.375%       12/01/13       10 000       10 650       10 000         Indianapolis IN Local Public       4.000%       01/15/17       15 000       15 647       15 518						
Cuyahoga County OH Revenue       6.000%       01/01/32       15 000       15 924       15 878         Grand River Dam Authority OK       5.000%       06/01/13       25 000       26 125       25 000         NC State Med Care Comm Health       6.600%       12/01/36       25 000       27 537       27 435         Western Lake Superior MN       4.300%       10/01/18       15 000       16 356       16 130         Texas State Water Dev Board       4.500%       07/15/20       15 000       16 089       15 544         Southern State Univ MO       3.550%       10/01/16       15 000       15 865       15 649         Aurora Co Cops       3.625%       06/01/14       20 000       20 775       20 387         California State       4.100%       04/01/15       15 000       15 864       15 576         Chicago Metro Water Reclamation IL       5.375%       12/01/13       10 000       10 650       10 000         Indianapolis IN Local Public       4.000%       01/15/17       15 000       15 647       15 518						
Grand River Dam Authority OK         5.000%         06/01/13         25 000         26 125         25 000           NC State Med Care Comm Health         6.600%         12/01/36         25 000         27 537         27 435           Western Lake Superior MN         4.300%         10/01/18         15 000         16 356         16 130           Texas State Water Dev Board         4.500%         07/15/20         15 000         16 089         15 544           Southern State Univ MO         3.550%         10/01/16         15 000         15 865         15 649           Aurora Co Cops         3.625%         06/01/14         20 000         20 775         20 387           California State         4.100%         04/01/15         15 000         15 864         15 576           Chicago Metro Water Reclamation IL         5.375%         12/01/13         10 000         10 650         10 000           Indianapolis IN Local Public         4.000%         01/15/17         15 000         15 214         15 171           Maine State Water and Sewer         4.250%         11/01/17         15 000         15 647         15 518	_					
NC State Med Care Comm Health       6.600%       12/01/36       25 000       27 537       27 435         Western Lake Superior MN       4.300%       10/01/18       15 000       16 356       16 130         Texas State Water Dev Board       4.500%       07/15/20       15 000       16 089       15 544         Southern State Univ MO       3.550%       10/01/16       15 000       15 865       15 649         Aurora Co Cops       3.625%       06/01/14       20 000       20 775       20 387         California State       4.100%       04/01/15       15 000       15 864       15 576         Chicago Metro Water Reclamation IL       5.375%       12/01/13       10 000       10 650       10 000         Indianapolis IN Local Public       4.000%       01/15/17       15 000       15 214       15 171         Maine State Water and Sewer       4.250%       11/01/17       15 000       15 647       15 518						
Western Lake Superior MN       4.300%       10/01/18       15 000       16 356       16 130         Texas State Water Dev Board       4.500%       07/15/20       15 000       16 089       15 544         Southern State Univ MO       3.550%       10/01/16       15 000       15 865       15 649         Aurora Co Cops       3.625%       06/01/14       20 000       20 775       20 387         California State       4.100%       04/01/15       15 000       15 864       15 576         Chicago Metro Water Reclamation IL       5.375%       12/01/13       10 000       10 650       10 000         Indianapolis IN Local Public       4.000%       01/15/17       15 000       15 214       15 171         Maine State Water and Sewer       4.250%       11/01/17       15 000       15 647       15 518						
Texas State Water Dev Board       4.500%       07/15/20       15 000       16 089       15 544         Southern State Univ MO       3.550%       10/01/16       15 000       15 865       15 649         Aurora Co Cops       3.625%       06/01/14       20 000       20 775       20 387         California State       4.100%       04/01/15       15 000       15 864       15 576         Chicago Metro Water Reclamation IL       5.375%       12/01/13       10 000       10 650       10 000         Indianapolis IN Local Public       4.000%       01/15/17       15 000       15 214       15 171         Maine State Water and Sewer       4.250%       11/01/17       15 000       15 647       15 518						
Southern State Univ MO       3.550%       10/01/16       15 000       15 865       15 649         Aurora Co Cops       3.625%       06/01/14       20 000       20 775       20 387         California State       4.100%       04/01/15       15 000       15 864       15 576         Chicago Metro Water Reclamation IL       5.375%       12/01/13       10 000       10 650       10 000         Indianapolis IN Local Public       4.000%       01/15/17       15 000       15 214       15 171         Maine State Water and Sewer       4.250%       11/01/17       15 000       15 647       15 518	<del>-</del>					
Aurora Co Cops       3.625%       06/01/14       20 000       20 775       20 387         California State       4.100%       04/01/15       15 000       15 864       15 576         Chicago Metro Water Reclamation IL       5.375%       12/01/13       10 000       10 650       10 000         Indianapolis IN Local Public       4.000%       01/15/17       15 000       15 214       15 171         Maine State Water and Sewer       4.250%       11/01/17       15 000       15 647       15 518						
California State       4.100%       04/01/15       15 000       15 864       15 576         Chicago Metro Water Reclamation IL       5.375%       12/01/13       10 000       10 650       10 000         Indianapolis IN Local Public       4.000%       01/15/17       15 000       15 214       15 171         Maine State Water and Sewer       4.250%       11/01/17       15 000       15 647       15 518						
Chicago Metro Water Reclamation IL       5.375%       12/01/13       10 000       10 650       10 000         Indianapolis IN Local Public       4.000%       01/15/17       15 000       15 214       15 171         Maine State Water and Sewer       4.250%       11/01/17       15 000       15 647       15 518	1					
Indianapolis IN Local Public       4.000%       01/15/17       15 000       15 214       15 171         Maine State Water and Sewer       4.250%       11/01/17       15 000       15 647       15 518						
Maine State Water and Sewer 4.250% 11/01/17 15 000 15 647 15 518						
	1					
Franklin County OH Convention Facs 6.540% 12/01/36 40 000 48 200 47 858	Franklin County OH Convention Facs	6.540%	12/01/36	40 000	48 200	47 858
\$1 055 000 \$1 112 761 \$1 102 647		2.2 .3,0	, 01, 00			

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 (Continued)

### NOTE (7) SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 15, 2013, (the date the financial statements were available to be issued) and concluded that no additional subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

### REQUIRED SUPPLEMENTARY INFORMATION

# STATEMENT OF ACTIVITIES – BUDGETARY COMPARISON FOR THE YEAR ENDED DECEMBER 31, 2012

FOR THE TEAR ENDED DECE	VIDER 31, 2012		<b>3</b> 7 '
			Variance
	Original and		Positive
	Final Budget*	Actual	(Negative)
Revenues:			
Charges for water service	\$ 2 426 200	\$ 2 599 495	\$ 173 295
Charges for waste water	301 000	406 147	105 147
Tap connection fees	51 000	41 040	( 9 960)
Investment earnings	45 000	47 877	2 877
Capital recovery improvements	291 000	649 999	358 999
Gain on sale of assets	-	4 500	4 500
Miscellaneous income	40 000	48 605	8 605
Total revenues	3 154 200	3 797 663	643 463
Expenditures/expenses:			
Service operations:			
Purchased water service and fees	787 000	945 019	( 158 019)
Regional aquifer fees	76 000	60 203	15 797
Salaries, benefits and payroll taxes	682 100	763 326	(81 226)
Contracted services	45 000	56 350	(11 350)
Professional fees	193 000	152 320	40 680
Director fees	8 400	8 400	_
Repairs and maintenance	375 000	502 424	( 127 424)
Utilities	115 000	109 843	5 157
Auto and truck expense	80 000	109 290	( 29 290)
Other	269 500	262 700	6 800
Depreciation	390 000	656 104	( 266 104)
Total expenditures/expenses	3 021 000	3 625 979	( 604 979)
Excess (deficiency) of revenues over expenditures	133 200	171 684	38 484
Other financing sources/uses:			
Transfersinternal activities		5 784 846	5 784 846
Excess (deficiency) of revenues and transfers in			
over expenditures and transfers out	133 200	5 956 530	5 823 330
Net Position:			
Beginning of the year	7 878 372	7 878 372	
End of the year	\$ 8 011 572	\$13 834 902	\$ 5 823 330

<sup>\*</sup> Budget was not amended during the year. Therefore, the original budget is the same as the final budget.

### TEXAS SUPPLEMENTARY INFORMATION

### TSI-1. SERVICES AND RATES FOR THE YEAR ENDED DECEMBER 31, 2012

### 1. Services Provided by the District:

Retail Water, Parks/Recreation, Irrigation, Roads

### 2. Retail Service Providers

a. Retail Rates for a 5/8" meter or equivalent:

Most prevalent type of meter (if not a 5/8"): 3/4" meter

	Minimum <u>Charge</u>	Minimum <u>Usage</u>	Flat Rate <u>Y/N</u>	Rate per 1,000 Gallons Over <u>Minimum</u>	Usage <u>Levels</u>
Water	\$22.00	0	N	\$2.00	0 - 5,000
				2.35	5,000 - 10,000
				3.50	10,000 - 20,000
				4.25	20,000 - 30,000
				5.00	30,000 - 40,000
				6.00	40,000 and over

Total charges per 10,000 gallons usage: Water \$43.75

### b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	-	_	x 1.0	-
< or = 3/4"	4 835	4 835	x 1.0	4 835
1"	23	23	x 2.5	58
1 1/2"	17	17	x 5.0	85
2"	7	7	x 8.0	56
3"	1	1	x 15.0	15
4"	3	3	x 25.0	75
6"	-	-	x 50.0	-
8"	-	-	x 80.0	-
10"			x 115.0	
Total Water	4 886	4 886		5 124

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system: 480,654 Water Accountability Ratio: .88 Gallons billed to customers: 423,091

### TEXAS SUPPLEMENTARY INFORMATION

### TSI-1. SERVICES AND RATES FOR THE YEAR ENDED DECEMBER 31, 2012 (Continued)

4.	Location of District:				
	Counties in which district is located		Caldwell, Hays,	and Trav	vis
	Is the District located entirely within one county?	?		Yes	No X
	Is the District located within a city?	Entirely	Partly X	Not at	All –
	Cities in which the District is located:	Kyle, Buda, Nie	derwald		
	Is the District located within a city's extra territorial jurisdiction (ETJ)?	Entirely	Partly X	Not at .	All –
	ETJs in which the District is located:		Kyle, Buda, Nie	ederwald	
	Are Board members appointed by an office outside the District?			Yes	No X

### TEXAS SUPPLEMENTARY INFORMATION

### TSI-2. GENERAL FUND EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2012

Personnel Expenditures (including benefits)*	\$ 763 326
Professional Fees	
Auditing	9 671
Legal	36 154
Engineering	106 495
Other professional fees	-
Purchased Services for Resale	
Bulk water and sewer service purchases	1 005 222
Tap connection expenses	-
Contracted Services	
Bookkeeping	56 350
Utilities	109 843
Repairs and Maintenanace	502 424
Administrative Expenditures	
Directors' fees	8 400
Office supplies	55 374
Insurance	91 060
Other administrative expenditures	225 556
Capital Outlay	
Capitalized assets	177 217
Tap Connection Expenditures	 
Total Expenditures	\$ 3 147 092
*Number of persons employed by the District:	
Full-time	 12
Part-time	 

### TEXAS SUPPLEMENTARY INFORMATION

### TSI-3. TEMPORARY INVESTMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

						ecrued terest		
	Interest	Maturity	I	Balances	Rec	eivable		
Funds	Rate	Date	Er	End of Year		End of Year		d of Year
Edward Jones Money Market Savings	varies	-	\$	704 496	\$	-		
Certificates of Deposit and Bonds:								
First National Bank	2.150%	02/26/14		94 000		33		
Ally Bank Midvale	2.150%	06/08/16		50 000		71		
GE Money Bank	2.450%	06/11/15		50 567		70		
US Treasury Note	1.125%	01/15/21		73 147		367		
Thomasville North Carolina	3.250%	01/30/14		97 000		35		
Goldman Sachs Bank USA	1.000%	07/11/14		50 000		383		
DMB Community Deforest	3.250%	02/27/14		97 000		43		
Total Capital Projects Fund				1 216 210		1 002		
Total - All Funds			\$	1 216 210	\$	1 002		

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### TEXAS SUPPLEMENTARY INFORMATION

# TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES, GENERAL FUND FIVE YEARS ENDED DECEMBER 31, 2012

		Amounts					
	2012	2011	2010	2009	2008		
General Fund Revenues							
Water service	\$2 599 495	\$2 549 411	\$2 182 258	\$2 285 748	\$1 920 037		
Wastewater charges	406 147	276 198	267 470	257 260	233 095		
Reconnection and tap fees	41 040	39 450	67 680	108 580	100 600		
Capital recovery improvements	649 999	178 242	39 470	547 894	1 042 803		
Gain on sale of assets	4 500	-	-	-			
Meter deposits	-	-	-		29 000		
Miscellaneous income	48 605	14 305	19 379	31 203	42 516		
Total General Fund Revenues	3 749 786	3 057 606	2 576 257	3 230 685	3 368 051		
General Fund Expenditures							
Professional fees	152 320	68 414	235 968	176 340	150 280		
Purchased and contracted services	1 061 572	915 720	832 458	900 763	817 401		
Recurring operating expenditures	1 143 716	1 084 174	1 010 327	906 264	894 629		
Repairs and maintenance	502 424	423 323	269 245	234 954	289 268		
Utilities	109 843	118 167	103 758	99 971	114 520		
Capital outlay	177 217	26 157	10 867	187 993	1 165 061		
<b>Total General Fund Expenditures</b>	3 147 092	2 635 955	2 462 623	2 506 285	3 431 159		
Excess Revenues (Expenditures)	\$ 602 694	\$ 421 651	\$ 113 634	\$ 724 400	\$ (63 108)		
Total Active Retail Water Connections	4 886	4 566	4 362	4 220	4 023		

D (	CT 1	TD 4 1	T)
Percent	of Find	Total	Revenues

	1 creent of 1 tind 1 otal Revenues								
2012		2011		2010		2009		2008	
				a					
69.4	%	83.4	%	84.7		70.6	%	56.9	%
10.8		9.0		10.5		8.0		6.9	
1.1		1.3		2.6		3.4		3.0	
17.3		5.8		1.5		17.0		31.0	
0.1		0.0		0.0		0.0		0.0	
0.0		0.0		0.0		0.0		0.9	
1.3		0.5		0.7		1.0		1.3	
100.0		100.0		100.0		100.0		100.0	
4.1		2.2		9.2		5.5		4.5	
28.3		29.9		32.3		27.9		24.3	
30.5		35.5		39.2		28.1		26.6	
13.4		13.8		10.5		7.3		8.6	
2.9		3.9		4.0		3.1		3.4	
4.7		0.9		0.4		5.8		34.6	
83.9		86.2		95.6		77.7		102.0	
16.1	%	13.8	%	4.4	%	22.3	%	(2.0)	%

### TEXAS SUPPLEMENTARY INFORMATION

## TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS DECEMBER 31, 2012

Complete District Mailing Address: Goforth Special Utility District

8900 Niederwald Strasse Kyle, Texas 78640-3921

District Business Telephone Number: (512) 376-5695

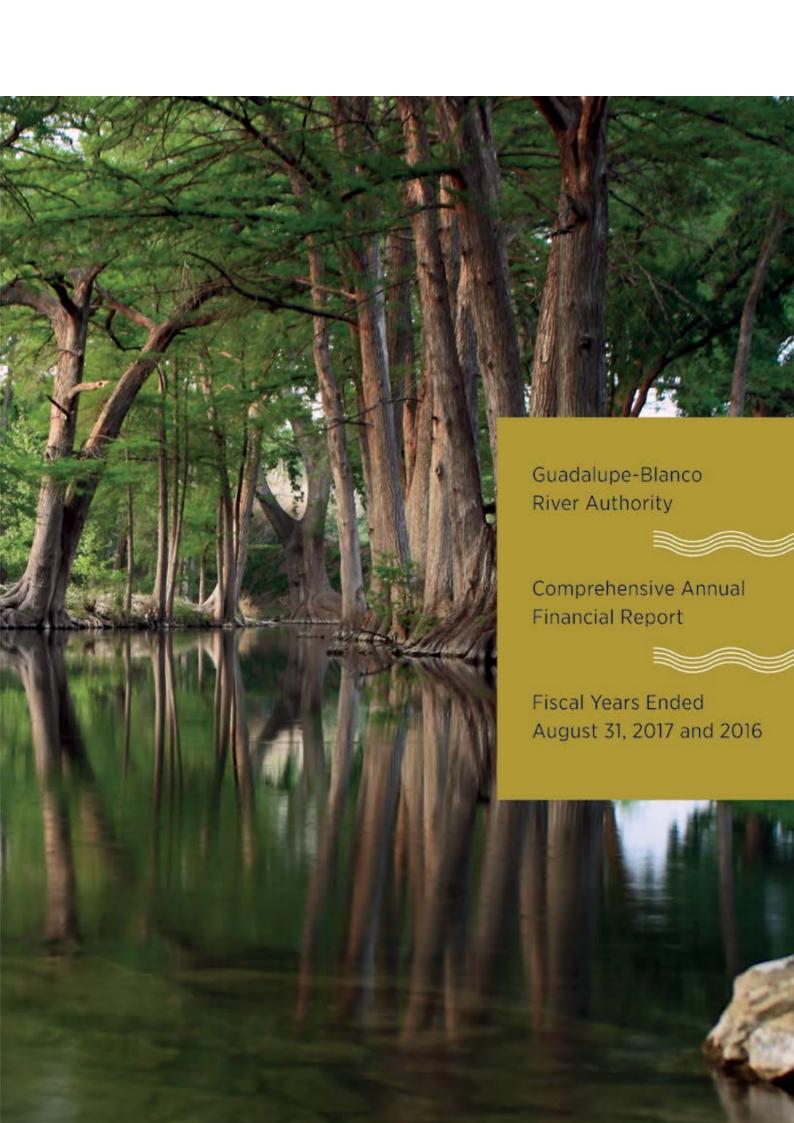
Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200

	Term of office	Fees of Office		Expense Reimburse-	
	(Elected or		Paid*	ments	Title at
Names	Appointed)		12/31/12	FYE 12/31/12	
Tunes		112	12/31/12	1 1 1 12 31 12	
Board Members:					
Debbie Sandoval	(Elected) 12/10 -12/14	\$	1 200	\$	- President
Ronald Bell	(Elected) 12/10 -12/14	\$	1 200	\$	- Vice President
Jack Hodges	(Elected) 12/10 -12/14	\$	1 200	\$	- Board Member
Lesley Simpson	(Elected) 12/09 -12/12 12/12 -12/16	\$	1 200	\$	- Secretary Treasurer
Richard Munguia	(Elected) 12/11 -12/14	\$	1 200	\$	- Board Member
Megan Pivec	(Elected) 07/11 -12/12 12/12 -12/16	\$	1 200	\$	- Board Member
Travis McDonald	(Elected) 07/11 -12/14	\$	1 200	\$	- Board Member

### TEXAS SUPPLEMENTARY INFORMATION

# TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS DECEMBER 31, 2012 (Continued)

			Fees	Expense Reimburse-			
Names	Date Hired	FY	Paid E 12/31/12	FY	ments E 12/31/12	Title at Year End	
Consultants:							
Cline and Company, P.C.	1987	\$	55 107	\$	1 243	Bookkeeper	
Jackson Walker, LLP	12/1/1998	\$	35 723	\$	431	Attorney	
Breedlove & Co., P.C.	12/2/2008	\$	9 671	\$	-	Auditor	





## GUADALUPE-BLANCO RIVER AUTHORITY TEXAS

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

### FISCAL YEARS ENDED AUGUST 31, 2017 AND 2016

Financial information compiled by the GBRA Accounting Department.



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### **GUADALUPE-BLANCO RIVER AUTHORITY**

### ESTABLISHED BY THE TEXAS LEGISLATURE

GBRA was created in 1933 as the Guadalupe River Authority under Section 59, Article 16 of the Constitution of Texas as a water conservation and reclamation district and a public corporation. It was reauthorized in 1935 as the Guadalupe-Blanco River Authority by an act of the Texas Legislature (VCS Art. 8280-106).

### SOUND MANAGEMENT AND ADMINISTRATION

GBRA is governed by a board of nine directors who are appointed by the Governor and confirmed by the Texas Senate. Directors serve six-year terms, with three directors appointed or reappointed every two years. The Board meets monthly to review policies, programs and actions for consideration. Management and administrative duties are carried out by the general manager and staff in accordance with policies established by the board.

### PLANNING FOR THE BASIN AND TEXAS

GBRA's primary responsibilities are to develop, conserve and protect the water resources within its 10-county statutory district, which begins near the headwaters of the Guadalupe and Blanco Rivers, ends at San Antonio Bay, and includes Kendall, Comal, Hays, Caldwell, Guadalupe, Gonzales, DeWitt, Victoria, Calhoun and Refugio counties. Planning and resource development efforts for the Guadalupe River basin are carefully coordinated within the broader consideration of regional and statewide water needs.

### **SELF-SUPPORTING OPERATIONS**

GBRA cannot levy or collect taxes, assessments, or pledge the general credit of the State of Texas. Funding for special projects comes from state and federal grants. All other revenues for maintenance and operation as well as capital requirements are obtained from the products and services GBRA provides to customers throughout the basin.

### **VISION**

The Guadalupe-Blanco River Authority leads as a regional partner managing watershed resources to protect and support the needs of a growing population, economy and healthy environment.

### **MISSION**

The mission of GBRA is to support responsible watershed protection and stewardship, provide quality operational service, and a commitment to promote conservation and educational opportunities in order to enhance quality of life for those we serve.

### **VALUES**

### **SERVICE**

- GBRA will maintain high-quality services for our customers
- GBRA will remain steadfast to preserving the natural environment
- GBRA will retain and recruit qualified, professional employees

### **STEWARDSHIP**

- GBRA is dedicated to the continued vitality of our communities
- GBRA will uphold responsible management of watershed resources
- GBRA will foster a supportive and respectful workforce

### **COMMITMENT**

- GBRA will partner with customers and communities to ensure future water and wastewater needs are met
- GBRA will implement a basin-wide water management plan to protect water supplies and quality
- GBRA will invest in our capital and human assets to improve our services and infrastructure to increase the value to our customers

### GBRA BOARD OF DIRECTORS

GBRA is governed by nine directors, appointed by the Governor of the State of Texas and confirmed by the Senate. The 10 counties in GBRA's statutory district are represented on a rotating basis. Each director serves a sixyear term with three directors appointed or re-appointed every two years.

Rusty Brockman, Chair Comal County

Dennis L. Patillo, Vice-Chair Victoria County

**Don B. Meador, Secretary/Treasurer** Hays County

**Ronald J. Hermes, Director** Guadalupe County

Oscar H. Fogle, Director Caldwell County

**Kenneth Motl, Director** Calhoun County

**William R. Carbonara, Director** DeWitt County

**Tommy Mathews, Director** Kendall County

### **GBRA MANAGEMENT**

**Kevin Patteson**General Manager / CEO

**Darrell Nichols**Sr. Deputy General Manager

Jonathan Stinson Deputy General Manager

**Alvin Schuerg** Senior Advisor to the General Manager

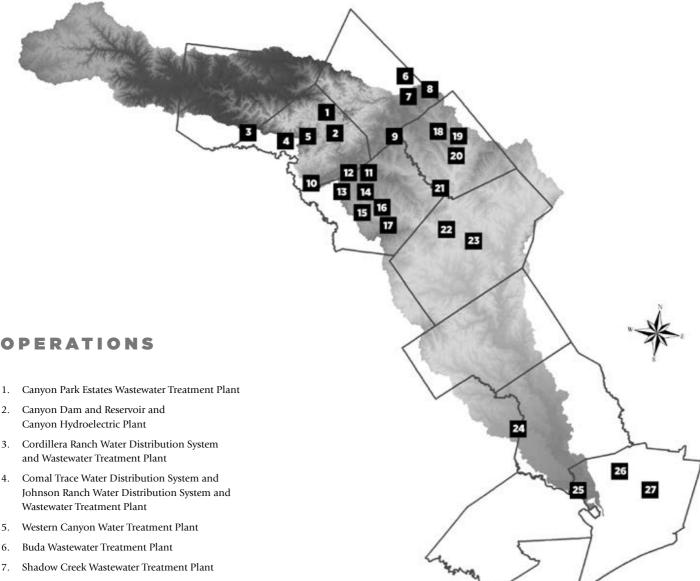
**Darel Ball**Executive Manager Operations and Water Quality

**Cindy Demers**Executive Manager of Finance and
Administration / Chief Financial Officer

LaMarriol Smith
Executive Manager of
Strategic Communications and Education

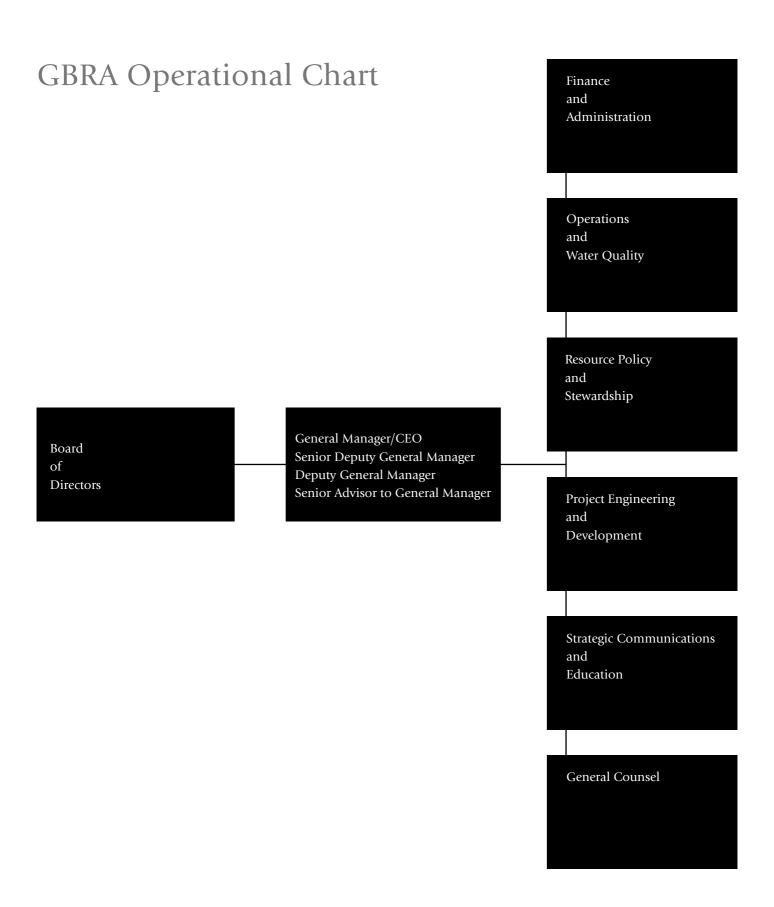
George "Tom" Bohl General Counsel

**Thomas Hill**Executive Manager of Project Engineering and Development, Chief Engineer



- 8. Sunfield Wastewater Treatment Plant
- 9. San Marcos Water Treatment Plant and IH-35 Treated Water Delivery System
- 10. Northcliffe Wastewater Treatment Plant
- Guadalupe Power Partners Raw Water Delivery System
- 12. Dunlap Wastewater Treatment Plant
- 13. Lake Dunlap (TP-1) Hydroelectric Plant and Regional Raw Water Delivery System
- 14. Lake McQueeney (TP-3) Hydroelectric Plant
- 15. Lake Placid (TP-4) Hydroelectric Plant
- 16. GBRA Main Office and Laboratory

- 17. Lake Nolte (TP-5) Hydroelectric Plant and Nolte Island Park
- 18. Lockhart Wastewater Treatment Plant #1
- 19. Lockhart Wastewater Treatment Plant #2
- 20. Lockhart Water Treatment Facility
- 21. Luling Water Treatment Plant and Luling to Lockhart Treated Water Delivery System
- 22. Lake Gonzales (H-4) Hydroelectric Power Plant
- 23. Lake Wood Park (H-5) Hydroelectric Power Plant
- 24. Coleto Creek Park and Reservoir
- 25. Diversion Dam and Salt Water Barrier
- 26. Crestview Subdivision Wastewater Treatment Plant
- 27. Port Lavaca Water Treatment Plant and Calhoun County Rural Water and Canal System Division





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

# **Guadalupe-Blanco River Authority Texas**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

August 31, 2016

Christopher P. Morrill

Executive Director/CEO



December 13, 2017

The Honorable Rusty Brockman, Chair and Members of the Board of Directors

Dear Chair Brockman and Directors,

The Comprehensive Annual Financial Report (CAFR) of the Guadalupe-Blanco River Authority (GBRA) for the fiscal year ended August 31, 2017, is hereby submitted. Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with GBRA. One of the principal foundations of GBRA's financial recording and reporting system is a framework of internal controls designed to better assure the appropriate use of all GBRA assets and the timely recording of each financial transaction. As a result of these controls, it is GBRA's assertion that the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds (divisions) of GBRA. All disclosures necessary to enable the reader to gain an understanding of GBRA's financial activities have also been included.

One of the important components of the CAFR is the Management Discussion and Analysis (MD&A) report included immediately following the Independent Auditor's Report. The MD&A provides an overview or executive summary of the information contained in the CAFR. As such it is an easily readable and easily understandable source of information related to GBRA's financial activities for fiscal year 2017. Furthermore, the MD&A information is presented in comparison to the two previous years thereby providing the CAFR reader a near term historical perspective of financial results. GBRA encourages all users of this CAFR to read the information contained in the MD&A.

### PROFILE OF THE GUADALUPE-BLANCO RIVER AUTHORITY

The Texas Legislature created GBRA in 1933 as a political subdivision of the State of Texas with the mandate to develop, conserve and protect the water resources of the Guadalupe River Basin and to make those waters available for beneficial use. While there have been many milestones during GBRA's eighty four years of existence, perhaps none are more important than working with the U.S. Army Corps of Engineers in the creation of Canyon Reservoir during the 1950's and 1960's. GBRA now holds a Texas Commission on Environmental Quality permit to 90,000 acre-feet of water per year from Canyon Reservoir for use within the river basin. GBRA's permit to this water facilitates operations such as hydroelectric generation; water and wastewater treatment; treated water distribution; municipal, industrial and agricultural raw water supply; laboratory analyses; and recreation operations. These operations are accounted for in the following divisions.

The *General Division*, located in the general business office in Seguin, consists of technical, accounting, administrative and support staff working under the direction of the General Manager. Revenues are derived from interest earnings on investments as well as administrative and general charges that are paid by GBRA's operating divisions.

The Guadalupe Valley Hydroelectric Division operates six "low head" hydroelectric plants in Guadalupe and Gonzales counties capable of producing 16 megawatts. All electricity produced by the division is delivered to the Guadalupe Valley Electric Cooperative (GVEC) for consumption principally within the

river basin. The charge for the power delivered to GVEC includes a fixed monthly charge of \$125,000 and an energy charge of 3.14¢ per kilowatt hour of energy produced. GV Hydro Division personnel are responsible for the operation and maintenance of the generating stations as well as the associated dams, lakes, ancillary equipment and adjacent properties.

The *Rural Utilities Division* operates and maintains six wastewater treatment plants in Comal, Hays and Guadalupe counties. These small plants serve rural areas where septic tanks do not provide proper or safe wastewater disposal and the extension of wastewater services from nearby municipalities is not cost effective. The five wastewater plants include Canyon Park, Dunlap Northcliffe, Shadow Creek and Sunfield.

The development and operation of water supply sources and raw water delivery systems is the responsibility of the *Water Resource Division*. The division contracts with municipal, industrial and agricultural users throughout the river basin to provide a dependable supply of surface water. This division is anchored in the upper reaches of the river basin by Canyon Reservoir and in the lower reaches of the basin by the Guadalupe River Diversion Dam and Salt Water Barrier. Additionally, this division is responsible for GBRA's water quality program as well as the operation of a water quality laboratory located at the general office in Seguin. The water quality laboratory provides services to GBRA's other operations as well as to individuals, municipalities, industries and private entities throughout the region. Other operations recognized within the Water Resource Division are the Calhoun Canal System, the City of San Marcos Water Treatment Plant, the City of Buda Wastewater Treatment Plant, the Western Canyon Water Treatment Plant, and retail, treated water delivery and wastewater treatment systems in Comal County. Included within these Comal County operations are the Comal Trace, Johnson Ranch, and Cordillera real estate developments and starting in FY 2015, the Singing Hills Wastewater Plant on behalf of the City of Bulverde.

GBRA's *Port Lavaca Water Treatment Plant Division* operates and maintains a water treatment plant that supplies treated water to the City of Port Lavaca, the Calhoun County Rural Water Supply System, and the Port O'Connor Improvement District (ID). The division, which commenced operation in 1969, receives raw water from the Guadalupe River delivered through 20 miles of canals. GBRA then treats and disinfects the water to drinking water standards before delivering it to the City, Rural Water System, and ID.

The *Calhoun County Rural Water Supply Division* began in 1974 and currently operates and maintains a treated water distribution system to supply approximately 1,473 homes and businesses located throughout a large portion of the unincorporated areas of Calhoun County.

The *Coleto Creek Division* operates and maintains the Coleto Creek Reservoir located thirteen miles southwest of Victoria just off State Highway 59. The reservoir, which was completed and filled in 1981, serves as a cooling pond for a coal-fired electric generating plant owned by Dynegy, Inc. This division also operates and maintains recreation facilities that provide grounds for camping and picnicking as well as public access to the lake for fishing, swimming, and boating.

Surface water from the San Marcos River is treated by the *Luling Water Treatment Plant Division* and delivered to the City of Luling and the City of Lockhart for distribution. The plant was constructed in 1978 and has a treatment capacity of 2.5 MGD.

The *Canyon Hydroelectric Division* operates the electric generating plant located at Canyon Dam in Comal County. All power generated by the plant is sold to New Braunfels Utilities for the benefit of the City of New Braunfels. The plant, completed in 1989 with a capacity of 6 megawatts, provides a beneficial use of waters passed through the dam without interfering with the reservoir's primary purposes of flood control and water supply.

GBRA added the *Lockhart Division* to its list of operations on October 1, 1994. After signing a contract with the City of Lockhart during 1994, GBRA assumed the operation of the City's 1.1 million-gallon per day (MGD) wastewater treatment plant and began construction of a new 1.5 MGD plant that became fully

operational in February 1999. On October 1, 2000, the Lockhart Division was expanded further when GBRA assumed operation of the City's water well system and water treatment plant.

### ECONOMIC CONDITION AND OUTLOOK

The Texas Economy. The economy of the State of Texas is diverse and continues to grow year over year, While oil and gas development and production continue to be a prevalent sector in Texas, other sectors of the economy are well represented in Texas including technology, education, manufacturing and tourism.

The population growth within Texas continues to outpace the national average. In May 2017, a U.S. Census bureau report indicated that from 2015-2016 five of the top ten fastest growing cities in America were located in Texas. These include cities in Houston, Dallas, Austin, and San Antonio, metro areas, including the City of New Braunfels located in the GBRA service area.. In addition to some of the State's attributes listed above, other reasons for this pace of growth are a diverse labor market, "corporate-friendly" tax structure, and affordable housing. According to Dr. Ray Perryman, noted Baylor University economist, the number of jobs within the State will grow by 11.29% over the next 5 years as compared to a projected growth of 8.47% for the remainder of the country. Similarly, total output is expected to grow by 22.31% during the same time period while the output of the country at large is projected to grow by only 15.70%. At least one additional factor that is seen as continuing growth in population and output is the recent lifting of the national ban on crude oil exports. In response to this regulatory change, a number of new facilities are being constructed along the Texas Gulf Coast in close proximity to the Eagle Ford Shale oil discovery in order to more easily and cost effectively provide access for this oil to foreign markets.

Reports and data produced by Texas Comptroller of Public Accounts shows the State's economy continuing to remain strong. Comptroller Glenn Hegar's Fiscal Notes State Revenue Watch for November 2017 shows an increase in year-over-year sales tax collections of 8.61% and the tax on natural gas production of 36.89%. Total state net revenue increased 7.20% during the same period.

Over the last decade, the State has seen more drought years than years with average or above average rainfall. During 2011, for all practical purposes a drought covered the western two-thirds of the State and rainfall records were in many cases the lowest in recorded history. Then in calendar years 2012, 2013 and 2014, rainfall became more plentiful and ground moisture had recovered to some degree, however rainfall did not appreciably change the low conversation storage in the State's water supply reservoirs. Several reservoirs, principally in West Texas, had less than 5% of capacity remaining behind the dam. This caused agricultural losses which when coupled with losses in agricultural support industries were in the billions of dollars. Fortunately, due to the effects of El Nino, rainfall during 2015 and 2016 has resulted in reservoirs recovering to full or nearly full levels for much of the State. While this is a welcome change, the State as well as various regional water providers, have recognized the need to implement additional water management strategies identified in the State's regional water planning process.

The Local Economy. GBRA's service area is geographically part of south central Texas. It stretches from the Texas Hill Country through the IH-35, IH10, and State Highway 130 Corridors and onto the Texas Gulf Coast. This geographic diversity provides economic diversity with a unique combination of agriculture, oil and gas, defense, high tech, higher education centers, tourism, seawater ports, and heavy industry. This diversity allows the regional economy to be among the State's growth leaders and outpace the national economy. For reporting purposes, the State Comptroller places most of the GBRA service area into the Alamo Region. The counties in and around the Cities of San Antonio and Austin are the most populous of this area.

The northern region of the GBRA district is lies between the Austin and San Antonio Metropolitan Statistical Areas (MSAs). This location and the vibrant economies of these two cities have correspondingly elevated the economy of the northern Guadalupe River Basin over the last several decades. Both of these cities are ranked in the top twenty nationally when judged on job growth and this will obviously float the economic possibilities of the surrounding areas of the GBRA district along with them. Consistent with the exceptional growth of its larger neighbors, the City of San Marcos has been named by Forbes magazine as

"America's Next Metropolis". Forbes cites the astounding 37% growth rate as the reason for its declaration as well as the recent construction of Amazon's newest distribution center in San Marcos.

Another noteworthy growth factor for the local economy has been the oil and gas exploration boom related to the Eagle Ford Shale discovery over the last decade. This formation stretches across 23 Texas counties and two of those counties, Gonzales and DeWitt, are located in the middle stretch of the GBRA district. The impact of this discovery is still evident but due to the drop in global oil prices, the \$61 billion per year economic impact this discovery has produced in previous years has diminished somewhat. Nevertheless, the economic ripple effects can be seen in everything from new housing to new commercial developments. Just north of Gonzales and DeWitt Counties lies Guadalupe County. This is another county within the GBRA district that is experiencing considerable job growth. This job growth is attributed to the construction of several new manufacturing and distribution centers including Caterpillar and Continental Automotive which in the aggregate have invested \$459 million and brought in over 2,000 jobs. Further south in GBRA's district lies the City of Victoria. With its location near the Texas Gulf Coast, the Eagle Ford oil discovery, and a number of large petrochemical plants within a 30 mile radius, the City of Victoria is an economic standout. In fact, according to the Milken Institute's 2014 report entitled "2014 Best Performing Cities: Where America's Jobs Are Created and Sustained", the City of Victoria was ranked number three in the country. Within an easy commute from Victoria, just south in Calhoun County, Formosa Plastics is in the process of expanding its petrochemical plant by more than \$1 billion which should further continue the area's economic expansion and job growth.

To continue these results and economic positioning for years into the future, it is GBRA's mission and role to assist the area's economy and population growth by providing high quality water and wastewater treatment while also developing future water supplies in order to better assure the district's continued economic vitality.

### **MAJOR INITIATIVES**

For the Year. GBRA's major initiative for Fiscal Year 2017, is the provision of ample water resources for the Guadalupe River Basin along with the planning that is necessary to permit, finance, construct and commit additional, future supplies of water. This initiative was evident in GBRA's work with committees and stakeholder groups established by the Texas Legislature related to instream surface water flows, fresh water flows for bays and estuaries, future desalination of seawater, future desired conditions for Texas groundwater aquifers, and the proper regulation of the Edwards Aquifer. Because of the Guadalupe River's dependency upon water emanating from the Edwards Aquifer's Comal and San Marcos springs, GBRA helped in recent years to establish a Recovery Implementation Plan (RIP) for the aquifer. During the past year, GBRA continued to work with various stakeholder groups in implementing the provisions of a Habitat Conservation Plan (HCP) which was an outgrowth of the RIP and which was subsequently approved by the United States Fish and Wildlife Service. It will be important for years to come that the region diligently monitor the use of water from the Edwards Aquifer to ensure that the goals of the HCP are met. Throughout Fiscal Year 2017, GBRA's staff was actively exploring future water supply projects including both groundwater and surface water sources.

From an operational perspective, in many respects Fiscal Year 2017 was reasonably routine. However, in late August 2017, GBRA operations prepared for and did sustain some damage due to Hurricane Harvey. Wind and storm damage were sustained at the Port Lavaca and Coleto Creek Recreational operations. In addition, some wind damage and debris clean-up was required in Seguin at GBRA's Nolte Island. All damage was filed for insurance reimbursement. Another, 2017 initiative included conducting a major log jam removal project along the Guadalupe River.

For the Future. As noted above, GBRA's efforts to ensure adequate water supplies have complemented the work of the Texas State Legislature. Emanating from the 1997 Legislative Session was a new State Water Policy labeled Senate Bill One (SB1). One of the principal provisions of that new water plan was the establishment of regional water planning areas and the development of "updated" water plans every five years. GBRA has been actively involved in and helps to underwrite the administrative costs of the South

Central Texas Regional Water Planning Group which is charged with developing an updated fifty-year water plan for this area of Texas. While a new water plan has been completed and approved by the Texas Water Development Board for the current cycle, the regional planning group continues to update projected future water demands and the water supply projects that are anticipated to meet those demands. The current plan includes several major water supply projects within the Guadalupe River Basin that will require GBRA's future participation.

While much of GBRA's water supply planning has traditionally focused on developing additional surface water supplies within the Guadalupe River Basin, GBRA's focus in recent years has been on committing existing surface water supplies that are currently not fully utilized. Consistent with this focus, GBRA has worked with a number of entities and potential water customers to determine how GBRA's run-of-river water rights located near the mouth of the river may be beneficially used. GBRA has also developed other possible water supply alternatives including the use of groundwater. In FY 2016 GBRA entered into a contract to purchase Texas Water Alliance, a company owning approximately 15,000 acre-feet per year in groundwater leases in Gonzales County. GBRA is in contract negotiations with potential customers to treat and deliver this new source of firm water.

It is incumbent on both GBRA and the regional water planning group to continue to study and ultimately implement various water supply projects in order to meet the water demands of the rapidly growing population of the Guadalupe River Basin.

In addition to the effort focused on future water supply alternatives, GBRA also worked to ensure existing water supplies are used efficiently and wisely. GBRA actively worked with water users and local governments located within the Basin to educate them on water conservation efforts. GBRA also worked closely with the Edwards Aquifer Authority, Guadalupe Basin Coalition, and the Edwards Aquifer Recovery Implementation Group to ensure the Edwards aquifer was managed effectively and in accordance with state law thereby ensuring adequate springflow into the Guadalupe and San Marcos Rivers.

### FINANCIAL INFORMATION

Management of GBRA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of GBRA are protected from loss, theft or misuse and to ensure adequate accounting data is compiled to allow for 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, GBRA continues to meet its responsibility for sound financial management. GBRA recommends readers pay close attention to each section of this report including the oversight review provided by the management discussion and analysis in order to have a thorough understanding of GBRA, its activities, financial position and results of operations.

In addition to other internal controls, GBRA also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with contractual provisions and to properly manage resources. Since GBRA does not have the power of taxation, there is no appropriated budget or encumbrance accounting system nor any legal requirement to include comparative budget to actual expenditure statements in this report. Nevertheless, the GBRA staff diligently prepares the Annual Work Plan and Budget to assure projects are prioritized and the use of funds is effective and efficient.

GBRA's financial policies and the resulting rates and financial structure provide support to the management and decision making of the organization. Since GBRA is not a taxing district, it must rely solely upon the service rates that are adopted and the customer revenue that is generated to support GBRA's projects and operations. One strategy that GBRA has adopted through the years to mitigate the volatility of its revenue stream is to diversify operations. One group of operations are "rate-based" and these operations are structured

in such a way that financial gains and losses may result. A second group of operations are "contract-based" and these operations are structured to yield an exact cost of service to customers with no corresponding financial gain or loss to GBRA. This strategy has allowed GBRA to expand its operations through the years, meet its legislative mandate of providing water and wastewater services, mitigate financial risk, while still accumulating the financial reserves important to any viable organization. Another rate strategy that GBRA has employed is the requirement of a debt coverage factor on all bond issuances that are of a regional, multicustomer nature. This coverage factor has allowed GBRA to expand its financial reserves and position the organization to better assimilate the monetary impacts of natural disasters, unscheduled repair projects, and any customer defaults while also providing funds for new project start up. These strategies have been particularly useful this past year in dealing with the effects of the flood and studies to determine the most appropriate new water supply project.

### OTHER INFORMATION

Independent Audit. Section 50.371 of the Texas Water Code requires an annual audit of the GBRA's accounting records by the state auditor or by an independent certified public accountant selected by the Board of Directors. The firm of Alonzo, Bacarisse, Irvine & Palmer P.C. (ABIP) was selected by the Board for the 2017 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, the county clerk of each county within the GBRA district as well as many other information repositories located throughout the State.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to GBRA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2016. 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. GBRA has received a Certificate for the last 43 consecutive fiscal years (1973-2016). 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 the high level of service to the residents of the GBRA service area. The preparation of the CAFR on a timely basis was made possible by the dedicated efforts of the accounting department and public communications department. Each member has our sincere appreciation for the contributions made in the preparation of this report. In closing, we would be remiss to not recognize the leadership and support each GBRA Director has provided to the staff and this organization. Without that leadership, another successful year and the preparation of this report would not have been possible. We thank you for your dedicated public service.

Sincerely,

Kevin Patteson

General Manager/CEO

Cindy Demers

Executive Manager of Finance and

Administration/CFO

# **Financial Section**





### Independent Auditor's Report

To the Board of Directors Guadalupe- Blanco River Authority

We have audited the accompanying financial statements of Guadalupe-Blanco River Authority as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Guadalupe-Blanco River Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Guadalupe-Blanco River Authority, as of August 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

### **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, and schedule of employer contributions 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.

### Other Information

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

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

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of Guadalupe-Blanco River Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Guadalupe-Blanco River Authority's internal control over financial reporting and compliance.

Certified Public Accountants San Antonio, Texas

December 13, 2017

ABIP, PC

### **Management Discussion and Analysis**

The Guadalupe-Blanco River Authority's (GBRA) financial statements are presented within the financial section of this Comprehensive Annual Financial Report (CAFR). The components of the basic financial statements include this Management Discussion and Analysis (MD&A), the Basic Financial Statements, and Other Supplementary Information.

The MD&A, as Required Supplemental Information, introduces the basic financial statements and provides an analytical overview of GBRA's financial activities. GBRA implemented the provisions of the Government Accounting Standards Board Statement Number 34 (GASB 34) in 2002 and as such, the MD&A that follows presents a comparison of each of the last three years.

### **Overview of the Basic Financial Statements**

GBRA was created in 1935 as a political subdivision of the State of Texas and structured as a conservation and reclamation district under Article 16, Section 59 of the Texas Constitution. GBRA's principal functions are to control, store, preserve, and distribute the waters of the Guadalupe River Basin for all useful purposes within the ten county district that GBRA serves. In meeting these principal functions, GBRA does not have the power of taxation and instead must rely upon user fees to provide these services.

GBRA's financial statements consist entirely of one enterprise fund because of the nature of GBRA's activities, the reliance upon user fees, and the fact that GBRA does not have any separate component units to report. The major features of enterprise fund reporting are:

- > Scope All GBRA activities are included in the enterprise fund, the reporting format of which is similar to private businesses.
- ➤ Required Financial Statements The financial statements prepared for the enterprise fund include a Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows.
- > Accounting Basis and Measurement Focus Accrual accounting and economic resources focus are utilized.
- > Type of Asset/Liability Information The enterprise fund reports all current and long-term assets and liabilities, both financial and capital.
- > Type of Inflow/Outflow Information The enterprise fund records all revenues and expenses during the year, regardless of when the cash is received from the revenue or when the cash is paid for the expense.

The remaining information that is included within GBRA's basic financial statements are the Notes to the Financial Statements. These Notes are included to provide additional information to assist the readers of the CAFR attain a more complete understanding of GBRA's financial position.

### **Condensed Financial Information**

The financial statements are designed to provide readers with a broad overview of GBRA's financial position. The Statement of Net Position presents information on all of GBRA's Assets and Deferred Outflows of Resources as well as GBRA's Liabilities and Deferred Inflows of Resources. The difference between these two groups of accounts is then reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of GBRA is improving or deteriorating. In Fiscal Years 2017, 2016 and 2015 respectively, Assets and Deferred Outflows of Resources exceeded Liabilities and Deferred Inflows of Resources by \$89,368,405; \$80,257,492; and \$74,519,264. Between August 31, 2015 and August 31, 2017, Net Position amounts have increased \$14,849,141 which indicates a continued improvement in GBRA's financial position. The single most significant reason for this increase in Net Position is positive operating results that have averaged

\$6,546,364 per year during the period. This has been further manifested in an increase of \$9,613,452 in Cash, Cash Equivalents, and Unrestricted Investments during the period. Unrestricted Cash increased \$4,159,745. Unrestricted Investments increase is principally reflected in the 2015 – 2017 increase in Other Assets – Investments Unrestricted of \$4,091,450. Another noteworthy item for the three year period relates to the changing pension plan reporting requirements. Starting in 2015, GASB Statement 68 requires that governmental organizations recognize in their financial statements any Unfunded Actuarial Accrued Liability associated with a defined benefit pension plan. The net result of this altered accounting includes recording in FY 2017, FY 2016 and FY 2015 respectively, a Net Pension Liability of \$7,716,205; \$6,588,043: and \$4,320,626. Disclosure requirements that further explain GBRA's pension plan and the requirements of GASB 68 are found in Footnote C and Required Supplemental Information. GBRA emphasizes that despite the financial statement consequences of these altered Pension Plan accounting requirements, GBRA's operations and their financial statement impacts has been positive over the period herein presented as previously stated. The following table presents a Condensed Statement of Net Position for August 31, 2017, 2016 and 2015:

STATEMENT OF NET POSITION						
AUGUST 31, 2017, 2016, AND 2015						
ASSETS		2017		2016		2015
Current Assets						
Unrestricted Assets	\$	26,942,992	\$	18,577,210	\$	20,117,330
Restricted Assets		8,922,169		10,334,471		6,413,173
Long-Term Assets						
Restricted Assets		1,353,511		2,983,782		3,936,693
Capital Assets		159,584,640		165,632,254		169,048,256
Other Assets		30,035,726		20,446,470		15,217,372
Total Assets		226,839,038		217,974,187		214,732,824
DEFERRED OUTFLOWS OF RESOURCES		4,080,644		3,834,731		2,323,333
Total Assets and Deferred Outflows of Resources	\$	230,919,682	\$	221,808,918	\$	217,056,157
LIABILITIES AND NET POSITION						
Current Liabilities						
	\$	4,824,044	\$	4,140,103	\$	2 560 271
Payable from Current Assets Payable from Restricted Assets	Ф	5,979,412	Ф	6,412,616	Ф	3,568,271 7,299,682
·		5,979,412		0,412,010		7,299,002
				114,754,269		118,960,641
Long-Term Liabilities		111 220 200		114,754,269		417,875
Bonds and Loans Payable		114,328,208		E21 020		
Bonds and Loans Payable Advances for Operations		571,276		521,038		,
Bonds and Loans Payable Advances for Operations Net Pension Liability		571,276 7,716,205		6,588,043		4,320,626
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites		571,276 7,716,205 133,419,145		6,588,043 132,416,069		4,320,626 134,567,095
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites  DEFERRED INFLOWS OF RESOURCES		571,276 7,716,205		6,588,043	_	4,320,626
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites DEFERRED INFLOWS OF RESOURCES NET POSITION		571,276 7,716,205 133,419,145 8,132,132		6,588,043 132,416,069 9,135,357	<u> </u>	4,320,626 134,567,095 7,969,798
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets	\$	571,276 7,716,205 133,419,145 8,132,132 39,900,766	\$	6,588,043 132,416,069 9,135,357 45,212,346	\$	4,320,626 134,567,095 7,969,798 43,492,246
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets Restricted for Debt Service	\$	571,276 7,716,205 133,419,145 8,132,132 39,900,766 9,450,962	\$	6,588,043 132,416,069 9,135,357 45,212,346 8,546,152	\$	4,320,626 134,567,095 7,969,798 43,492,246 10,899,622
Bonds and Loans Payable Advances for Operations Net Pension Liability Total Liabilites DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets	\$	571,276 7,716,205 133,419,145 8,132,132 39,900,766	\$	6,588,043 132,416,069 9,135,357 45,212,346	\$	4,320,626 134,567,095 7,969,798 43,492,246

The Total Net Position amount in the above statement is subdivided into an Unrestricted Net Position amount, a Restricted Net Position amount, and a final amount described as Net Investments in Capital Assets. The restricted Net Position is debt service payments.

The following table presents a Condensed Statement of Revenues, Expenses and Changes in Net Position for years ending August 31, 2017, 2016 and 2015:

GUADALUPE-BLANCO RIVER AUTHORITY							
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION							
FISCAL YEARS ENDED AUGUST 31, 2017, 2016, AND 20	15						
REVENUE	2017	2016	2015				
Program Revenues	\$ 3,130,212	\$ 3,044,658	\$ 2.794.114				
General Operating Recreation and Land Use	\$ 3,130,212 1,653,155	\$ 3,044,658 1,661,061	\$ 2,794,114 1,717,763				
Hydroelectric Generation	3,989,554	4,208,761	2,958,807				
Water Treatment & Distribution	39,820,981	38,115,128	37,811,058				
Waste Water Treatment	6,248,343	6,130,200	4,364,064				
Interfund Eliminations	(3,115,380)	(2,943,855)	(2,788,639)				
Total Revenues	51,726,865	50,215,953	46,857,167				
EXPENSES							
Program Expenses							
General Operating	3,607,722	3,095,963	2,417,356				
Recreation and Land Use	1,669,325	1,654,519	1,730,238				
Hydroelectric Generation	4,185,833	4,213,145	4,048,269				
Water Treatment & Distribution	30,134,673	29,022,026	26,858,363				
Waste Water Treatment	4,974,699	5,702,320	4,850,971				
Interfund Eliminations	(3,115,380)	(2,943,855)	(2,788,639)				
Total Expenses	41,456,872	40,744,118	37,116,558				
NON OPERATING REVENUES (EXPENSES)							
Grant Income	3,539,362	1,531,700	891,457				
Investment Income	222,968	365,520	124,228				
Gain (Loss) on Disposal of Capital Assets	72,037	8,594	17,392				
Interest Expense	(4,381,843)	(4,387,175)	(4,553,127)				
Total Non Operating Revenues (Expenses)	(547,476)	(2,481,361)	(3,520,050)				
Net Income Before Recognition of Deferrals	9,722,517	6,990,474	6,220,559				
Costs (Revenue) to be Recognized in Future Years	(611,604)	(1,252,246)	(1,209,707)				
Income Before Special Items	9,110,913	5,738,228	5,010,852				
SPECIAL ITEMS							
Costs for the Whooping Crane Endangered Species Lawsuit	-	-	(220,901)				
Change in Net Position	9,110,913	5,738,228	4,789,951				
Net Position September 1, 2016 and 2015 and 2014	80,257,492	74,519,264	69,729,313				
•							
Net Position August 31, 2017 and 2016 and 2015	\$ 89,368,405	\$ 80,257,492	\$ 74,519,264				

As stated above, changes to GBRA's Net Position is one measure of whether GBRA's financial position is improving or not. The Fiscal Years 2017, 2016, and 2015 increases in Net Position are \$9,110,913; \$5,738,228; and \$4,789,951. The above Changes in Net Position are indicative of strong financial performance and a stable financial position. The components of Net Position and the means in which it is calculated are apparent in the above Condensed Statement of Revenues, Expenses and Changes in Net Position.

Contributing to the increase in Net Position was an increase in Program Revenues between FY 2015 and FY 2017 of approximately \$4.3M and an increase in Non-Operating Revenues of \$2.8M which was

adequate to offset the \$4.2M increase in Program Expenses and Interest Expense. While various factors caused this result, principal among them was a commitment to increase customer rates when necessary, an increase in state and federal grant income, an aggressive plan to control discretionary spending, and the reduction of interest expense through the amortization and periodic refunding of long-term debt.

#### **Capital Asset and Long-Term Debt Activity**

As of August 31, 2017, 2016, and 2015 respectively, GBRA's total investment in Long-Term Capital Assets net of depreciation were \$159,584,640; \$165,632,254; and \$169,048,256. These capital assets which are shown in the long-term asset section of GBRA's Statement of Net Position are comprised of a number of different types of assets. Included in this asset type are water rights, dams, canals, water treatment plants, wastewater treatment plants, park facilities, hydroelectric plants, pipelines, and electric transmission facilities. The amount of capital assets recognized by GBRA declined by 5.6% or \$9,463,616 during period FY 2015-2017. During FY 2017 the Springs Hills Waste Water Treatment Plant was sold to the City of Seguin resulting in a decrease in net capital assets of \$135,729. Also during FY 2017 the Series 2010 Contract Revenue Refunding Bonds that were for the City of Lockhart Waste Water Treatment Plant were retired. The contract with the City of Lockhart stated that once the bonds that were used to build the treatment plant were fully retired, title to the land and plant would revert to the City. This resulted in a decrease in net capital assets of \$2,365,295.

GBRA's long-term debt is comprised of outstanding revenue bond issues, bank loans, and a loan from the United States Government related to the construction of Canyon Reservoir. The total revenue bonds outstanding, exclusive of bond discounts and premiums, as of August 31, 2015, 2016, and 2017 respectively were \$111,815,000; \$108,465,000; and \$107,995,000. Between Fiscal Years 2015 and 2017, revenue bonds outstanding decreased by a net amount of \$3,820,000.

GBRA's long-term loans outstanding as of fiscal year end 2015, 2016 and 2017 respectively amounted to \$7,294,084; \$6,054,591; and \$6,042,597. These varying amounts represent the annual principal repayments of the various loans including a lump-sum payment on one loan in GBRA's Rural Utilities Division following the payoff of a \$2.5M Letter of Credit which was collateral from a developer on a wastewater treatment plant expansion. During FY 2017, GBRA obtained a loan of \$505,000 that was used to finance an emergency generator and a mobile belt press truck and trailer.

More information on GBRA's capital assets and long-term debt is available in footnotes to the Basic Financial Statements. Capital asset information is presented in Footnote E and information about GBRA's long-term debt is available in Footnote B.

#### Infrastructure

GBRA recognizes all equipment and infrastructure with an original cost greater than \$2,000 and with a life exceeding one year as Capital Assets. Since all of GBRA's activity is accounted for in an enterprise fund similar to the accounting businesses, GBRA has always recorded the historical cost of Capital Assets and depreciated that cost over the estimated life of the asset.

In FY 2017, GBRA began a comprehensive review of all infrastructure it currently owns and/or operates to develop a long-term repair and replacement capital plan. While the condition of GBRA's infrastructure and capital assets is generally good, proactively addressing aging infrastructure is a top priority. One area of immediate concern is the infrastructure within the Guadalupe Valley Hydroelectric System (GV Hydro). This system is comprised of six low-head hydroelectric dams, power houses and ancillary equipment all of which was originally constructed in the 1920's and 1930's. Due to the age of many of the GV Hydro components a major emphasis on repair and rehabilitation is required. In FY 2017, \$3,768,000 was budgeted and funded for the spill gate rehabilitation. The project was begun in FY 2017 and will continue in FY 2018. Due to drought conditions in recent years resulting in decreased Hydroelectric Power Sales Revenue as well as a general impediment to increased hydroelectric energy charges due to a stable wholesale electric market, the project is being funded by the General Division.

#### **Other Potentially Significant Matters**

The GBRA Board of Directors established on October 1, 2017 a rate of \$145 per acre-foot per year for committed, firm raw water. Presently, GBRA contracts with about 100 customers throughout the GBRA district to commit approximately 90,000 acre-feet of firm, raw water. Currently the source of this water is water stored in Canyon Reservoir. The permitted yield of Canyon Reservoir is 90,000 acre-feet per year which means that GBRA has fully committed the Reservoir to customers.

In FY 2016 GBRA entered into a contract to purchase Texas Water Alliance, a company owning approximately 15,000 acre-feet per year in groundwater leases in Gonzales County. While originally the transaction was scheduled to close in December 2016, subsequent amendments moved the close to November 2017. GBRA is in contract negotiations with potential customers to treat and deliver this new source of firm water.

As discussed above, GBRA's net position has continued to increase year over year since 2015. Funds accumulated during this time period are designated for operating reserves and identified future projects. While these funds are not legally restricted for accounting reporting purposes, the sources and uses of those funds are designated for specific programs and projects and in some cases may span multiple years.

## GUADALUPE-BLANCO RIVER AUTHORITY STATEMENT OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS	2017	2016
CURRENT ASSETS	<u> </u>	
Unrestricted Assets		
Cash and Cash Equivalents	\$ 14,727,002	\$ 8,384,471
Investments-Unrestricted		7,140,096
Interest Receivable.		87,161
Accounts Receivable-Operating		2,494,546
Other Current Assets		470,936 18,577,210
Restricted Assets	20,942,992	10,377,210
Cash and Cash Equivalents	4,810,272	7,643,028
Investments-Restricted		2,655,467
Interest Receivable		35,976
Total Restricted Assets	8,922,169	10,334,471
Total Current Assets	35,865,161	28,911,681
LONG-TERM ASSETS		
Restricted Assets		
Investments-Restricted	,,,,,,	2,983,782
Total Restricted Assets		2,983,782
Capital Assets		
Land, Water and Storage Rights		35,538,587
Dams, Plants and Equipment		212,374,711
Construction In Progress Less Accumulated Depreciation		1,293,941
Total Capital Assets		(83,574,985)
Other Assets	139,384,040	105,032,234
Investments-Unrestricted	14,134,701	13,151,296
Long-Term Loans Receivable		186,971
Contract Development Costs (Net of Amortization)		1,304
Permits and Licenses (Net of Amortization)		445,742
Project Development Costs	10,292,303	6,661,157
Total Other Assets	30,035,726	20,446,470
TIL T A (	100 072 077	189,062,506
Total Long-Term Assets	190,973,877	107,002,500
DEFERRED OUTFLOWS OF RESOURCES	4,080,644	3,834,731
· · · · · · · · · · · · · · · · · · ·	4,080,644	
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources	4,080,644	3,834,731
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION	4,080,644	3,834,731
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES	4,080,644	3,834,731
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets	4,080,644 \$ 230,919,682	3,834,731 \$ 221,808,918
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable	\$ 230,919,682 \$ 390,667	3,834,731
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets	\$ 230,919,682 \$ 390,667 41,035	3,834,731 \$ 221,808,918 \$ 350,636
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets  Current Portion of Long-Term Loans Payable	\$ 390,667 41,035 4,392,342	3,834,731 \$ 221,808,918 \$ 350,636 45,057
DEFERRED OUTFLOWS OF RESOURCES	\$ 390,667 41,035 4,392,342	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410
DEFERRED OUTFLOWS OF RESOURCES	\$ 390,667 41,035 4,392,342 4,824,044	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410
DEFERRED OUTFLOWS OF RESOURCES	\$ 390,667 4,1035 4,392,342 4,824,044 4,860,000	\$ 350,636 45,057 3,744,410 4,140,103 5,210,000 105,000
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable Interest Payable Accounts Payable-Operating  Total Current Unrestricted Liabilities Payable from Restricted Assets Current Portion of Revenue Bonds Current Portion of Long-Term Loans Payable Interest Payable	\$ 390,667 4,080,644 \$ 230,919,682 \$ 390,667 41,035 4,392,342 4,824,044 4,860,000 105,000 1,014,412	\$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable Interest Payable Accounts Payable-Operating Total Current Unrestricted Liabilities Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable Interest Payable Total Current Restricted Liabilities	\$ 390,667 \$ 1,035 \$ 4,392,342 4,824,044 4,860,000 105,000 1,014,412 5,979,412	\$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable Interest Payable Accounts Payable-Operating Total Current Unrestricted Liabilities Payable from Restricted Assets Current Portion of Revenue Bonds Current Portion of Long-Term Loans Payable Interest Payable Total Current Restricted Liabilities Total Current Restricted Liabilities Total Current Liabilities	\$ 390,667 \$ 1,035 \$ 4,392,342 4,824,044 4,860,000 105,000 1,014,412 5,979,412	\$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets  Current Portion of Long-Term Loans Payable  Interest Payable  Accounts Payable-Operating  Total Current Unrestricted Liabilities  Payable from Restricted Assets  Current Portion of Revenue Bonds  Current Portion of Long-Term Loans Payable.  Interest Payable  Total Current Restricted Liabilities  Total Current Liabilities  Total Current Liabilities  LONG-TERM LIABILITIES	\$ 390,667 41,035 4,392,342 4,824,044 4,860,000 105,000 1,014,412 5,979,412 10,803,456	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets  Current Portion of Long-Term Loans Payable  Interest Payable  Accounts Payable-Operating  Total Current Unrestricted Liabilities  Payable from Restricted Assets  Current Portion of Revenue Bonds  Current Portion of Long-Term Loans Payable  Interest Payable  Total Current Restricted Liabilities  Total Current Liabilities  Total Current Liabilities  LONG-TERM LIABILITIES  Revenue Bonds Payable	\$ 390,667 41,035 4,392,342 4,824,044 4,860,000 105,000 1,014,412 5,979,412 10,803,456	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314
DEFERRED OUTFLOWS OF RESOURCES  Total Assets and Deferred Outflows of Resources  LIABILITIES , DEFERRED INFLOWS AND NET POSITION  CURRENT LIABILITIES  Payable from Unrestricted Assets  Current Portion of Long-Term Loans Payable  Interest Payable  Accounts Payable-Operating  Total Current Unrestricted Liabilities  Payable from Restricted Assets  Current Portion of Revenue Bonds  Current Portion of Long-Term Loans Payable.  Interest Payable  Total Current Restricted Liabilities  Total Current Liabilities  Total Current Liabilities  LONG-TERM LIABILITIES	\$ 390,667 \$ 1,035 \$ 4,392,342 \$ 4,860,000 \$ 105,000 \$ 1,014,412 \$ 5,979,412 \$ 10,803,456 \$ 113,641,278 \$ 6,042,597	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 105,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable.	\$ 390,667 \$ 1,035 \$ 4,392,342 \$ 4,824,044 4,860,000 \$ 105,000 \$ 1,014,412 \$ 5,979,412 \$ 10,803,456 \$ 113,641,278 \$ 6,042,597 \$ 119,683,875	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating  Total Current Unrestricted Liabilities Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable.	\$ 390,667 \$ 1,080,644 \$ 230,919,682 \$ 390,667 \$ 41,035 \$ 4,392,342 \$ 4,824,044 \$ 4,860,000 \$ 105,000 \$ 1,014,412 \$ 5,979,412 \$ 10,803,456 \$ 113,641,278 \$ 6,042,597 \$ 119,683,875 \$ (5,355,667)	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636)
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating. Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Liabilities. Total Current Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable. Less Current Portion. Total Bonds and Loans Payable.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating  Total Current Unrestricted Liabilities Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable.	\$ 390,667 \$ 1,035 \$ 4,392,342 \$ 4,824,044 4,860,000 105,000 1,014,412 5,979,412 10,803,456 113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating. Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Less Current Portion. Total Bonds and Loans Payable. Advances for Operations.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating. Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Restricted Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Less Current Portion. Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating. Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Less Current Portion. Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability Total Long-Term Liabilities.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689 133,419,145	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating  Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable.  Total Current Restricted Liabilities.  Total Current Liabilities.  LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable.  Less Current Portion Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability.  Total Long-Term Liabilities.  Total Long-Term Liabilities.	\$ 390,667 41,035 4,392,342 4,824,044 4,860,000 105,000 1,014,412 5,979,412 10,803,456 113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689 133,419,145	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350 132,416,069
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable. Accounts Payable-Operating Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Restricted Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Less Current Portion Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability. Total Long-Term Liabilities. Total Liabilities. Total Liabilities. DEFERRED INFLOWS OF RESOURCES.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689 133,419,145 8,132,132	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350 132,416,069
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating.  Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable.  Total Current Restricted Liabilities. Total Current Liabilities.  LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable.  Less Current Portion.  Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability.  Total Long-Term Liabilities.  DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets Restricted for Debt Service.	4,080,644 \$ 230,919,682  \$ 390,667 41,035 4,392,342 4,824,044  4,860,000 105,000 1,014,412 5,979,412 10,803,456  113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689 133,419,145 8,132,132  39,900,766 9,450,962	3,834,731 \$ 221,808,918 \$ 350,636 45,057 3,744,410 4,140,103 5,210,000 1,097,616 6,412,616 10,552,719 114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350 132,416,069 9,135,357 45,212,346 8,546,152
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating. Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable. Total Current Liabilities. Total Current Liabilities. LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable. Long-Term Loans Payable. Advances for Operations. Net Pension Liability. Total Long-Term Liabilities. Total Long-Term Liabilities. DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets Restricted for Debt Service. Unrestricted	\$ 390,667 \$ 1,035 \$ 4,392,342 \$ 4,824,044 4,860,000 105,000 1,014,412 5,979,412 10,803,456 113,641,278 6,042,597 119,683,875 (5,355,667) 114,328,208 571,276 7,716,205 122,615,689 133,419,145 8,132,132 39,900,766 9,450,962 40,016,677	3,834,731 \$ 221,808,918  \$ 350,636 45,057 3,744,410 4,140,103  5,210,000 1,097,616 6,412,616 10,552,719  114,365,314 6,0554,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350 132,416,069 9,135,357  45,212,346 8,546,152 26,498,994
DEFERRED OUTFLOWS OF RESOURCES.  Total Assets and Deferred Outflows of Resources.  LIABILITIES , DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES Payable from Unrestricted Assets Current Portion of Long-Term Loans Payable. Interest Payable-Operating.  Total Current Unrestricted Liabilities. Payable from Restricted Assets Current Portion of Revenue Bonds. Current Portion of Long-Term Loans Payable. Interest Payable.  Total Current Restricted Liabilities. Total Current Liabilities.  LONG-TERM LIABILITIES Revenue Bonds Payable. Long-Term Loans Payable. Long-Term Loans Payable.  Less Current Portion.  Total Bonds and Loans Payable. Advances for Operations. Net Pension Liability.  Total Long-Term Liabilities.  DEFERRED INFLOWS OF RESOURCES NET POSITION Net Investments in Capital Assets Restricted for Debt Service.	\$ 390,667 \$ 1,035 \$ 4,392,342 \$ 4,824,044 \$ 4,860,000 \$ 105,000 \$ 1,014,412 \$ 5,979,412 \$ 10,803,456 \$ 113,641,278 \$ 6,042,597 \$ 119,683,875 \$ (5,355,667) \$ 114,328,208 \$ 571,276 \$ 7,716,205 \$ 122,615,689 \$ 133,419,145 \$ 8,132,132 \$ 39,900,766 \$ 9,450,962 \$ 40,016,677 \$ 89,368,405	3,834,731 \$ 221,808,918  \$ 350,636 45,057 3,744,410 4,140,103  5,210,000 1,097,616 6,412,616 10,552,719  114,365,314 6,054,591 120,419,905 (5,665,636) 114,754,269 521,038 6,588,043 121,863,350 132,416,069 9,135,357  45,212,346 8,546,152

The accompanying notes are an integral part of this statement.

# GUADALUPE-BLANCO RIVER AUTHORITY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

## FISCAL YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
REVENUE		
Power Sales	\$ 3,868,917	\$ 3,980,284
Water Sales, Capacity Charge, Pipeline Transmission and Lake Operations		36,351,390
Recreation and Land Use	780,403	752,100
Waste Water Treatment Services	3,737,942	4,481,509
Laboratory Services.	1,006,168	965,329
Rental	251,676	312,628
Miscellaneous		3,372,713
Total Operating Revenue	51,726,865	50,215,953
EXPENSES		
Personnel Operating Costs	15,785,404	14,335,153
Operating Supplies and Services	16,821,406	17,397,816
Maintenance and Repairs		3,393,746
Depreciation and Amortization	5,532,587	5,617,403
Total Operating Expenses	41,456,872	40,744,118
Operating Income	10,269,993	9,471,835
NONOPERATING REVENUES (EXPENSES)		
Grant Income		1,531,700
Investment Income	222,968	365,520
Gain (Loss) on the Disposal of Capital Assets	72,037	8,594
Interest Expense	(4,381,843)	(4,387,175)
Total Nonoperating Revenues (Expenses)	(547,476)	(2,481,361)
Income Before Recognition of Deferrals.	9,722,517	6,990,474
Costs (Revenue) to be Recognized in Future Years	(611,604)	(1,252,246)
Change in Net Position.	9,110,913	5,738,228
Net Position at September 1, 2016 and 2015	80,257,492	74,519,264
Net Position at August 31, 2017 and 2016	\$ 89,368,405	\$ 80,257,492

The accompanying notes are an integral part of this statement.

# GUADALUPE-BLANCO RIVER AUTHORITY STATEMENT OF CASH FLOWS

FISCAL YEARS ENDED AUGUST 31, 2017 AND 2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers		\$ 50,178,121
Cash Received from Interfund Administrative Charges		2,943,855
Cash Paid for Personnel Operating Costs		(12,257,607)
Cash Paid for Other Operating and Maintenance Costs		(21,392,487)
Cash Paid for Interfund Administrative Charges		(2,849,629)
Net Cash Flows From Operating Activities		16,622,253
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:	2 520 262	1 521 700
Cash Received from Grants  Net Cash Flows Used by Noncapital and Related Activities		1,531,700 1,531,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Advances from Customers, Developers, and Other Governmental Units		25,833
Proceeds from Revenue Bonds and Loans for Capital Assets and Plant Expansion		2,000,000
Proceeds from Sale of Capital Assets.		13,137
Purchase of Capital Assets.		(1,034,202)
Cash Paid for Construction in Progress and Project Development		(3,333,824)
Interest Paid.		(4,432,417)
Principal Payments on Revenue Bonds		(5,906,793)
Principal Payments on Loans.		(1,239,493)
Net Cash Flows Used by Capital and Related Financing Activities		(13,907,759)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received from Investments		2,063,649
Investment Income Received		328,916
Cash Paid for Investments	(4,752,273)	(5,115,933)
Net Cash Flows Used by Investing Activities	(1,430,019)	(2,723,368)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,509,775	1,522,826
CURRENT CASH AND CASH EQUIVALENTS:		
At Beginning of Year		10,567,257
At End of Year		8,384,471
Net Increase	6,342,531	(2,182,786)
RESTRICTED CASH AND CASH EQUIVALENTS:	<b>=</b> 442.020	
At Beginning of Year		3,937,416
At End of Year		7,643,028
Net Decrease	(2,832,756)	3,705,612
TOTAL CASH AND CASH EQUIVALENTS: At Beginning of Year	16 027 400	14504672
At End of Year		14,504,673
		16,027,499
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 3,509,775	\$ 1,522,826
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
FROM OPERATING ACTIVITIES:		
Operating Income	\$ 10,269,993	\$ 9,471,835
Adjustments to Reconcile Operating Income to Net Cash Flows		
From Operating Activities:		
Depreciation and Amortization	5,532,587	5,617,403
Actuarially Determined Net Pension Expense		513,330
Costs Associated with Whooping Crane Endangered Species Lawsuit		-
Net Change in Assets and Liabilities from Operating Activities:		
Operating Accounts Receivable	(3,311,734)	189,036
Other Current Assets	(20,271)	43,223
Operating Accounts Payable		626,890
Net Pension Liability	<del>-</del>	160,536
Net Pension Liability		7,150,418

### NON-CASH TRANSACTIONS SCHEDULE

 $\label{the accompanying notes are an integral part of this statement.}$ 

 $<sup>1. \</sup> During \ fiscal \ year \ 2017 \ and \ 2016, an \ adjustment \ of \ (\$100,130) \ and \ \$37,281 \ respectively, \ was \ made \ to \ adjust \ investments \ to \ fair \ value.$ 

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of Guadalupe-Blanco River Authority's (GBRA) more significant accounting policies is presented to assist the reader in interpreting the financial statements. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

- 1. Reporting Entity. Guadalupe-Blanco River Authority is a political subdivision of the State of Texas, created by the Texas Legislature in 1935 by Article 8280-106 Vernon's Texas Civil Statutes. GBRA is a separate self-supporting governmental unit serving a ten county area and is administered by a nine member board of directors who are appointed by the Governor of the State of Texas. The State of Texas does not have a financial accountability with GBRA; therefore, GBRA is not a part of the State's reporting entity. In evaluating the governmental activities and entities to be included in the Authority's financial statements, the management has considered all potential component units. According to the criteria as set forth by the Governmental Accounting Standards Board and based upon the significance of their operational or financial relationships with the Authority there are no separate component units included in the financial statements
- 2. **Principles of Accounting.** The accompanying financial statements have been prepared on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.
- 3. **Fund Reporting.** GBRA's accounting system is one enterprise fund consisting of ten divisions. These divisions account for the acquisition, construction, operation and maintenance of GBRA's facilities and services which are entirely or predominately self-supporting through charges to customers.
- 4. **Budgets and Budgetary Accounting.** GBRA is not required under its enabling act to adopt a budget; therefore, comparative statements of actual expenses to budget expenses are not included within the financial statements.
- 5. Accounts Receivable. GBRA considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operating expenses when that determination is made.
- 6. **Restricted Assets.** Contractually restricted cash, investments, interest receivable and accounts receivable balances are reported as separate line items in the asset section of the statement of net position. Such amounts are physically segregated from other enterprise fund assets pursuant to provisions of the applicable bond indentures. It is GBRA's policy to first apply restricted resources when an expense is incurred for which both unrestricted and restricted assets are available.
- 7. Capital Assets. Land is not depreciated since it is considered to have an indefinite useful life. Land rights, storage rights and water rights were primarily acquired prior to November 1, 1970. Since these assets have no evident limited life, no amortization is recognized. Property, plant and equipment are recorded at their historical cost. Contributed assets should be recorded at acquisition value at the time of acquisition. GBRA Board Policy, 411-Capital Assets, provides guidelines for safeguarding and disposing of GBRA's capital assets. This policy identifies capital assets as all equipment and machinery with a useful life exceeding one year and with an original cost exceeding \$2,000. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives as follows:

Asset	Service Lives	Depreciation Method
Dams	30-50 Years	Straight-Line
Plants	30-50 Years	Straight-Line
Equipment	3-15 Years	Straight-Line

- 8. Other Assets. Included within other assets are contract development costs, permits and licenses and project development costs. With the exception of project development costs, these assets are amortized on a straight-line basis over the life of the related contract, or license. Project development costs represent the capitalization of expenditures during the initial stage of a new project. These costs are accumulated until the viability of the new project is determined. If a project is determined to be viable, the costs are either transferred to capital or intangible assets. If a project is determined not to be viable, the costs are expensed.
- 9. **Unbilled Revenue.** Revenue relating to unbilled rural water and waste water treatment services has not been recognized since the amounts are immaterial.
- 10. Administrative and General Charges. The operating divisions of GBRA pay administrative and general charges to the General Division for the administrative oversight the General Division provides. These interdivision charges and revenues have been eliminated in the combined statements.
- 11. Vacation and Sick Leave. GBRA allows employees to accumulate vacation and sick leave within certain limitations. Pursuant to Governmental Accounting Standards Board pronouncements, GBRA does not accrue nor record as an expense non-vested sick leave rights. GBRA does record as an expense and liability the value of vested vacation rights which as of August 31, 2017 and 2016 amounted to \$681,128 and \$616,557, respectively.
- 12. **Contingent Liabilities.** GBRA provides for contingent liabilities when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. At August 31, 2017 and August 31, 2016, GBRA had no contingencies.
- 13. Operating and Nonoperating Activities. Proprietary funds, like GBRA, distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating activities result from providing services in connection with GBRA's principal ongoing operations. GBRA's primary operating revenues include charges for water sales and lake operations, power sales, wastewater treatment services, and other services. Operating expenses include the costs of sales and services, general and administrative expenses, and depreciation expense. Nonoperating revenues and expenses are all other activities not meeting the above definitions.
- 14. Management's Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as, reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, allowance for doubtful accounts, realization of project development costs, and other accounts. Actual results may differ from these estimates.
- 15. **Restricted Net Position.** GBRA recognizes net position restricted for future construction costs, debt service payments, and insurance in divisions or funds in which assets exceed the related liabilities in accordance with bond issue and debt covenants and other externally imposed restrictions.

- 16. Capitalization of Interest. It is GBRA's policy to capitalize net interest costs on funds borrowed to finance the construction of capital assets. GBRA recorded no interest expense or interest income for construction in progress.
- 17. **Deferred Expenses/Revenue.** Certain utility expenses that do not require funds currently are deferred to such periods as they are intended to be recovered in rates charged to customers. Likewise, certain utility revenue is deferred to such periods in which the costs related to that revenue is recognized. Deferred expenses and revenue will be recognized in future years by setting rates sufficient to provide funds for the related debt service requirements.
- 18. **Deferred Outflows/Inflows.** GBRA adopted the provisions of GASB #63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The statement requires governments to account for deferred outflows of resources, deferred inflows of resources and net position as they relate to derivatives and service concession arrangements. Under the provisions of this statement, governments will already present a Statement of Net Position and changes the caption "Net Assets" to "Net Position". GBRA has no deferred outflows or inflows of resources as they relate to derivatives and service concession agreements.
- 19. **Debt Issue Costs**. The Authority also adopted the provisions of GASB #65 items previously reported as Assets and Liabilities. The GASB requires that the Debt issuance costs (except for any portion that is a prepayment of insurance) should be recognized as an expense in the period incurred and no longer be reported in statements of net position. The financial statements have been restated to reflect the provisions of GASB #65.
- 20. Change in Accounting Policy. During fiscal year 2015, GBRA changed accounting policies related to reporting of net pension liability, deferred outflows of resources, and deferred inflows of resources in a statement of net position by adopting GASB Statement No. 68 "Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No. 27."

#### NOTE B - LONG TERM LIABILITIES

GBRA currently has \$114,037,597 of debt outstanding from long-term loans and revenue bonds. This is exclusive of defeasance, discounts and premiums associated with these bonds.

The loans and revenue bonds outstanding at August 31, 2017 mature serially through 2039 as follows:

	L	ONG-TERM LO	ANS		REVENUE BO NDS			
Year				Balance of				Balance of
Ending				Principal				Principal
August 31	Total	Interest	Principal	Outstanding	Total	Interest	Principal	Outstanding
				\$6,042,597				\$107,995,000
2018	682,797	187,130	495,667	5,546,930	9,353,122	4,493,122	4,860,000	103,135,000
2019	684,207	171,722	512,485	5,034,445	9,367,834	4,382,834	4,985,000	98,150,000
2020	670,310	156,003	514,307	4,520,138	9,362,271	4,197,271	5,165,000	92,985,000
2021	666,466	140,055	526,411	3,993,727	9,371,476	3,996,476	5,375,000	87,610,000
2022	636,897	123,908	512,989	3,480,738	9,367,510	3,782,510	5,585,000	82,025,000
2023	607,161	109,096	498,065	2,982,673	9,377,498	3,552,498	5,825,000	76,200,000
2024	607,899	94,165	513,734	2,468,939	9,603,543	3,358,543	6,245,000	69,955,000
2025	608,475	78,748	529,727	1,939,212	8,970,134	3,095,134	5,875,000	64,080,000
2026	608,878	62,829	546,049	1,393,163	8,963,572	2,843,572	6,120,000	57,960,000
2027	256,850	46,808	210,042	1,183,121	8,973,172	2,578,172	6,395,000	51,565,000
2028	235,610	39,625	195,985	987,136	8,668,116	2,298,116	6,370,000	45,195,000
2029	235,683	32,404	203,279	783,857	8,655,532	2,015,532	6,640,000	38,555,000
2030	240,506	24,830	215,676	568,181	8,243,634	1,718,634	6,525,000	32,030,000
2031	240,074	16,893	223,181	345,000	8,113,663	1,433,663	6,680,000	25,350,000
2032	178,684	8,684	170,000	175,000	7,870,267	1,125,267	6,745,000	18,605,000
2033	177,923	2,923	175,000		7,871,175	806,175	7,065,000	11,540,000
2034					3,025,499	475,499	2,550,000	8,990,000
2035					3,027,251	377,251	2,650,000	6,340,000
2036					2,819,581	274,581	2,545,000	3,795,000
2037					2,164,104	174,104	1,990,000	1,805,000
2038					969,742	89,742	880,000	925,000
2039					971,068	46,068	925,000	
_	\$ 7,338,420	\$ 1,295,823	6,042,597		\$155,109,764	\$ 47,114,764	\$ 107,995,000	

### NOTE B – LONG-TERM LIABILITIES (CONTINUED)

GBRA had the following changes in long-term liabilities for the fiscal years ended August 31, 2017 and 2016.

			Effe c tiv e				1	R e tire d			R	e tire d		Amo	unts	
	Date of	Final	Interest		Original	Outs tanding		During		ts tanding		uring	Outs tanding	Due V		
Series  ODLICATIONS DAVABLE DIDECTLY	Is sue	Maturity	y Rate		Amount	8/31/2015	I	FY 2016	8/	31/2016	FY	2017	8/31/2017	One '	Year	
OBLIGATIONS PAYABLE DIRECTLY RURAL UTILITIES DIVISION	1 B1 GBK	A														
Regions Loan, Dunlap Expansion Refunding	03/15/2012	2015	2.3%	\$	3,590,000	\$ 710,748	\$	710,748	\$		\$		\$	\$		
Regions Loan, Dunlap Collection System	03/15/2012	2032	3.3%	Ψ	2,600,000	2,410,000	Ψ	100,000	Ψ	2,310,000	Ψ	105,000	2,205,000		5,000	
Regions Loan, Emergency Generator-032	08/29/2014	2019	3.12%		33,000	26,777		6,379		20,398		6,584	13,814		6,798	
Regions Loan, Emergency Generator-033	08/29/2014	2019	3.12%		37,000	30,023		7,152		22,871		7,384	15,487		7,621	
Regions Loan, Emergency Generator-035	08/29/2014	2019	3.12%		70,000	56,801		13,531		43,270		43,270	2,107			
Wells Fargo Loan, Emergency Generator-033	12/01/2016	2026	3.45%		97,050							6,161	90,889		8,463	
Wells Fargo Loan, Belt Press/Truck-041	12/01/2016	2026	3.45%		407,950							25,899	382,051		5,578	
WATER RESOURCE DIVISION					,							,	,			
U.S. Government Loan	01/01/1977	2026	2.5%		8,979,862	2,938,847		235,419		2,703,428		241,305	2,462,123	24	7,337	
JP Morgan Chase Loan, Office Expansion	05/09/2006	2016	4.18%		1,600,000	106,667		106,667								
A. Us s ery, Water Rights	09/26/2006	2031	4.50%		343,496	252,768		11,126		241,642		11,626	230,016	1	12,149	
Luling Foundation, Water Rights	09/26/2006	2031	4.50%		584,706	430,258		18,938		411,320		19,790	391,530	2	0,681	
General Improvement & Ref. Rev. Bonds, 2011	03/01/2011	2030	3.0-4.625%		10,745,000	8,375,000		490,000		7,885,000		505,000	7,380,000	52	0,000	(1)
General Improvement Revenue Bonds, 2012	04/04/2012	2031	0.14-1.86%		4,400,000	3,725,000		220,000		3,505,000		220,000	3,285,000	22	0,000	
General Improvement Revenue Bonds, 2015	12/01/2015	2035	2.088-3.38%	5	2,000,000					2,000,000			2,000,000			
Total Obligations Payable Directly by	GBRA			\$	35,488,064	\$ 19,062,889	\$	1,919,960	\$	19,142,929	\$	1,192,019	\$ 18,455,910	\$ 1,18	3,627	
CONTRACT REVENUE BONDS ANI	LOANS															
WATER RESOURCE DIVISION																
RRWDS Combination Contract Revenue Bon		2020	5.000/	6	0.100.000	6 0.225,000	¢	10.5.000	¢.	0.050.000	e 0	050 000		¢.		
2007A  RRWDS Combination Contract Revenue Bon	09/15/2007	2039	5.00%	\$	9,180,000	\$ 8,235,000	\$	185,000	\$	8,050,000	\$ 8	,050,000	\$	\$		
2007B	09/15/2007	2039	7.10%		5,775,000	5,335,000		90,000		5,245,000		100,000	5,145,000	10:	5,000	
RRWDS Contract Rev Ref Bonds, San Marco	S															
2010	09/01/2010	2024	2.0-3.25%		\$6,895,000	4,745,000		460,000		4,285,000		470,000	3,815,000	49	0,000	(2)
IH35 Project Combination Contract Revenue 2013	Bonds 04/17/2013	2037	2.0-5.0%		19,470,000	17,880,000		560,000		17 220 000		565 000	16 755 000	50	5,000	(2)
We stern Canyon Regional Water Supply Proje			2.0-3.070		19,470,000	17,000,000		300,000		17,320,000		565,000	16,755,000	36.	3,000	(3)
20 I3 A	07/10/2013	2033	1.0-5.0%		55,265,000	50,980,000		1,915,000		49,065,000	1	,995,000	47,070,000	2,03	0,000	(4)
Western Canyon Regional Water Supply Proje		onds														
2013B	07/10/2013	2033	1.909-4.63%		6,830,000	6,265,000		265,000		6,000,000		265,000	5,735,000	27	0,000	(4)
San Marcos Water Treatment Plant Revenue	11/22/2016	2036	2.0-5.0%		4,850,000								4,850,000	91	0,000	(5)
RRWDS Contract Revenue Refunding Bonds	11 22/2010	2030	2.0-3.0 /0		4,050,000								4,030,000	,	0,000	(3)
2017	07/20/2017	2039	2.0-4.0%		7,745,000								7,745,000	29	0,000	(6)
PORT LAVACA WATER TREATMENT	Γ P LA NT D	IVIS ION														
Frost National Bank, Clearwell	03/04/2008	2022	4.00%		400,000	331,195		29,533		301,662		49,975	251,687	5	2,040	
Water Supply Revenue Refunding Bonds	03/04/2000	2022	4.0070		400,000	334,03		27,555		301,002		47,773	23 1,007	5.	2,040	
2011	08/16/2011	2016	2.00%		1,205,000	305,000		305,000								(7)
LULING WATER TREATMENT PLANT	DIVISION															
Treated Water Delivery System Contract Reve				hart												
2014	01/15/2014	2030	3.45%		4,950,000	4,715,000		245,000		4,470,000		255,000	4,215,000	26	0,000	(8)
LOCKHART WASTEWATER RECLAM Regional Wastewater Treatment System Conti			Ronds													
2010	09/08/2010	2017	1.5%-2.5%		4,025,000	1,255,000		615,000		640,000		640,000				(9)
Total Contract Revenue Bonds and L	oans			\$	126,590,000	\$ 100,046,195	\$	4,669,533	\$	95,376,662	\$ 12	,389,975	\$ 95,581,687	\$ 4,17		( )
Total Bonds & Loans Payable Prior to	Defeasanc	e and Ac	cretion of			\$ 119,109,084			s	114,5 19,591			\$ 114,037,597	\$5,35	5.667	
						, , , , , , , , , , , , , , , , , , , ,	-				•					
Total Bonds and Loans Payable Prior to Defeas	ance and Acc	retion of l	Interest							3 1/2 0 16 114,5 19,591			8/31/2017 \$114,037,597			
Less Revenue Bond Discounts and Deferred De			antorost						4	(420,350)			(389,460)			
Plus Revenue Bond Premiums										6,320,664			6,035,738			
Net Revenue Bonds and Long-Term Loa	ans Payabl	e								120,419,905			119,683,875			
Less Current Portion	ZADIE									(5,665,636)			(5,355,667)			
TOTAL BONDS AND LOANS PAY									<u> </u>	14,754,269	:		\$ 114,328,208			
INTERDIVISION LOANS ELIMINATED F				SE	HEET				_	12.112.6.5.5			0.12.415.0.15			
Long-term loans payable to the Gene Guadalupe Valley Hydro electric Division	ral Divisio	n are as	10 Ho ws :						8/	\$4,301,357			8/31/2017 \$3,873,357			
Rural Utilities Division										2,285,057			2,285,057			
Water Supply Division										995,829			315,929			
Total Long-term loans payable to th	e General	Divis io n							_	\$7,582,243			\$6,474,343			
									_							

#### NOTE B - LONG-TERM LIABILITIES (CONTINUED)

- 1. GBRA issued in Fiscal Year 2011 General Improvement and Refunding Revenue Bonds, Series 2011. These bonds were issued to retire the General Improvement Revenue Bonds, Series 2002 and to provide funds for the lump sum buy-out of the Water Right Subordination Agreement between GBRA and the City of Seguin. The refunding of the 2002 General Improvement Revenue Bonds produced an economic loss of \$27,473, but was necessary to remove bond covenants in the 2002 bonds to facilitate the new money portion of the bond. GBRA's buy-out of the Water Right Subordination agreement effectively produced a savings of approximately \$4,295,500. Bonds outstanding that are considered defeased as a result of the 2011 refunding are \$0.
- 2. GBRA issued in Fiscal Year 2011 Regional Raw Water Delivery System Contract Revenue Refunding Bonds, Series 2010 (City of San Marcos portion). These bonds were issued to retire the 1998 bonds, except for the September 1, 2010 payment of \$340,000. As a result of the refunding, GBRA reduced its total debt service requirement by \$842,606 and produced a net present value savings (economic gain) of \$848,929. Bonds outstanding that are considered defeased as a result of the 2011 refunding are \$0.
- 3. GBRA issued in Fiscal Year 2013 Contract Reveue Refunding Bonds (IH35 Treated Water Delivery Bonds), Series 2013. These bonds were issued to retire the Series 2004 bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$4,307,567 and produced a net present value savings (economic gain) of \$2,877,554. Bonds outstanding that are considered defeased as a result of the 2013 refunding are \$0.
- 4. GBRA issued in Fiscal Year 2013 Contract Revenue Refunding Bonds (Western Canyon Regional Water Supply Project), Series 2013A and Series 2013B. As a result of the refunding, GBRA reduced its total debt service requirements by \$9,669,586 and produced a net present value savings (economic gain) of \$6,741,092. Bonds outstanding that are considered defeased as a result of the 2013 refunding are \$0.
- 5. GBRA issued in Fiscal Year 2017 Contract Revenue Refunding Bonds (San Marcos Water Treatment Plant Project), Series 2016. As a result of the refunding, GBRA reduced its total debt service requirements by \$1,371,317 and produced a net present value savings (economic gain) of \$1,031,267. Bonds outstanding that are considered defeased as a result of the 2016 refunding are \$0.
- 6. GBRA issued in Fiscal Year 2017 Subordinate Lien Contract Revenue Refunding Bonds, Series 2017 (Regional Raw Water Delivery System Expansion Project). As a result of the refunding, GBRA reduced its total debt service requirements by \$2,049,534 and produced a net present value savings (economic gain) of \$1,418,630. Bonds outstanding that are considered defeased as a result of the 2017 refunding are \$0 as of August 22, 2017.
- 7. GBRA issed in Fiscal Year 2011 Water Supply Revenue Refunding Bonds, Series 2011 (Port Lavaca Water Treatment Plant Project). These bonds were issued to retire the Series 2000 bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$44,115 and produced a net present value savings (economic gain) of \$39,856. Bonds outstanding that are considered defeased as a result of the 2011 refunding are \$0.
- 8. GBRA issued in Fiscal Year 2014 Treated Water Delivery System Contract Revenue Refunding Bonds, Series 2014 (City of Lockhart Project). These bonds were issued to retire the Series 2004 bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$634,189 and produced a net present value savings (economic gain) of \$478,361. Bonds outstanding that are considered defeased as a result of the 2014 refunding are \$0.
- 9. GBRA issued in Fiscal Year 2011 Contract Revenue Refunding Bonds, Series 2010 (City of Lockhart Wastewater Treatment System Project). These bonds were issued to retire the Series 1996 bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$248,321 and produced a net present value savings (economic gain) of \$220,321. Bonds that are considered defeased as a result of the current year refunding are \$0.

The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service retirement, construction, contingencies, etc. These accounts are reported as restricted assets in the accompanying financial statements. The bond indentures contain flow of funds requirements which generally provide the order in which funds are to be applied. These requirements have been met. The following bond indentures of GBRA contain bond coverage requirement provisions: 1) General Improvement and Refunding Revenue Bonds, Series 2011; 2) Contract Revenue Bonds (IH35), Series 2013; 3) Combined Contract Revenue Bonds (Western Canyon), Series 2013; 4) Combined Contract Revenue Bonds (RRWDS), Series 2007; 5) Subordinate Lien Contract Revenue Refunding Bonds, Series 2017 (RRWDS); 6) RRWDS Contract Revenue Refunding Bonds (City of San Marcos), Series 2010; and 7) Treated Delivery System Contract Revenue Refunding Bonds (City of Lockhart), Series 2014.

#### NOTE C - DEFINED BENEFIT PENSION PLAN

#### A. GENERAL INFORMATION ABOUT THE PENSION PLAN

#### 1. Plan Description

GBRA contributes to the Retirement Plan for Employees of Guadalupe-Blanco River Authority which was established June 1, 1966, and restated effective January 1, 2008. The Plan is a single employer, non-contributory, defined benefit plan. The Plan's benefit provisions were established and may be amended by GBRA's Board of Directors. The Plan is administered by the Retirement and Benefit Committee appointed by the GBRA Board. GBRA does not have access to nor can it utilize assets within the Retirement Plan Trust. The plan issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Retirement and Benefit Committee at 933 East Court Street, Seguin, Austin, Texas 78155. See that report for all information about the plan fiduciary net position.

#### 2. Funding Policy

All full-time GBRA employees who were hired before January 1, 2011 participate in the plan. Employees are 100% vested in the accrued benefit upon completion of five (5) years of service. Normal retirement age is 65. The plan also provides benefits for early and late retirement, death, and disability. The retirement benefit at normal retirement is equal to 1.3% of final average earnings times the number of years of credited service. The normal form of payment is a ten (10) year certain and lifetime monthly benefit. Other lifetime monthly benefit optional forms are available, but there is no partial lump sum option.

There is no provision for automatic postretirement benefit increases. The plan has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

#### 3. Employees Covered by the Plan

In the January 1, 2016 actuarial valuation, the following numbers of employees were covered by the plan:

Inactive employees or beneficiaries currently receiving benefits	75
Inactive employes entitled to but not yet receiving benefits	43
Active Employees	93
	211

#### 4. Funding Policy

The GBRA Board of Directors has sole authority to establish or amend the obligations to contribute to the plan by participants or the employer. Employees are not required to contribute to the plan. GBRA makes a regular annual contribution which is not actuarially determined but which is expected to be adequate to pay the plan's total cost. GBRA contributes this regular amount, usually in December, equal to the sum of the normal cost using the entry age actuarial cost method plus an amount that will amortize the unfunded actuarial accrued liability (UAAL) over an open period that can vary from year to year. The regular annual employer contribution according to the current funding policy which began in 2011 is 12.00% of total projected annual beginning-of-year participant compensation plus a percent (12% - normal cost percent) of total projected annual beginning-of-year compensation for non- participating full-time employees hired after 2010. The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of employee compensation method. All of the costs of administering the plan, except investment management fees, are paid by GBRA and are not considered in the determination of the employer contribution.

Based on this funding policy, the actuaries' recommended contribution for the plan year ending December 31, 2017 is \$1,067,716 payable as of December 31, 2017. This amount will fund the plan's normal cost for the year and is expected to amortize the UAAL as a level percent of employee compensation over nine years. There are no required contributions by the participants.

Ultimately, the funding policy also depends upon the total return of the plan's assets, which varies from year to year. Investment policy decisions are established and maintained by the Retirement and Benefit Committee. The committee selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2016, the money-weighted rate of return on pension plan investments was 2.58%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

#### B. NET PENSION LIABILITY

The Employer's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017.

Total pension liability Plan fiduciary net position	\$ 34,348,580 26,632,375
Employer's net pension liability	\$ 7,716,205
Plan fiduciary net position as a percentage of the total pension liability	77.5%

#### NOTE C - DEFINED BENEFIT PENSION PLAN

#### 1. Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.00 percent

Salary increases 3.00 percent, plus merit and promotion increases that vary by age and service Investment rate of return 7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments is reviewed annually and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.29%) and by adding expected inflation (3.0%). In addition, the final 7.0% assumption was selected by "rounding down" and thereby reflects a reduction of 0.29% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	30%	5.65%
Small cap domestic	7	5.91
International developed	12	6.06
Emerging Markets	3	7.60
Hedge fund of funds	10	2.75
Real estate	12	3.54
Fixed income	26	2.04
Cash	_0	0.35
Total	$1\overline{00}\%$	
Weighted Average		4.29%

#### 2. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. No projection of cash flows was used to determine the discount rate because the January 1, 2017 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in nine years. That UAAL was based on an actuarial value of assets that was 10% more than the plan fiduciary net position as of December 31, 2016. Because of the nine-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

#### ${\bf 3}.$ Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Employer, calculated using the discount rate of 7.00%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	(6%)	Rate (7%)	(8%)
Employer's Net Pension Liability	\$11,589,344	\$7,716,205	\$4,400,374

### 4. Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the plan. Detailed information about the plan fiduciary net position is available in the plan's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

#### NOTE C - DEFINED BENEFIT PENSION PLAN

#### C. CHANGES IN THE NET PENSION LIABILITY

	Increase (Decrease)						
	Total	Pension	Plan	Fiduciary	Net Pension		
	Lia	ability	Ne	t Position		Liability	
		(a)		<b>(b)</b>		(a) – (b)	
Amounts as of August 31, 2016	\$	32,356,203	\$	25,768,160	\$	6,588,043	
Changes for the year:						2 42 222	
Service cost		363,322				363,322	
Interest		2,251,021				2,251,021	
Differences between expected and actual experience		502,207				502,207	
Contributions by the employer				1,338,202		(1,338,202)	
Contributions by the participant				0		0	
Net investment income				650,186		(650,186)	
Benefit payments		(1,124,173)		(1,124,173)		0	
Administrative expenses				0		0	
Assumption changes		0				0	
Other		0		0		0	
Net changes		1,992,377		864,215	_	1,128,162	
Amounts as of August 31, 2017 <sup>2</sup>	\$	34,348,580	\$	26,632,375	\$	7,716,205	

 $<sup>^{1}</sup>$  Measurements for the fiscal year ended August 31, 2016 were taken as of December 31, 2015

## D. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended August 31, 2017, the Employer GASB 68 pension expense was \$2,184,282. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

#### 1. Components of Pension Expense for the Fiscal Year Ended August 31, 2017

Service Cost	\$ 363,322
Interest	2,251,021
Amortization of differences between expected and actual experience	213,432
Amortization of changes of assumptions	197,226
Projected earnings on pension plan investments	(1,764,425)
Amortization of differences between projected and actual earnings	923,706
Pension plan administrative expenses	0
Other	0
Total pension expense	\$ 2,184,282

#### 2. Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in Pension Expense in Future Years

	Deferred	Deferred
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 736,203	\$ 0
Changes of assumptions	598,068	0
Net difference between projected and actual		
earnings on pension plan investments	 2,746,373	 0
Total	\$ 4,080,644	\$ 0

 $<sup>^2</sup>$  Measurements for the fiscal year ended August 31, 2017 were taken as of December 31, 2016  $\,$ 

#### NOTE C - DEFINED BENEFIT PENSION PLAN

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

	Net of Deferred
Year Ended	<b>Outflows Minus</b>
August 31	Deferred Inflows
2018	\$ 1,334,365
2019	1,334,365
2020	1,071,184
2021	340,730
2022	0
Thereafter	 0
Total	\$ 4.080.644

#### 3. Deferred Outflow of Resources to be Recognized Next Year

No supplemental contribution was contributed subsequent to the measurement date of the net pension liability, as shown in Section III. So there is no deferred outflow of resourses that will be recognized as a reduction in the net pension liability in the fiscal year ending August 31, 2018.

#### NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS

The monetary assets of GBRA are held in various forms and accounts. These assets are described and presented in the combined financial statements in two groups. One group is described as "Cash and Cash Equivalents". This group is characterized as having high liquidity with little market risk and includes cash, checking accounts, money market accounts and bank time deposits with an original maturity of less than three months. The second group of monetary assets is presented in the financial statements as "Investments". Investments are recorded at their fair value as based upon quoted market prices with the exception of bank certificates of deposit which are recorded at their historical cost which approximates fair value.

#### 1. CASH AND DEPOSITS

At August 31, 2017, GBRA held \$3,379,209 in restricted and unrestricted cash. Included in this amount was \$1,850 of cash on hand and the remainder was on deposit at various banks in demand accounts.

GBRA bank deposits were entirely insured or collateralized with securities held by GBRA's agent in GBRA's name.

#### 2. INVESTMENTS

Investments for GBRA are stated at fair value. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the River Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- •Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- •Inputs other than quoted prices that are observable for the asset or liability.
- •Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

 $Level \ 3 - Inputs \ to \ the \ valuation \ methodology \ are \ unobservable \ and \ significant \ to \ the \ fair \ value \ measurement.$ 

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the GBRA believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In March 2003 the GASB issued No. 40 "Deposits and Investment Risk Disclosures", which GBRA has implemented. Risk disclosures in previous financial reports (under the provisions of GASB 3) focused only on custodial credit risk. GASB 40 not only addresses custodial credit risk, but other common areas of investment risk as well (e.g. interest rate risk, credit risk, and concentration of credit risk).

### NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS

GBRA customarily invests its funds in certificates of deposit, mortgage backed securities, direct obligations of the United States or money market investment funds such as the Texas State Treasury's TexPool Fund and the Texas Cooperative Liquid Assets Securities System (Texas CLASS). GBRA usually holds its investments until maturity.

<u>Custodial Credit Risk</u>: Investments which may be purchased pursuant to Texas state law and GBRA's investment policy are direct or indirect obligations of the United States of America, any "A" rated obligation of a state of the United States or political subdivision thereof, investment grade repurchase agreements, prime commercial paper rated A-1 or P-1, obligations of the Federal National Mortgage Association and Government National Mortgage Association, and bank time deposits to the extent collateral is pledged on the amount exceeding Federal Deposit Insurance Corporation (FDIC) coverage.

	2017				2016				
			Weighted Average			Weighted Average			
	C	arry Amount	t Maturity in Months		arry Amount	Maturity in Months			
U.S. Agencies			_						
Federal Agricultural Mtg Corp	\$	998,270	27.77	\$	-	0.00			
Federal Farm Credit Bank		599,730	15.30		604,212	27.02			
Federal Home Loan Bank		7,315,292	22.07		6,998,257	18.07			
Federal National Mortgage Assn.		8,811,374	18.53		7,910,681	31.76			
Federal Home Loan Mortgage			0.00		1,703,655	6.20			
U. S. Treasury		5,671,093	15.11		6,784,660	18.63			
Certificates of Deposit		4,130,970	6.56		4,959,244	10.06			
Bank Money Market Funds		10,327,077	0.00		6,000,270	0.00			
Texas Class		166,349	1.07		164,705	1.00			
TexPool		5,545,988	2.63		4,691,309	1.00			
Total Investments	\$	43,566,143		\$	39,816,993	=			
Portfolio weighted average maturity			11.04			14.86			

Interest Rate Risk: GBRA'S investment policy calls for maximum final maturity of any operating investments to be 5 years, with at least 50% of all operating investments maturing within 3 years. Bond funds may be invested with maturities of less than 5 years, and construction funds may be invested in accordance with a construction draw schedule. The weighted average maturities noted above are in compliance with this policy.

#### Investments are rated as follows:

	Moody's	S&P
Federal Home Loan Bank	Aaa	AA+
Federal Home Loan Mortgage	Aaa	AA+
Federal National Mortgage Assn.	Aaa	AA+
Texas Class	Aaa	AAAm
TexPool	Aaa	AAAm

TexPool has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, under an agreement with the Comptroller, acting on behalf of the Trust Company. The Comptroller maintains oversight of the services provided to TexPool by Federated Investors. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases.

Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAm' by Standard and Poor's Ratings Services. The 'AAAm' principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management.

The investment pools seek to maintain a net asset value of \$1.00 and are designed to be used for investment of funds which may be needed at any time.

## NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS

Concentration of Credit Risk: GBRA's investment policy provides for diversification to reduce overall portfolio risk. The portfolio should consist of no more than 75% government or mortgage backed securities, 50% certificates of deposits, or 50% other types of eligible instruments. The investment portfolio concentrations are as follows:

	2017			2016	
Description	Carrying Amount % of Portfolio		Car	rying Amount	% of Portfolio
U.S. Agencies	\$ 17,724,666	37.75%		17,216,805	41.04%
U.S. Treasury	5,671,093	12.08%		6,784,660	16.17%
Certificates of Deposit	4,130,970	8.80%		4,959,244	11.82%
Bank Money Market Funds	10,327,077	22.00%		6,000,270	14.30%
Public Funds Investment Pools	5,712,337	12.17%		4,856,014	11.57%
Cash	3,379,209	7.20%		2,141,147	5.10%
Total	\$ 46,945,352	100.00%	\$	41,958,140	100.00%

#### **Investment Valuation**

GBRA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. GBRA's investments for all funds at fiscal year-end are listed below at fair value, net of accruals. GBRA has the following recurring fair value measurements as August 31, 2017:

	A	august 31, 2017	 Level 1	Level 2	L	evel 3
Investments by Fair Value Level:			 _	_		
Debt Securities						
Federal Agricultural Mtg Corp	\$	998,270	\$ 	\$ 998,270	\$	
Federal Farm Credit Bank		599,730		599,730		
Federal Home Loan Bank		7,315,292		7,315,292		
Federal National Mortgage Assn.		8,811,374		8,811,374		
U.S. Treasury Notes		5,671,093	 	5,671,093		
Total Debt Securities	\$	23,395,759	\$ 	\$ 23,395,759	\$	
Total Investments Measured at Fair Value Level	\$	23,395,759	\$ 	\$ 23,395,759	\$	
Investments Measured at Amortized Cost:						
Money Market Funds		10,327,077				
Certificate of Deposits		4,130,970				
TexPool		5,545,988				
Total Investments Measured at Amortized Costs		20,004,035				
Investments Measured at Net Asset Value:						
Texas Class		166,349				
Total	\$	43,566,143				

### NOTE E - CAPITAL ASSETS

Capital asset activity for FY 2017 and 2016 was as follows:

FY 2017 ASSETS					TS			
	Balance							Balance
Classification	Au	gust 31, 2016		Additions	]	Removals	Au	gust 31, 2017
Land,Water & Storage Rights	\$	35,538,587	\$		\$	(131,470)	\$	35,407,117
Construction in Progress		1,293,941		790,857		(1,244,367)		840,431
Total Assets Not Being Depreciated		36,832,528		790,857		(1,375,837)		36,247,548
Structures & Improvements		191,392,072		1,183,949		(5,880,384)		186,695,637
Specialized Equipment		7,382,951		59,289		(159,609)		7,282,631
Office Buildings & Communications		2,324,819				(2,556)		2,322,263
Shops & Storerooms		83,673						83,673
Auto & Heavy Equipment		4,372,478		591,189		(160,387)		4,803,280
Office Furniture & Equipment		1,496,146		44,949 (56,241		(56,241)		1,484,854
Miscellaneous Equipment		5,322,572		556,056		(497,684)		5,380,944
Total Dams, Plants and Equipment		212,374,711		2,435,432		(6,756,861)		208,053,282
Total Capital Assets	\$	249,207,239	\$	3,226,289	\$	(8,132,698)	\$	244,300,830
				DEPRECL	ATION			
		Balance						Balance
Classification	Au	gust 31, 2016		Additions	1	Removals	Au	gust 31, 2017
Structures & Improvements	\$	(67,380,237)	\$	(4,547,017)	\$	3,665,578	\$	(68,261,676)
Specialized Equipment		(6,362,123)		(86,954)		158,536		(6,290,541)
Office Buildings & Communications		(1,819,292)		(40,803)		1,803		(1,858,292)
Shops & Storerooms		(52,560)		(1,815)				(54,375)
Auto & Heavy Equipment		(3,283,553)		(324,906)		145,162		(3,463,297)
Office Furniture & Equipment		(1,369,732)		(48,365)		47,294		(1,370,803)
Miscellaneous Equipment		(3,307,488)		(444,205)		334,487		(3,417,206)
Total Accumulated Depreciation	\$	(83,574,985)	\$	(5,494,065)	\$	4,352,860	\$	(84,716,190)
NET CAPITAL ASSETS	\$	165,632,254	\$	(2,267,776)	\$	(3,779,838)	\$	159,584,640

#### NOTE E - CAPITAL ASSETS CONTINUED

FY 2016			ASSE	TS			
		Balance					Balance
Classification	Au	gust 31, 2015	 Additions	Removals		August 31, 2016	
Land, Water & Storage Rights	\$	35,538,587	\$ 	\$		\$	35,538,587
Construction in Progress		165,344	1,128,597				1,293,941
Total Assets Not Being Depreciated		35,703,931	1,128,597				36,832,528
Structures & Improvements		191,324,267	67,805				191,392,072
Specialized Equipment		7,312,897	70,054				7,382,951
Office Buildings & Communications		2,310,551	14,268				2,324,819
Shops & Storerooms	83,673						83,673
Auto & Heavy Equipment	4,123,128		335,544		(86,194)		4,372,478
Office Furniture & Equipment	1,469,474		26,672				1,496,146
Miscellaneous Equipment		4,809,941	 519,859		(7,228)		5,322,572
Total Dams, Plants and Equipment		211,433,931	1,034,202		(93,422)		212,374,711
Total Capital Assets	\$	247,137,862	\$ 2,162,799	\$	(93,422)	\$	249,207,239
			DEPRECL	ATION			
		Balance					Balance
Classification	Au	gust 31, 2015	 Additions	emovals	Au	gust 31, 2016	
Structures & Improvements	\$	(62,707,724)	\$ (4,672,513)	\$		\$	(67,380,237)
Specialized Equipment		(6,284,866)	(77,257)				(6,362,123)
Office Buildings & Communications		(1,776,931)	(42,361)				(1,819,292)
Shops & Storerooms		(50,745)	(1,815)				(52,560)
Auto & Heavy Equipment		(3,079,211)	(285,992)		81,650		(3,283,553)
Office Furniture & Equipment		(1,300,124)	(69,608)				(1,369,732)
Miscellaneous Equipment		(2,890,005)	(424,711)		7,228		(3,307,488)
Total Accumulated Depreciation	\$	(78,089,606)	\$ (5,574,257)	\$	88,878	\$	(83,574,985)
NET CAPITAL ASSETS	\$	169,048,256	\$ (3,411,458)	\$	(4,544)	\$	165,632,254

#### NOTE F - POLLUTION CONTROL

GBRA has assisted industries within the GBRA service area by providing tax-exempt financing for pollution control facilities and private industrial development.

For the pollution control and industrial development bonds listed below, GBRA acted as an issuing conduit so that the user of the bond proceeds benefited from reduced debt service requirements. In each case, the user of the bond proceeds pledge their credit, bear sole responsibility for all debt service, make all payments directly to the trustee, and completely indemnify GBRA for any costs incurred. Due to the character of these bonds, GBRA considers them debts of the third party users rather than debts of GBRA. Therefore, these bonds and the related receivables have been excluded from the combined financial statements in order to avoid misrepresenting the nature of the bonds and distorting GBRA's financial statements. This exclusion is in conformity with the Texas State Auditor's Report dated October 6, 1986 for Water Districts and River Authorities reporting third party conduit financings. The Pollution Control and Industrial Development Bonds outstanding at August 31, 2017 total \$0 and are as follows:

	Date	e of	Interest	O	riginal	(	Outstanding	Outst	anding
Series	Issue	Maturity	Rate	A	mount	:	8/31/2016	8/31	/2017
Pollution Cont	rol Revenue Refunding	Bonds (AEP Texas Co	entral, formerly	Central F	Power & Light	, Comp	oany Project)		
2008	4/1/2008	2017	Variable	\$	40,890,000	\$	40,890,000	\$	-

#### NOTE G - RISK MANAGEMENT

GBRA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, natural disasters, and job-related injuries or illnesses to employees for which GBRA carries commercial insurance or participates in the Texas Water Conservation Association Risk Management Fund (Fund). GBRA's relationship with the Fund parallels that with a commercial insurance company. The Fund has the responsibility to defend any suit seeking damages on account of any liability up to the applicable limits of the agreement. GBRA on the other hand has the responsibility to notify the Fund of all potential claims and to reimburse the Fund for amounts paid within the agreement's deductible. GBRA does not have the responsibility to reimburse the Fund for amounts related to the claims of other Fund participants. During the past three years, no settlements have exceeded insurance coverage.

#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS

Under the continuing disclosure agreements of the 1) General Improvement and Refunding Revenue Bonds, Series 2011; 2) General Improvement Revenue Bonds, Series 2012; 3) General Improvement Revenue Bonds, Series 2015; 4) Combined Contract Revenue Refunding Bonds (Western Canyon), Series 2013A and 2013B; and 5) Water Supply Revenue Refunding Bonds (Port Lavaca WTP), Series 2011, GBRA is obligated to provide certain updated financial information and operating data annually. None of the other bonds require additional disclosure of annual financial information and operating data from GBRA; however, GBRA has included general information and the debt service paid by participants for the i) Contract Revenue Refunding Bonds (IH35), Series 2013, ii) Contract Revenue Refunding Bonds, Series 2016 (San Marcos Water Treatment Plant Project) and iii) Subordinate Lien Contract Revenue Refunding Bonds, Series 2017 (RRWDS). The required information is identified below, in the preceding footnotes and in the amortization schedules.

#### General information related to all bonds (1-3 below):

#### 1. DEBT SERVICE REQUIREMENTS

The amortization schedules associated with these bonds are included in the Other Supplemental Information section of this report.

#### 2. OTHER OBLIGATIONS

#### Obligations Payable Directly by GBRA

The long-term obligations payable directly by GBRA are disclosed in "Note B-Long Term Liabilities" in the "Notes to Combined Financial Statements" section of this report.

#### Contract Revenue Bonds

The contract revenue bonds which are payable from revenue derived from contracts between GBRA and the various parties securing payment to GBRA for debt service payments on the bonds are disclosed in "Note B – Long Term Liabilities" in the "Notes to Combined Financial Statements" section of this report.

#### Pollution Control Bonds

GBRA has assisted industries within the GBRA service area by providing tax-exempt financing for pollution control facilities which is disclosed in "Note F – Pollution Control Bonds" in the "Notes to Combined Financial Statements" section of this report.

#### 3. CASH, CASH EQUIVALENTS AND INVESTMENTS OF GBRA

The percentages of GBRA's unrestricted investable funds by category is included in Note D - Cash, Cash Equivalents and Investments of this report.

#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

4. The General Improvement and Refunding Revenue Bonds, Series 2011, General Improvement Revenue Bonds, Series 2012, and General Improvement Revenue Bonds, Series 2015 constitute special obligations of GBRA that are payable from and secured by an irrevocable parity lien on and pledge of the "Pledged Revenues" and the Pledged Revenues are further pledged to the establishment and maintenance of certain funds created in the Resolutions authorizing such Bonds. "Pledged Revenues" generally consist of the gross revenues received by GBRA from the sale or commitment of raw water currently stored in Canyon Reservoir and from other sources of firm, dependable supplies of water as they are acquired and developed in the "Water Supply System" of GBRA's Water Resources Division but specifically excludes any revenues received from the sale or commitment of raw water from "run-of-the-river" rights and from any future ground water projects developed by GBRA or in which GBRA has an ownership interest.

#### GENERAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2011

On September 18, 2002, GBRA authorized the issuance of General Improvement Revenue Bonds, Series 2002 in the amount of \$4,390,000 with a delivery date of September 27, 2002. The proceeds were used for the expansion and construction of the GBRA headquarters, meeting room and office facilities, and an operations warehouse.

On April 13, 2011, GBRA issued and delivered General Improvement and Refunding Revenue Bonds, Series 2011 to refund the Series 2002 General Improvement Revenue Bonds and provide funds for the lump sum buy-out of the Water Right Subordination Agreement between GBRA and the City of Seguin.

Moody's Investors Service, Inc. assigned an underlying rating on the Bonds of "Aa2".

#### GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2012

On January 18, 2012, GBRA authorized the issuance of General Improvement Revenue Bonds, Series 2012 in the amount of \$4,400,000 with a delivery date of April 4, 2012. The bonds were sold to the Texas Water Development Board and as such, no rating was required on these bonds. The bond proceeds were used to complete a study and feasibility assessment related to a new firm water supply for GBRA referred to as the Mid-Basin Project and subsequently identified as the Gonzales Carrizo Groundwater Project. The Project is invisioned as a conjunctive use project, utilizing both surface and ground water supplies within the basin.

#### GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2015

On October 21, 2015, GBRA authorized the issuance of General Improvement Revenue Bonds, Series 2015 in the amount of \$2,000,000 with a delivery date of December 1, 2015. The bonds were sold to the Texas Water Development Board through the SWIRFT Program and as such, no rating was required on these bonds. The bond proceeds were used to fund a feasibility study in connection with the development of an integrated water-power project (IWPP Project) along the Texas Gulf Coast to provide a regional solution that would create a new source of water supply for the Coastal Bend (Region N) and South Central (Region L) and potentially Central Texas (Region K) regional water planning areas, and to pay costs of issuance.

## GENERAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2011 AND GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2012, GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2015 - FUND BALANCES AND COVERAGE

GENERAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2011

GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2012

AND GENERAL IMPROVEMENT	Γ REVENUE BONDS, SERIES 2015
-------------------------	------------------------------

\$ 734,632	
\$ 260,119	
-	(1)
\$ 994,751	-
13.78	times
6.11	times
\$ 837,750	
\$ 262,522	
204,747	
\$ 1,305,019	
10.51	times
4.66	times
\$ 68,626	
\$ 18,802	
-	
\$ 87,428	
\$ 13,710,485	(2)
\$ 6,075,789	(3)
\$ \$ \$ \$ \$ \$	\$ 260,119  \$ 994,751  13.78 6.11 \$ 837,750 \$ 262,522 204,747 \$ 1,305,019  10.51 4.66 \$ 68,626 \$ 18,802  \$ 87,428 \$ 13,710,485

- (1) GBRA General Improvement Revenue Bonds, Series 2015 will be included into this table in 2024, when debt payments begin.
- (2) See "Raw Water Sales" under "Raw Water Sales" table.
- (3) See "Net Revenues" under "Raw Water Sales" table.

#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

#### RAW WATER SALES COMPONENT OF WATER RESOURCES DIVISION - HISTORICAL OPERATING STATEMENT

	Fiscal Year Ended August 31									
(1)		2017		2016		2015		2014		2013
Revenue										
Raw Water Sales (2)	\$	13,710,485	\$	13,102,085	\$	12,655,121	\$	12,182,862	\$	11,887,664
Total Operating Revenue	\$	13,710,485	\$	13,102,085	\$	12,655,121	\$	12,182,862	\$	11,887,664
Expense										
Operating Expenses (3)	\$	6,386,579	\$	6,886,569	\$	6,415,926	\$	6,019,642	\$	5,726,454
Maintenance and Repairs		348,492		452,271		451,251		373,427		412,304
Administrative and General		899,625		853,048		710,352		617,124		592,432
Total Operating Expense	\$	7,634,696	\$	8,191,888	\$	7,577,529	\$	7,010,193	\$	6,731,190
Net Revenue	\$	6,075,789	\$	4,910,197	\$	5,077,592	\$	5,172,669	\$	5,156,474
Less Debt Service for Senior Lien Bonds (4)										
General Imp & Ref Rev Bonds, 2011	\$	823,656	\$	823,357	\$	817,457	\$	815,457	\$	817,857
General Imp Rev Bonds, 2012		257,603		257,603		262,603		262,603		262,603
General Imp Rev Bonds, 2015 (5)										
Total Debt for Senior Lien Bonds	\$	1,081,259	\$	1,080,960	\$	1,080,060	\$	1,078,060	\$	1,080,460
Debt Service Coverage Factor		5.619		4.542		4.701		4.798		4.772
Subordinate Revenues Available	\$	4,994,530	\$	3,829,237	\$	3,997,532	\$	4,094,609	\$	4,076,014

- (1) The FY 2013-2016 have been restated to eliminate revenues not included within the term "Pledged Revenues," and expenses not included within the term "Operating Expenses," as defined in the bond resolutions.
- (2) Pledged Revenues.
- (3) Pursuant to GASB 65 debt issuance costs are expensed; however, they are removed from operating expenses in this table because they were paid using bond proceeds.
- (4) Senior liens include the General Improvement Bonds, Series 2002, which were refunded with Series 2011 General Improvement and Revenue Refunding Bonds, the General Improvement Revenue Bonds, Series 2012 (Mid-Basin WIF Project), and the General Improvement Revenue Bonds, Series 2015 (IWPP Project).
- (5) Debt service payments for the General Improvement Revenue Bonds, Series 2015 begin in 2024.

#### CUSTOMER BASE BY TYPE

GBRA receives revenues from the sale or commitment of raw water currently stored in Canyon Reservoir. Such raw water is sold in accordance with various long-term contracts between GBRA and the purchaser where the purchaser agrees to pay for stored water whether or not it ultimately is delivered. There are four types of purchasers: municipal, domestic, industrial and irrigation. The total acre-feet of firm raw water contracted with each type of customer is shown below:

	August 31, 2017 August 31, 2016		August 3	1, 2015	August 3	1, 2014	August 31, 2013			
=	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total
Municipal	73,197	80.09%	72,327	79.90%	72,479	79.91%	72,479	79.90%	72,279	81.67%
Domestic	4	0.00%	5	0.01%	6	0.01%	8	0.01%	9	0.01%
Industrial	17,828	19.51%	17,827	19.69%	17,827	19.65%	17,838	19.66%	15,827	17.88%
Irrigation	363	0.40%	363	0.40%	388	0.43%	393	0.43%	389	0.44%
Contracted	91,392	100.00%	90,522	100.00%	90,700	100.00%	90,718	100.00%	88,504	100.00%

#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

#### MAJOR FIRM WATER CUSTOMERS (1,000 ACRE-FEET PER YEAR OR MORE)

Municipal and Industrial customers account for the majority of the total acre-feet under contract between GBRA and purchasers, and purchasers with contracts for 1,000 acre-feet or more per year account for 93.9% of the total acre-feet currently under contract. For this reason, major firm water customers have been identified as those with contracts for the sale of firm raw water in the amount of 1,000 or more acre-feet per year. Major firm water customers, as well as, smaller customers that are part of a large regional project, for the fiscal year ended August 31, 2017 are shown below:

	Contract Information						
		Total	·-	Contract	Expiration	Renewal	
Customer	Туре	AF/YR	Revenue (2)	Date	Date	Option	
Municipal & Retail						*	
Canyon Regional Water Authority	Regional Water Authority		\$ 1,664,785	10/31/1998	12/31/2039	(1)	
City of Marion	City	100	Ψ 1,001,703	10/31/1//0	12/31/2039		
City of Cibolo	City	1,350					
Green Valley SUD	Special Utility District	1,800					
Springs Hill WSC	Water Supply Corporation	1,925					
East Central WSC	Water Supply Corporation	1,400					
SAWS	City	4,000					
New Braunfels Utilities	City	9,720	1,374,570	01/26/1989	02/25/2050	20 Yrs	
City of Seguin	City	1,000	141,417	09/01/2012	08/31/2022	5 Yrs	
Canyon Lake WSC	Water Supply Corporation	2,000	282,760	10/01/1994	12/31/2044	(1)	
Canyon Lake WSC II	Water Supply Corporation	2,000	282,760	08/27/2001	12/31/2050	(1)	
Canyon Lake WSC III	Water Supply Corporation	2,000	282,760	09/29/2006	12/31/2050	(1)	
SHWSC I	Water Supply Corporation	1,850	261,621	06/26/1967	12/31/2050	(1)	
SHWSC II	Water Supply Corporation	1,000	141,417	06/01/2000	12/31/2050	(1)	
Green Valley SUD	Special Utility District	1,000	141,417	12/01/2008	12/31/2040	(1)	
Regional RWDS Project	-F	-,	,				
City of San Marcos	City	10,000	1,414,167	10/10/1989	07/01/2047	(1)	
City of Kyle	City	5,443	769,731	05/20/2005	12/31/2038	20 Yrs	
City of Buda	City	1,680	237,580	04/09/2002	12/31/2042	(1)	
CRWAHays Project	Regional Water Authority	2,038	288,207	06/04/2003	12/31/2039	(1)	
GoForth SUD	Special Utility District	2,243	317,252	03/01/2004	12/31/2039	(1)	
Sunfield MUD	Municipal Utility District	1,943	274,719	09/08/2005	12/31/2050		
Monarch	Utility Company	560	79,193	01/01/2008	12/31/2037		
GBRA Western Canyon	yy		.,,				
Boerne	City	3,611	508,549	02/22/2000	12/31/2037	40 Yrs (2x20 Yrs)	
Fair Oaks Ranch	City	1,850	260,542	02/10/2000	12/31/2037	40 Yrs (2x20 Yrs)	
SAWS	City	4,000 (3)	1,312,032	03/17/2000	12/31/2037	40 Yrs (2x20 Yrs)	
Cordillera Ranch	Housing Development	1,500	211,250	10/11/2001	12/31/2037	40 Yrs (2x20 Yrs)	
Kendall & Tapatio	Housing Development	750	105,625	03/18/2002	12/31/2037	40 Yrs (2x20 Yrs)	
Johnson Ranch	Housing Development	900	126,750	03/28/2003	12/31/2037	40 Yrs (2x20 Yrs)	
Miralomas MUD (Lerin Hills)	Municipal Utility District	750	105,625	09/18/2009	12/31/2036	40 Yrs (2x20 Yrs)	
GBRA-Comal Trace	River Authority	75	10,414				
Bremer Ranch LTD	Municipal	100	14,083	11/01/2013	12/31/2043	20 Yrs	
Couser Ranch	Municipal	100	14,083	11/01/2013	12/31/2043	20 Yrs	
CLWSC-Bulverde	Water Supply Corporation	400	56,552	02/06/2009	12/31/2040	10 Yrs	
CLWSC-Park Village	Water Supply Corporation	322	45,348	03/24/2009	12/31/2040	10 Yrs	
Total Major Municipal Customers		69,410	\$ 10,725,209				
Industrial							
Calpine-Guadalupe Energy Center	Electric Generation	6,840	\$ 967,290	03/17/1999	12/31/2021	30 Yrs (6x5 Yrs)	
Coleto Creek Power LP	Electric Generation	6,000	848,500	09/01/1975	09/01/2025	(1)	
Hays Energy Limited Partners	Electric Generation	2,464	348,451	06/25/1999	12/31/2025	(1)	
Ineos USA LLC	Chemical Company	1,100	155,558	02/11/1980	02/11/2020	40 Yrs (15 Yrs + (5x5 Yrs))	
Total Major Industrial Customers	Chemical Company	16,404	\$ 2,319,799	02/11/1980	02/11/2020	40 118 (13 118 + (3x3 118))	
i otai wiajoi industriai Customers		10,404	φ 2,319,199				
Total Major Customers		85,814	\$ 13,045,008				
Total Firm Water Sales		91,392	\$ 13,710,485				
Major Customers as a Percenta	ge of Total	93.90%	95.15%				
major Customers as a refeelta	ge or rotar	73.70 /0	73.13 /0				

- (1) Contract does not provide for specific renewal options
- (2) Includes Out-of-District Charges
- (3) Includes returnable and additional water charges

### NOTE H – CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

#### FIRM WATER SALES RATE HISTORY

Price Per	Effective				
Acre-Foot (1)	Date				
\$38.75	10/1/1980				
44.76	10/1/1985				
53.03	10/1/1990				
61.00	10/1/1997				
69.00	10/1/2000				
80.00	10/1/2002				
84.00	11/1/2003				
88.00	10/1/2004				
92.00	10/1/2005				
96.00	10/1/2006				
100.00	10/1/2007				
105.00	10/1/2008				
110.00	10/1/2010				
114.00	10/1/2011				
125.00	10/1/2012				
130.00	10/1/2014				
135.00	10/1/2015				
142.00	10/1/2016				
145.00	10/1/2017				

<sup>(1)</sup> Excludes out-of-district charges.

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#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

#### 5. CONTRACT REVENUE REFUNDING BONDS (WESTERN CANYON REGIONAL WATER SUPPLY PROJECT), SERIES 2013A & 2013B

On February 20, 2013, GBRA authorized the issuance of Combined Contract Revenue Refunding Bonds, Series 2013A and 2013B in the amount of \$55,265,000 and \$6,830,000, respectively. The proceeds were used to i) refund the Contract Revenue Bonds, Series 2003 (Western Canyon Regional Water Supply Project) to achieve debt service net present value savings of \$6,741,092, ii) fund a related account in the debt service reserve fund surety policies from Assured Guaranty Municipal Corporation and iii) pay issuance costs on the current bonds. The original proceeds from the Series 2003 bonds were used for the construction and equipping a regional treated surface water supply project to serve portions of Comal, Kendall and Bexar Counties, Texas.

Moody's Investors Service, Inc. ("Moody's") and Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), rated the bonds "Aa1" and "AA+", respectively.

The bonds constitute special obligations of GBRA payable, both as to principal and interest, and secured soley by a first lien on and pledge of the Gross Revenues of GBRA, which primarily are derived from payments made to GBRA under the Water Supply Agreements entered into with the Participants in the Western Canyon Regional Water Supply Project.

#### WESTERN CANYON REGIONAL WSP - ANNUAL WATER DELIVERY BY PARTICIPANTS

#### COMBINED CONTRACT REVENUE REFUNDING BONDS

(WESTERN CANYON REGIONAL WATER SUPPLY PROJECTS), SERIES 2013A & 2013B

	Current *	% of	Ultimate	% of
	(Acre-Feet)	Total	(Acre-Feet)	Total
In District				
City of Boerne	975	8.71%	3,611	21.29%
City of Fair Oaks	942	8.41%	1,850	10.91%
GBRA - Cordillera	425	3.79%	1,500	8.84%
Johnson Ranch MUD	300	2.68%	900	5.31%
Miralomas MUD (Lerin Hills)	225	2.01%	750	4.42%
Kendall West Utilities	200	1.79%	750	4.42%
Canyon Lake WSC-Bulverde	400	3.57%	400	2.36%
Canyon Lake WSC-Park Village	322	2.88%	322	1.91%
GBRA - Comal Trace	75	0.66%	100	0.59%
Bremer Ranch LTD	20	0.18%	100	0.59%
Couser Ranch	20	0.18%	100	0.59%
Future Participants		0.00%	2,577	15.19%
Total In District	3,904		12,960	
Out of District				
SAWS (Initial & Additional)	7,296	65.14%	4,000	23.58%
Total Out of District	7,296		4,000	
Total	11,200	100.00%	16,960	100.00%

<sup>\*</sup> Annual Water Delivery is based on contractual commitments of each participant

#### WESTERN CANYON REGIONAL WSP - SOURCES OF PLEDGED REVENUES

COMBINED CONTRACT REVENUE REFUNDING BONDS

(WESTERN CANYON REGIONAL WATER SUPPLY PROJECT), SERIES 2013A & 2013B

		Fiscal Year Ended August 31									
	2017	2016	2015	2014	2013						
Western Canyon O&M Revenue	\$ 3,911,323	\$ 3,852,141	\$ 3,737,294	\$ 3,460,286	\$ 3,368,656						
Western Canyon Debt Service Revenue	5,290,894	5,334,466	5,285,307	5,306,500	5,791,241						
	\$ 9,202,217	\$ 9,186,607	\$ 9,022,601	\$ 8,766,786	\$ 9,159,897						
Operating Expenses	\$ 3,004,197	\$ 3,229,970	\$ 2,548,014	\$ 2,557,111	\$ 2,651,498						
Maintenance & Repair	227,908	253,229	285,637	360,449	328,632						
Administrative & General	164,028	155,616	134,416	148,256	150,666						
Total Operating & Maintenance Expenses	\$ 3,396,133	\$ 3,638,815	\$ 2,968,067	\$ 3,065,816	\$ 3,130,796						
Net Revenue	\$ 5,806,084	\$ 5,547,792	\$ 6,054,534	\$ 5,700,970	\$ 6,029,101						
Debt Service	\$ 4,837,859	\$ 4,839,518	\$ 4,835,186	\$ 4,835,965	\$ 5,320,675						
Debt Service Coverage Factor	1.2001	1.1464	1.2522	1.1789	1.1331						

#### NOTE H - CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

#### 6. WATER SUPPLY REVENUE REFUNDING BONDS (PORT LAVACA WATER TREATMENT PLANT PROJECT), SERIES 2011

On August 1, 2011, GBRA authorized the issuance of Water Supply Revenue Refunding Bonds (Port Lavaca WTP), Series 2011 in the amount of \$1,205,000. The proceeds were used to refund a portion of the outstanding Water Supply Revenue Refunding Bonds (Port Lavaca WTP), Series 2000 in order to provide a new present value savings of \$39,856.

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P")" rated the bonds "A+".

The bonds are special obligations of GBRA payable, both as to principal and interest, and secured soley by the "Net Revenues" derived by GBRA from the operation of its Water Treatement Plant located in or near the City of Port Lavaca, Texas. The Net Revenues are derived from (i) payments received by GBRA from two separate water supply contracts with the City of Port Lavaca, Texas and the Port O'Connor Improvement District pursuant to which GBRA provides treated water to the City of Port Lavaca and the Port O'Connor Improvement District on a wholesale basis, and (ii) revenues of GBRA's Calhoun County Rural Water Supply Division which are received from the sale of treated water by GBRA, on a retail basis, to members of Calhoun County Rural Water Supply Corporation.

## HISTORIC TREATMENT OF WATER BY THE AUTHORITY FOR THE CITY OF PORT LAVACA, THE CALHOUN COUNTY RURAL WATER SUPPLY CORPORATION AND THE PORT O'CONNOR IMPROVEMENT DISTRICT

	City o	f Port Lava	ca	Calhoun County	Rural Water	Supply Corp.	. Port O'Connor Improvement District (1)			
Fiscal										
Year	Total Annual			Total Annual			Total Annual	Customer		
Ended	Water Treated	Customer		Water Treated	Customer		Water Treated	Count		
8/31	(Gallons)	Count	% of Total	(Gallons)	Count	% of Total	(Gallons)	(approx.)	% of Total	
2013	472,101,000	4,463	70.87%	84,865,000	1,368	12.74%	109,228,000	1,600	16.40%	
2014	463,762,000	5,390	75.13%	77,509,000	1,388	12.56%	76,004,000	1,680	12.31%	
2015	553,128,000	5,390	77.31%	75,275,000	1,420	10.52%	87,048,000	1,686	12.17%	
2016	508,841,000	5,390	73.32%	82,845,000	1,443	11.94%	102,295,000	1,707	14.74%	
2017	438,787,000	5,390	70.07%	79,208,000	1,473	12.65%	108,252,000	1,708	17.29%	
(1) App	roximate figures.									

CALHOUN COUNTY WATER SUPPLY CORPORATION MONTHLY WATER RATES (through 10,000 gallons)								
5/8" Meter	First	2,000 gal.	\$40.00 (minimum)					
	Next	up to 5,000 gal.	\$40.00 base, plus volume charge of \$6.05/1,000 gal					
	Next	up to 10,000 gal.	\$58.15 base, plus volume charge of \$10.05/1,000 gal					
PORT O'CONNOR IMPRO	VEMENT D	ISTRICT MONTH	LY WATER RATES (through 10,000 gallons)					
Up to 5/8" Meter	Flat		\$79.80 (minimum)					
	First	6,000 gal.	\$79.80 base, plus volume charge of \$2.25/M Gallons					
	Next	10,000 gal.	\$79.80 base, plus voulume charge of $$2.75/M$ Gallons					

#### GBRA PORT LAVACA WATER TREATMENT PLANT - HISTORICAL OPERATING STATEMENT

	For Fiscal Year Ended August 31,								
	2017	2016	2015	2014	2013				
Revenues:									
Water Sales and Lake Operations	\$1,562,635	\$1,542,213	\$1,813,857	\$1,700,693	\$1,649,342				
Miscellaneous	1,959	307	20,313	10,965	2,079				
Total	1,564,594	1,542,520	1,834,170	1,711,658	1,651,421				
Expenses: (1)									
Personnel Operating Costs	\$ 566,087	\$ 477,836	\$ 529,417	\$ 478,754	\$ 464,377				
Operating Supplies and Services	560,809	616,815	664,006	535,886	538,039				
Maintenance and Repairs	246,065	185,355	145,230	181,997	142,972				
Administrative and General	130,341	126,012	137,284	126,594	125,861				
Total	1,503,302	1,406,018	1,475,937	1,323,231	1,271,249				
Net Income Available for Debt Service	\$ 61,292	\$ 136,502	\$ 358,233	\$ 388,427	\$ 380,172				
Outstanding Average Annual Debt Service	\$ -	\$ -	\$ 308,050	\$ 308,575	\$ 307,383				
Coverage <sup>(2)</sup>	-	-	1.16	1.26	1.24				

- (1) Excludes depreciation expense
- (2) Bonds paid in full in January 2016

#### 7. CONTRACT REVENUE REFUNDING BONDS, SERIES 2013

On November 28, 2012, GBRA authorized the issuance of Contract Revenue Refunding Bonds, Series 2013 in the amount of \$19,470,000. Proceeds from the sale of the Bonds were used to i) refund all of the Combination Contract Revenue, Subordinate Water Resources Division Revenue, and Surplus Water Project Revenue Bonds, Series 2004A and 2004B and ii) pay issuance costs on the current bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$4,307,567 and produced a net present value savings (economic gain) of \$2,877,554. The original proceeds from the Series 2004A and 2004B bonds were used to construct and equip facilities and acquire rights-of-ways necessary for delivering treated water from a water treatment plant located in San Marcos, Texas to portions of Hays and Caldwell Counties, Texas.

Moody's Investors Service, Inc. ("Moody's") and Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), assigned an underlying rating on the Bonds of "A1" and "A+" respectively.

The bonds constitute special obligations of GBRA that are secured by a first lien on and pledge of the "Pledged Revenues," which generally consist of the "Gross Contract Revenues," received by GBRA from various public and private entities pursuant to certain "Water Supply Agreements" related to the delivery of treated water from a water treatment plant located in San Marcos, Texas to portions of Hays and Caldwell Counties, Texas through a treated water delivery system and the interest income from funds on deposit in the Interest and Sinking Fund, the Reserve Fund and the Rate Stabilization Fund. The Pledged Revenues are further pledged irrevocably to the establishment and maintenance of the Interest and Sinking Fund, the Reserve Fund and the Rate Stabilization Fund.

#### CONTRACT REVENUE REFUNDING BONDS, SERIES 2013 (IH35) - DEBT SERVICE PAYABLE BY PARTICIPANTS

CONTRACT REVENUE REFUNDING BONDS, SERIES 2013 (IH35 TREATED WATER DELIVERY SYSTEM PROJECT)

	Fiscal Year Ended August 31							
	2017			2016		2015		2014
		Debt		Debt		Debt		Debt
Debt Service Component of Gross Contract Revenues	MGD	Payments	MGD	Payments	MGD	Payments	MGD	Payments
From City of Buda, Texas	1.50	\$ 167,523	1.50	\$ 167,523	1.50	\$ 167,523	1.50	\$ 167,523
From City of Kyle, Texas	4.86	542,774	4.86	542,774	4.86	542,774	4.86	542,774
From GoForth Special Utility District *	2.46	274,990	2.46	274,990	1.46	166,536	1.38	146,695
From Sunfield Municipal Utilities District *	2.48	276,720	2.48	276,720	3.48	385,174	3.56	405,014
From Monarch	0.50	55,841	0.50	55,841	0.50	55,841	0.50	55,841
Total Debt Service Commitment & Revenues	11.80	\$1,317,848	11.80	\$1,317,848	11.80	\$1,317,848	11.80	\$1,317,847
Annual Debt Service Requirements		\$1,192,656		\$1,201,656		\$1,197,556		\$1,203,356
Debt Service Coverage Factor		1.10		1.10		1.10		1.10

<sup>\*</sup> Sunfield MUD's Purchase Commitment is being incrementally transferred to GoForth SUD.

#### IH35 TREATED WATER DELIVERY SYSTEM - HISTORICAL OPERATING STATEMENT

#### CONTRACT REVENUE REFUNDING BONDS, SERIES 2013 (IH35 TREATED WATER DELIVERY SYSTEM PROJECT)

	2017		2016		2015		2014
IH35 O&M Transmission Revenue	\$	409,839	\$	403,268	\$	328,441	\$ 307,053
IH35 Debt Revenue		1,317,848		1,317,848		1,317,848	1,317,847
IH35 Interest Earnings		12,551		14,070		3,070	8,273
Total Revenue	\$	1,740,238	\$	1,735,186	\$	1,649,359	\$ 1,633,173
IH35 Operating Expenses	\$	247,391	\$	247,819	\$	249,398	\$ 207,227
IH35 Maintenance & Repair Expenses		46,108		69,296		61,019	41,021
IH 35 Administrative & General Expenses		9,795		10,752		9,893	9,239
Total Expenses	\$	303,294	\$	327,867	\$	320,310	\$ 257,487
Net Revenue	\$	1,436,944	\$	1,407,319	\$	1,329,049	\$ 1,375,686
Debt Service	\$	1,192,656	\$	1,201,656	\$	1,197,556	\$ 1,203,356
Debt Service Coverage		1.205		1.171		1.110	1.143

#### 8. CONTRACT REVENUE REFUNDING BONDS, SERIES 2016 (SAN MARCOS WATER TREATMENT PLANT PROJECT)

On July 20, 2016, GBRA authorized the issuance of Contract Revenue Refunding Bonds, Series 2016 (San Marcos Water Treatment Plant Project) in the amount of \$4,850,000. Proceeds from the sale of the Bonds were used to i) refund the City of San Marcos, Texas outstanding Waterworks and Waste Water System Revenue Bonds, Series 2006 and Taxable Series 2006A, ii) purchase a surety bond to fund the Series 2016 Account of the Reserve Fund provided by Assured Guaranty Municipal Corp., and iii) pay issuance on the Bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$1,371,317 and produced a net present value savings (economic gain) of \$1,031,267. The original proceeds from the Series 2006 and 2006AB bonds were used to expand the capacity of the existing water treatment plant located in San Marcos, Texas.

Moody's Investors Service, Inc. ("Moody's") assigned an underlying rating on the Bonds of "Aa3".

The bonds constitute special obligations of GBRA that are secured by a first lien on and pledge of the "Pledged Revenues," which generally consist of (i) the "Gross Contract Revenues," received by GBRA from various public and private entities pursuant to certain "Water Supply Agreements" related to the treatment of water at a water treatment plant located in San Marcos, Texas and (ii) the interest income from funds on deposit in the Revenue Fund, the Interest and Sinking Fund and the Reserve Fund.

#### CONTRACT REVENUE REFUNDING BONDS, SERIES 2016 (SMWTP)

				Fi	scal Year Er	nded August 3	1			
_	2	017	2	016	2	015	2	014	2	013
Debt Service Component of Gross Contract		Debt		Debt		Debt		Debt		Debt
Revenues	MGD	Payments	GMY	Payments	GMY	Payments	GMY	Payments	GMY	Payments
From City of Buda, Texas	1.50	\$ 83,137	1.50	\$ 107,421	1.50	\$ 107,421	1.50	\$ 107,127	1.50	\$ 107,127
From City of Kyle, Texas	4.86	269,364	4.86	346,344	4.86	348,044	4.86	347,093	4.86	347,093
From GoForth Special Utility District (1)	2.46	136,470	2.46	176,332	2.46	176,332	1.38	98,323	1.26	90,302
From Sunfield Municipal Utilities District (1)	2.48	137,329	2.48	177,442	2.48	177,442	3.56	253,674	3.68	262,505
From Monarch Utilities	0.50	27,712	0.50	35,807	0.50	35,807	0.50	35,709	0.50	35,709
Total Debt Service Commitment & Revenues	11.80	\$ 654,012	11.80	\$ 843,346	11.80	\$ 845,046	11.80	\$ 841,926	11.80	\$ 842,736
Annual Debt Service Requirements										
City of San Marcos, Texas, Series 2006 and 2006	6A (2)	\$ -		\$ 391,883		\$ 394,063		\$ 391,543		\$ 613,393
City of San Marcos, Texas, Series 2011 (2)		451,823		451,463		450,983		450,383		229,343
GBRA Contract Revenue Refunding, Series 201	6	127,614		-		-		-		_ '
Total Debt Service Requirements		\$ 579,437		\$ 843,346		\$ 845,046		\$ 841,926		\$ 842,736
GBRA Debt Service Coverage Factor		1.1		1.0		1.0		1.0		1.0

 $<sup>^{(1)}</sup>$  Sunfield MUD's Purchase Commitment is being incrementally transferred to GoForth SUD.

 $<sup>^{(2)}</sup>$  Includes a 20% debt coverage factor

#### 9. SUBORDINATE LIEN CONTRACT REVENUE REFUNDING BONDS, SERIES 2017 (REGIONAL RAW WATER DELIVERY)

On April 19, 2017, GBRA authorized the issuance of Subordinate Lien Contract Revenue Refunding Bonds, Series 2017 (Regional Raw Water Delivery System Expansion Project) in the amount of \$7,745,000. Proceeds from the sale of the Bonds were used to i) refund a portion of the Authority's outstanding obligations (Combination Contract Revenue, Subordinate Water Resources Division Revenue and Surplus Water Project Revenue Bonds, Series 2007A) which were issued to finance or refinance the Authority's "Raw Water Delivery System Expansion Project" for debt service savings, ii) purchase a surety bond to fund the Series 2017 Account of the Subordinate Lien Reserve Fund, and iii) pay the costs associated with the issuance of the Bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$2,049,534 and produced a net present value savings (economic gain) of \$1,418,630. The original proceeds from the Series 2007A and 2007B bonds were used to refund an outstanding loan and expanding the capacity of the existing Raw Water Delivery System from approximately 16 MGD to 25 MGD to a water treatment plant located in San Marcos, Texas.

Moody's Investors Service, Inc. ("Moody's") assigned an underlying rating on the Bonds of "Aa3".

The bonds constitute special obligations of GBRA that are equally and ratably payable from and secured by an irrevocable lien on and pledge of the "Pledged Revenues," which generally consist of the "Gross Contract Revenues," received by GBRA from various public and private entities pursuant to certain "Water Supply Agreements" related to the "Raw Water Delivery System" which are subordinate to the first and prior lien on such Gross Contract Revenue that have been pledged to GBRA's "Senior Lien Bonds" [Combination Contract Revenue, Subordinate Water Resources Division Revenue, and Surplus Water Project Revenue Bonds, Taxable Series 2007B] that remain outstanding following the issuance of the Bonds. Gross Contract Revenue generally consists of the revenues derived by the Authority from the Participants which constitute the payment of principal and interest requirements and the "Operation and Maintenance Expenses" of the Raw Water Delivery System.

## COMBINATION CONTRACT REVENUE REFUNDING BONDS, SERIES 2007A & 2007B (RRWDS) CONTRACT REVENUE REFUNDING BONDS, SERIES 2017 (RRWDS)

		Fiscal Year Ended August 31										
-	2	017	2	016		2015		2014		013		
Debt Service Component of Gross Contract		Debt		Debt		Debt		Debt		Debt		
Revenues	GMY	Payments	GMY	Payments	GMY	Payments	GMY	Payments	GMY	Payments		
From Canyon Regional Water Authority	1,390	\$ 146,339	1,390	\$ 147,020	1,390	\$ 147,020	1,390	\$ 147,020	1,390	\$ 147,020		
From City of Buda, Texas	1,041	109,567	1,041	110,107	1,041	110,107	1,041	110,107	1,041	110,107		
From City of Kyle, Texas	3,383	356,162	3,383	357,820	3,383	357,820	3,383	357,820	3,383	357,820		
From GoForth Special Utility District *	1,707	179,719	1,707	180,555	990	109,230	953	96,184	875	84,022		
From Sunfield Municipal Utilities District *	1,719	180,970	1,719	181,813	2,436	253,138	2,473	266,184	2,551	278,346		
From Hays Energy, LLC	1,528	160,868	1,528	161,617	1,528	161,617	1,528	161,617	1,528	161,617		
From Monarch	350	36,848	350	37,020	350	37,020	350	37,020	350	37,020		
Total Debt Service Commitment & Revenues	11,118	\$1,170,473	11,118	\$1,175,952	11,118	\$1,175,952	11,118	\$1,175,952	11,118	\$1,175,952		
•												
Annual Debt Service Requirements		\$1,068,322		\$1,063,935		\$1,063,694		\$1,067,850		\$1,066,153		
Debt Service Coverage Factor		1.1		1.1		1.1		1.1		1.1		

<sup>\*</sup> Sunfield MUD's Purchase Commitment is being incrementally transferred to GoForth SUD.

#### NOTE I - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

GBRA is unique in that the majority of its outstanding bond issues are contract revenue bonds. In order to match revenues received from customers for the debt service of those bonds with expenditures for capital assets related to those bonds, GBRA records costs and revenues to be recognized in future period. Deferred inflows of resources related to operations totaled \$8,132,132

Deferred outflows of resurces related to the implementation of GASB 68 reporting for pension plans totaled \$4,080,644.

#### NOTE J - RELATED PARTY TRANSACTIONS

The Guadalupe Blanco River Trust is a 501c.3 non profit company affiliated with the GBRA that was developed to conserve land in the Guadalupe River Watershed for its natural, recreational, scenic, historic and productive value. During FY 2017, the Guadalupe Blanco River Trust, through federal, state, and foundation grants, purchased the development rights for property owned by one of the Board members of GBRA for \$3,050,000. The property was appraised by an independent appraiser and had a pre-easement value of \$5,820,000.

#### NOTE K - SUBSEQUENT EVENTS

On August 25, 2017, Hurricane Harvey hit the Texas coast causing widespread damage from Corpus Christi to the Texas-Louisiana border. GBRA's Port Lavaca Water Treatment Plant and Coleto Creek Park sustained damage, though none considered to be major. The Port Lavaca Plant was operational within one day of the storm passing. The Coleto Creek Park was closed for approximately two weeks after the storm for debris removal and cleanup. Insurance claims are being filed for all covered damage.

On November 15, 2017, GBRA issued Contract Revenue Bonds, Series 2017 totaling \$4,105,000. The proceeds from these Bonds will be used for designing, acquiring, and constructing improvements to the Western Canyon Regional Water Supply Project, consisting primarily of aeration facilities to mitigate disinfection by-products.

On November 15, 2017, GBRA closed on Genreal Improvement Subordinate Lien Revenue Bonds, Series 2017 totaling \$31,140,000. The proceeds from these Bonds will be used to purchase ground water rights, to fund one year's lease payments, to fund a portion of monitoring well construction and operating costs, capitalizes interest, purchase of certain real property and to fund costs of issuance of the Bonds. The bonds mature on November 15, 2020 and are callable on November 15, 2018.

On November 16, 2017, GBRA purchased 100% of the outstanding equity interests of Texas Water Alliance LLC. for \$31,000,000. The underlying assets include approximately 160 ground water leases located in Gonzales County along with 50 acres of land also located in Gonzales County.

#### NOTE L - SEGMENT INFORMATION, INCLUDING INTERFUND RECEIVABLES/PAYABLES

GBRA is comprised of ten (10) enterprise funds. These funds provide various services including raw and treated water supply, wastewater treatment and disposal, water quality monitoring, cooling reservoir operation, parks and recreational opportunities, as well as, hydroelectric generation. Governments that use enterprise funds accounting and reporting standards to report their activities are required to present segment information. A segment is an identifiable activity reported as or within an enterprise fund or another stand-alone entity that has one or more bonds outstanding with a revenue stream pledged in support of that debt, and the activity is externally required to maintain separate accounts.

All operating revenues result from charges for services.

Segment information at August 31, 2017 and 2016 are as follows:

AUGUST 31, 2017		Water Sales	W	Luling ater Plant		Lockhart WWTP		Total
REVENUES, EXPENSES AND CHANGES IN NET POS	SITIC	ON						
Operating Revenue	\$	24,836,179	\$	1,401,791	\$	1,267,622	\$	27,505,592
Operating Expenses		(13,162,878)		(958, 161)		(995,608)		(15,116,647)
Depreciation and Amortization Exp		(3,536,616)		(130,804)		(79,057)		(3,746,477)
Operating Income		8,136,685		312,826		192,957		8,642,468
Nonoperating Revenue (Expenses)		(463,262)		(144,227)		(792,699)		(1,400,188)
Costs to be Recovered (Deferred Rev)		(874,124)		(92,153)				(966,277)
Change in Net Position	\$	6,799,299	\$	76,446	\$	(599,742)	\$	6,276,003
NET POSITION ACTIVITIES								
Current Assets	\$	20,043,056	\$	880,454	\$	477,156	\$	21,400,666
Capital Assets		125,807,196		4,691,471		38,026		130,536,693
Other Assets		26,788,635		150,300		761		26,939,696
Total Assets		172,638,887		5,722,225		515,943		178,877,055
Deferred Outflow of Resources								
Total Assets and Deferred Outflows of Resources	\$	172,638,887	\$	5,722,225	\$	515,943	\$	178,877,055
Current Liabilities	\$	9,007,581	\$	516,476	\$	453,164	\$	9,977,221
Long Term Liabilities	-	108,023,659	_	3,983,249	_	30,412	_	112,037,320
Total Liabilities		117,031,240		4,499,725		483,576		122,014,541
Deferred Inflows of Resources		2,453,926		55,984		100,070		122,011,011
Net Investments in Capital Assets		12,908,641		483,027		38,027		13,429,695
Restricted		8,962,127		168,502				9,130,629
Unrestricted		31,282,953		514,987		(5,660)		31,792,280
Total Net Position		53,153,721		1,166,516		32,367	\$	54,352,604
Total Liabilities, Deferred Outflows and Net Position	\$	172,638,887	\$	5,722,225	\$	515,943	_	178,877,055
D 1 D 11		100 100 001	•	4 200 444	Φ.		Φ.	112 641 270
Revenue Bonds Payable	\$	109,432,834	\$	4,208,444	\$		\$	113,641,278
Loans Payable		3,465,721						3,465,721
Interfund Balances:		1.711.701		110,000		150,000		1071701
Accounts Receivable		1,711,781		110,000		150,000		1,971,781
Accounts Payable		1,436,094		141,999		149,737		1,727,830
CASH FLOW ACTIVITIES								
Cash Flows								
Operating Activities	\$	10,583,019	\$	512,646	\$	289,520	\$	11,385,185
Capital & Related Financing Activites		(7,905,239)		(413,115)		931,280		(7,387,074)
Noncapital Financing Activities		3,335,263						3,335,263
Investing Activities		(7,244,373)		113,424		(1,202,629)		(8,333,578)
	\$	(1,231,330)	\$	212,955	\$	18,171	\$	(1,000,204)
Current Cash and Cash Equivalents								
At Beginning of Year		3,841,683		93,898	\$	248,183	\$	4,183,764
At End of Year		5,414,856		306,842		266,354		5,988,052
Net Increase (Decrease)	\$	1,573,173	\$	212,944	\$	18,171	\$	1,804,288
Restricted Cash and Cash Equivalents								
At Beginning of Year		6,929,955		7,706				6,937,661
At End of Year		4,125,452		7,717				4,133,169
Net Increase (Decrease)		(2,804,503)		11				(2,804,492)
	\$	(1,231,330)	\$	212,955	\$	18,171	\$	(1,000,204)

#### NOTE L - SEGMENT INFORMATION, INCLUDING INTERFUND RECEIVABLES/PAYABLES

AUGUST 31, 2016		Water Sales		ort Lavaca Vater Plant	W	Luling ater Plant		Lockhart WWTP		Total
REVENUES, EXPENSES AND CHANGES IN NET PO	STTIC	)N								
Operating Revenue	\$	24,010,146	\$	1,542,520	\$	1,340,238	\$	1,739,188	\$	28,632,092
Operating Expenses	-	(11,982,968)	-	(1,406,018)	-	(860,163)	_	(1,077,469)	-	(15,326,618)
Depreciation and Amortization Exp		(3,516,622)		(205,834)		(135,137)		(200,359)		(4,057,952)
Operating Income	_	8,510,556		(69,332)		344,938		461,360		9,247,522
Nonoperating Revenue (Expenses)		(2,332,612)		(14,863)		(150,348)		(21,018)		(2,518,841)
Costs to be Recovered (Deferred Rev)		(782,562)		(221,324)		(82,153)		(424,419)		(1,510,458)
Change in Net Position	\$	5,395,382	\$	(305,519)	\$	112,437	\$	15,923	\$	5,218,223
NET POSITION ACTIVITIES						•				
Current Assets	\$	17,675,400	\$	400,992	¢	495,892	¢	843,065	\$	19,415,349
	Ф	128,876,782	Ф		Ф	4,813,976	Ф	2,481,835	Ф	
Capital Assets				2,177,956		, ,				138,350,549
Other Assets Total Assets		14,775,992		2.579.049		102,633		1,304		14,879,929
Deferred Outflow of Resources		161,328,174		2,578,948		5,412,501		3,326,204		172,645,827
Total Assets and Deferred Outflows of Resources	\$	161,328,174	\$	2,578,948	\$	36,169 5,448,670	\$	3,326,204	\$	36,169 172,681,996
	<u> </u>									
Current Liabilities	\$	7,545,246	\$	· · · · · ·	\$	415,855	\$	1,084,403	\$	9,389,378
Long Term Liabilities	_	108,071,894		279,937		4,242,745		30,412		112,624,988
Total Liabilities	_	115,617,140		623,811		4,658,600		1,114,815		122,014,366
Deferred Inflows of Resources	_	1,579,801		665,948				1,579,280		
Net Investments in Capital Assets		16,258,016		1,876,293		351,036		1,841,834		20,327,179
Restricted		4,188,199				169,307		374,699		4,732,205
Unrestricted	_	23,685,018		(587,104)		569,727		(1,584,424)		22,083,217
Total Net Position	_	44,131,233		1,289,189		1,090,070		632,109	\$	47,142,601
Total Liabilities, Deferred Outflows and Net Position	\$	161,328,174	\$	2,578,948	\$	5,748,670	\$	3,326,204	\$	172,981,996
Revenue Bonds Payable	\$	109,262,374	\$		\$	4,462,940	\$	640,000	\$	114,365,314
Loans Payable		3,356,391		301,662						3,658,053
Interfund Balances:										
Accounts Receivable		1,076,472		169,640		7,187		152,345		1,405,644
Accounts Payable		812,463		198,491		41,930		45,288		1,098,172
CASH FLOW ACTIVITIES										
Cash Flows										
Operating Activities	\$	12,161,137	\$	163,002	\$	461,983	\$	593,819	\$	13,379,941
Capital & Related Financing Activites	-	(9,631,537)	-	(365,699)	_	(403,442)	_	(649,958)	_	(11,050,636)
Noncapital Financing Activities		909,289								909,289
Investing Activities		(1,826,587)		231,509		(51,168)		(12,028)		(1,658,274)
9	\$	1,612,302	\$	28,812	\$	7,373	\$	(68,167)	\$	1,580,320
Cument Cook and Cook Equivalents										
Current Cash and Cash Equivalents At Beginning of Year	\$	6,622,761	¢	19,064	¢	87,103	¢	316,350	\$	7,045,278
At End of Year	Ф		Ф	52,887	Ф	93,898	Ф		Ф	
Net Increase (Decrease)	\$	3,841,683	¢		\$	6,795	\$	248,183	¢	4,236,651
	•	(2,781,078)	φ	33,823	Ф	0,793	φ	(68,167)	Ф	(2,808,627)
Restricted Cash and Cash Equivalents		0.50								0.540.544
At Beginning of Year	\$	2,536,575	\$	5,011	\$	7,128	\$		\$	2,548,714
At End of Year	_	6,929,955		 (5.010		7,706				6,937,661
Net Increase (Decrease)	_	4,393,380	ċ	(5,011)		578		(60.165)	^	4,388,947
	\$	1,612,302	\$	28,812	\$	7,373	\$	(68,167)	\$	1,580,320

# **Required Supplemental Information**

# GUADALUPE-BLANCO RIVER AUTHORITY REQUIRED SUPPLEMENTAL INFORMATION AUGUST 31, 2017

#### A. Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Last 10 Fiscal Years¹

		Fiscal Year Ending 8/31/2017	Fiscal Year Ending 8/31/2016	Fiscal Year Ending 8/31/2015
1.	<ul> <li>Total Pension Liability</li> <li>a. Service cost</li> <li>b. Interest</li> <li>c. Changes of benefit provisions</li> <li>d. Differences between expected and actual experience</li> </ul>	\$ 363,322 2,251,021 0 502,207	\$ 383,820 2,146,011 0 552,928	\$ 357,786 2,027,051 0
	<ul> <li>e. Changes of assumptions</li> <li>f. Benefit payments</li> <li>g. Net Change</li> <li>h. Beginning</li> <li>i. Ending</li> </ul>	\$ 0 (1.124.173) 1,992,377 32,356.203 34,348,580	\$ 477,891 (841,560) 2,719,090 29,637,113 32,356,203	 $\begin{array}{r} 620,672 \\ \underline{(698.521)} \\ 2,306,988 \\ \underline{27,330.125}^{3} \\ 29,637,113 \end{array}$
2.	Plan Fiduciary Net Position a. Contributions by the employer b. Contributions by the participants c. Net investment income d. Benefit payments e. Administrative expenses f. Net Change g. Beginning h. Ending	\$ $1,338,202 \\0\\650,186\\(1,124,173)\\0^2\\864,215\\25,768,160\\26,632,375$	\$ $1,733,464$ $0$ $(440,231)$ $(841,560)$ $0^{2}$ $451,673$ $25,316,487$ $25,768,160$	\$  $1,684,302 \\ 0 \\ 486,549 \\ (698,521) \\ \underline{0^2} \\ 1,472,330 \\ \underline{23,844,157} \\ 25,316,487$
3.	Employer's Net Pension Liability [Item 1(i) – 2(h)]	\$ 7,716,205	\$ 6,588,043	\$ 4,320,626
4.	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.5%	79.6%	85.4%
5.	Covered Payroll	\$ 7,096,581	\$ 7,565,168	\$ 7,423,408
6.	Employer's Net Pension Liability as a Percentage of Covered Payroll	108.7%	87.1%	58.2%

#### Notes to Schedule:

Until a full 10-year trend is compiled, only available information is shown. The measurement date is the December 31 eight months prior to the fiscal year end. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

The plan pays only money management fees and bank custody fees. GBRA pays all administrative expenses.

Determined from the ending total pension liability based on the discount rate of 7.50% (the investment return assumption for the January 1, 2014 actuarial valuation) using the roll back procedure allowed for the initial year of implementing GASB 68.

#### GUADALUPE-BLANCO RIVER AUTHORITY REQUIRED SUPPLEMENTAL INFORMATION AUGUST 31, 2017

#### B. Schedule of Employer Contributions for the Last 10 Fiscal Years<sup>1</sup>

		Fiscal Year Ending 8/31/2017			Fiscal Year Ending 8/31/2016	Fiscal Year Ending 8/31/2015		
1.	Actuarially determined contribution (ADC)	\$	1,038,202	\$	1,033,464	\$	984,302	
2.	Contributions in relation to the ADC		1,338,202	_	1,733,464	_	1,684,302	
3.	Contribution deficiency (excess)	\$	(300,000)	\$	(700,000)	\$	(700,000)	
4.	Covered payroll	\$	7,096,581	\$	7,565,168	\$	7,423,408	
5.	Contributions as a percentage of covered payroll		18.9%		22.9%		22.7%	

#### Notes to Schedule:

Actuarially determined contribution amount for the fiscal year ending August 31 was calculated in the January 1 actuarial valuation one year earlier. Methods and assumptions used to determine the actuarially determined contributions:

Amortization method Level percent of payroll, open period

Recalculated amortization period 9, 9, and 10 years, respectively, for years ending in 2017, 2016, and 2015

Asset valuation method 5-year smoothed market

Inflation 3%, 3.5%, and 3.75%, respectively, for years ending in 2017, 2016 and 2015
Salary increases inflation plus merit and promotion increases that vary by age and service
Investment rate of return 7%, 7.25%, and 7.50%, respectively, for years ending in 2017, 2016, and 2015

Retirement age Rates that vary by age and service

Mortality RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected

to 2024 by scale AA  $\,$ 

 $^{\scriptscriptstyle 1}$  Until a full 10-year trend is compiled, only available information is shown.

C. Contributions Reflected in Asset Value as of December 31, 2016 Measurement Date (Applicable for Fiscal Year Ending August 31, 2017)

Month of	
Contribution	Amount
December 2016	\$ 300,000
December 2016	 1,038,202
Total	\$ 1,338,202

D. Subsequent Contributions Made Prior to Fiscal Year End (August 31, 2017)

Month of Contribution	An	nount
N/A	\$	0
Total	\$	$0^{1}$

An amount contributed subsequent to the measurement date of the net pension liability would be a deferred outflow of resources that would be recognized as a reduction in the net pension liability in the next fiscal year.

# GUADALUPE-BLANCO RIVER AUTHORITY REQUIRED SUPPLEMENTAL INFORMATION AUGUST 31, 2017

#### **Amortization Schedules**

A. Increase (Decrease) in Pension Expense Arising from the Recognition of Differences between Projected and Actual Earnings on Pension Plan Investments

	Differences			Recognized Outflow (Inflow) of Resources									
Fiscal	between				Fiscal Year	Recognized							
Year	Projected												
Difference	and Actual	Amortization											
Recognized	Earnings	Period	2017	2018	2019	2020	2021	2022					
2015	\$ 1,237,977	5~ m yrs	\$ 247,595	\$ 247,596	\$ 247,596	\$ 0	\$ 0	\$ 0					
2016	2,266,316	$5  \mathrm{yrs}$	453,263	453,263	453,263	453,264	0	0					
2017	1,114,239	$5  \mathrm{yrs}$	222,848	222,848	222,848	222,848	222,847	0					
2018													
2019													

Net increase (decrease) for A

\$923,706

B. Increase (Decrease) in Pension Expense Arising from the Recognition of Changes in Assumptions

First			Recognized Outflow (Inflow) of Resources											
Fiscal					Fiscal Year	Recognized								
Year														
Difference	Changes in	Amortization												
Recognized	Assumptions	Period	2017	2018	2019	2020	2021	2022						
2015	\$ 620,672	$5.853~\mathrm{yrs}$	\$ 106,043	\$ 106,043	\$ 106,043	\$ 90,457	\$ 0	\$ 0						
2016	477,891	5.241 yrs	91,183	91,183	91,183	91,183	21,796	0						
2017	0		0	0	0	0	0	0						
2018														
2019														

Net increase (decrease) for B

\$ 197,226

C. Increase (Decrease) in Pension Expense Arising from the Recognition of Differences between Expected and Actual Experience

First	Differences		Recognized Outflow (Inflow) of Resources								
Fiscal	between					Fiscal Year	Recognized	l .			
Year	Expected										
Difference	and Actual	Amortization									
Recognized	Experience	Period	2017		2018	2019	2020	2021		2022	
2015	\$ 0		\$ 0	)	\$ 0	\$ 0	\$ 0	\$ 0	9	\$	0
2016	552,928	5.241~ m yrs	105,500	)	105,500	105,500	105,500	25,428			0
2017	505,207	4.653~ m yrs	107,932	2	107,932	107,932	107,932	70,479			0
2018											
2019											

Net increase (decrease) for C

\$ 213,432

Net for future years (A+B+C)

\$1,334,365 \$1,334,365 \$1,071,184 \$ 340,730 \$

# **Other Supplemental Information**

#### COMBINING SCHEDULE OF NET POSITION

,		General Division	Н	Guadalupe Valley ydroelectric Division		Rural Utilities Division		Water Resource Division	Т	ort Lavaca Water reatment nt Division
ASSETS AND DEFERRED OUTFLOWS										
CURRENT ASSETS										
Unrestricted Assets										
Cash and Cash Equivalents	\$	3,116,778	\$	8,658	\$	2,440,137	\$	7,484,858	\$	279,136
Investments-Unrestricted		1,499,770						5,766,260		
Interest Receivable		21,175						45,090		
Accounts Receivable-Operating		16,771		221,555		223,097		2,718,965		190,339
Accounts Receivable-Interfund		4,462,350		299,083		140,955		2,899,777		167,014
Other Current Assets	<u> </u>	14,729		96,301		17,337		247,336		66,075
Total Current Assets		9,131,573		625,597		2,821,526		19,162,286		702,564
Restricted Assets										
Cash and Cash Equivalents		418,929				154,671		4,125,452		
Investments		477,441				290,557		3,117,454		
Interest Receivable		4,259				507		60,681		
Total Restricted Assets		900,629				445,735		7,303,587		
Total Current Assets		10,032,202		625,597		3,267,261		26,465,873		702,564
LONG-TERM ASSETS										
Restricted Assets										
Investments		601,225						752,286		
Total Restricted Assets	<del>-</del>	601,225						752,286		
Capital Assets		,						, , , , , , , , , , , , , , , , , , , ,		
Land, Water and Storage Rights		1,035,561		2,248,822		228,369		30,901,066		41.424
Dams, Plants and Equipment		2,254,983		11,492,905		14,265,510		147,109,503		7,053,780
Construction In Progress		2,23 .,703		102,474		59,208		546,139		66,141
Less Accumulated Depreciation		(1,950,977)		(8,177,388)		(4,971,400)		(48,573,275)		(5,120,691
Total Capital Assets		1,339,567		5,666,813		9,581,687		129,983,433		2,040,654
Other Assets	····-	1,557,507		3,000,013		2,501,007		122,703,433		2,040,054
Investments-Unrestricted		2,201,126						11,683,275		_
Long-Term Loans Receivable		62,500				277,756		4,843,885		
Contract Development Costs (Net of Amortization)		02,300				277,730				
Permits and Licenses (Net of Amortization)										
Project Development Costs						35,087		10,257,216		-
Interfund Loans Receivable		6,474,343				33,087		10,237,216		-
Total Other Assets		8,737,969				312,843		26,784,376		
Total Long-Term Assets		, ,		5,666,813		9,894,530				2,040,654
DEFERRED OUTFLOWS OF RESOURCES		10,678,761 4,080,644		3,000,813		9,894,530		157,520,095		2,040,034
	•	24,791,607	\$	6,292,410	\$	13,161,791	\$	183,985,968	\$	2,743,218
Total Assets and Deferred Outflows	3	24,791,007	Þ	0,292,410	ф	13,101,791	Þ	183,983,908	Э	2,745,218
IABILITIES, DEFERRED INFLOWS AND NET POSITION CURRENT LIABILITIES	ON									
Payable from Unrestricted Assets										
Current Portion of Long-Term Loans Payable	•		\$		\$	22,881	•	315,746	\$	52,040
			Ф		Ф	22,001	Ф	41,035	Ф	32,040
Interest Payable		217.052		256 104		200.050		,		318,508
Accounts Payable-Operating		317,852		256,104		299,058		2,381,737		,
Accounts Payable-Interfund		3,529,952		483,420		299,019		3,027,979		342,811
Total Current Unrestricted Liabilities	·····-	3,847,804		739,524		620,958		5,766,497		713,359
Payable from Restricted Assets						105.000		4 600 000		
Current Portion of Debt						105,000		4,600,000		-
Interest Payable				-		30,718		971,576		-
Total Current Restricted Liabilities						135,718		5,571,576		
Total Current Liabilities	·····	3,847,804		739,524		756,676		11,338,073		713,359

See accompanying independent auditors' report.

LONG-TERM LIABILITIES
Revenue Bonds Payable.....

Long-Term Loans Payable.

Interfund Loans Payable...

Less Current Portion....

Advances for Operations......

Net Pension Liability.....

NET POSITION

Unrestricted....

Total Bonds and Loans Payable.....

Total Long-Term Liabilities......

Net Investments in Capital Assets.

Restricted for Debt Service.....

Total Net Position.....

DEFERRED INFLOWS OF RESOURCES.....

Total Liabilities, Deferred Inflows and Net Position....

7,716,205

11,564,009

1,339,567

11,888,031

109,432,834

113,214,484

108.298.738

108,363,568

119,701,641

2,453,926

17.084.878

8,962,127

35,783,396

61,830,401

(4,915,746)

64,830

3,465,721

251,687

251,687

(52,040)

199.647

28,250

227,897

941,256

570,774

1,788,967

(557,779)

1,231,188

2,325,189

2,285,057

4,610,246

4.482.365

4,496,340

5,253,016

7,256,498

320,333

331,944

7,908,775

(127.881)

13,975

3,873,357

3.873.357

3,873,357

4,612,881

5,666,814

(3,987,285)

Co Wa	Calhoun unty Rural ater Supply Division		Coleto Creek Division	7	nling Water Freatment Plant Division		Canyon ydroelectric Division		Lockhart Division	2017 Eliminations	2017 Total
\$	195,330 357,458 7,494	\$	136,891  	\$	306,842 250,141 5,983	\$	206,866	\$	551,506  	\$ \$ 	14,727,002 7,873,629 79,742
	105,747 134,992 7,101		1,119 136,035 9,693		31,268 110,000 7,505		211,238 38,000 9,466		51,313 205,000 15,664	(8,593,206) 	3,771,412  491,207
	808,122		283,738		711,739		465,570		823,483	(8,593,206)	26,942,992
					7,717 160,785		103,503				4,810,272 4,046,237
					213		102 502				65,660
	808,122		283,738		168,715 880,454		103,503 569,073		823,483	(8,593,206)	8,922,169 35,865,161
											1,353,511 1,353,511
											1,333,311
	51,396 2,618,193 66,469		2,088,829		875,292 7,395,012		12,187 12,553,881		13,000 1,220,686	  	35,407,117 208,053,282 840,431
	(1,932,365)		(1,784,021)		(3,578,833)		(7,925,202)		(702,038)		(84,716,190)
	803,693		304,808		4,691,471		4,640,866		531,648		159,584,640
	100,000				150,300						14,134,701 5,184,141
							423,820		761 		761 423,820
							423,620				10,292,303
	100.000				150 200					(6,474,343)	
	100,000 903,693		304,808		150,300 4,841,771		423,820 5,064,686		761 532,409	(6,474,343)	30,035,726 190,973,877
											4,080,644
\$	1,711,815	\$	588,546	\$	5,722,225	\$	5,633,759	\$	1,355,892	(15,067,549) \$	230,919,682
\$		\$	 	\$		\$		\$		\$ - \$ 	390,667 41,035
	42,275 185,775		125,144 240,238		102,359 141,999		40,671 42,027		508,634 299,986	(8,593,206)	4,392,342
	228,050		365,382		244,358		82,698		808,620	(8,593,206)	4,824,044
					260,000 12,118						4,965,000 1,014,412
					272,118					(0.500.00)	5,979,412
	228,050		365,382		516,476		82,698		808,620	(8,593,206)	10,803,456
					4,208,444						113,641,278 6,042,597
					4,208,444					(6,474,343) (6,474,343)	119,683,875
					(260,000)						(5,355,667)
					3,948,444		200.004		20.412	(6,474,343)	114,328,208
					34,805		399,004		30,412		571,276 7,716,205
	228.050		265 202		3,983,249		399,004		30,412 839.032	(6,474,343)	122,615,689
	228,050		365,382		4,499,725 55,984		481,702 5,051,448		839,032	(15,067,549)	133,419,145 8,132,132
	803,693		304,808		483,027		4,640,866		531,648		39,900,766
	680,072		(81,644)		168,502 514,987		(4,540,257)		(14,788)		9,450,962 40,016,677
	1,483,765	_	223,164		1,166,516	•	100,609	_	516,860		89,368,405
\$	1,711,815	\$	588,546	\$	5,722,225	\$	5,633,759	\$	1,355,892	\$ (15,067,549) \$	230,919,682

#### GUADALUPE-BLANCO RIVER AUTHORITY

### COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

FISCAL YEAR ENDED AUGUST 31, 2017								
			G	uadalupe			Port Lavaca	
				Valley	Rural	Water	Water	
		General	Hy	droelectric	Utilities	Resource	Treatment	
		Division	]	Division	Division	Division	Plant Division	
REVENUE								
Power Sales	\$		\$	3,478,969 \$	\$	-	\$	
Water Sales, Capacity Charge, Pipeline Transmission and Lake Operation						33,258,721	1,562,635	
Recreation and Land Use						119,695		
Waste Water Treatment Services					2,252,962	561,886		
Laboratory Services						1,006,168		
Rental				10,574		148,551		
Administrative and General		3,115,380						
Miscellaneous		14,832		102,890	1,259,830	1,202,117	1,959	
Total Operating Revenue	<u>-</u>	3,130,212		3,592,433	3,512,792	36,297,138	1,564,594	
EXPENSES								
Personnel Operating Costs		2,464,848		1,911,473	780,296	7,485,509	566,087	
Operating Supplies and Services		919,504		530,478	650,240	12,424,971	560,809	
Maintenance and Repairs		135,541		342,728	344,595	1,312,776	246,065	
Administrative and General				447,114	183,427	1,713,928	130,341	
Depreciation and Amortization		87,829		298,281	455,662	3,881,561	201,706	
Total Operating Expenses		3,607,722		3,530,074	2,414,220	26,818,745	1,705,008	
Operating Income (Loss)		(477,510)		62,359	1,098,572	9,478,393	(140,414)	
NONOPERATING REVENUES (EXPENSES)								
Grant Income.						3,539,362		
Investment Income		28,977			22,870	158,029	289	
Gain (Loss) on Disposal of Capital Assets				(2,995)	863,640	(857)	(1,736)	
Interest Expense					(78,213)	(4,134,730)	(11,313)	
Total Nonoperating Revenues (Expenses)		28,977		(2,995)	808,297	(438,196)	(12,760)	
Income (Loss) Before Recognition of Deferrals.		(448,533)		59,364	1,906,869	9,040,197	(153,174)	
Costs (Revenue) to be Recognized in Future Years						(874,124)	95,173	
Change in Net Position		(448,533)		59,364	1,906,869	8,166,073	(58,001)	
Net Position at September 1, 2016		13,676,131		1,620,165	6,001,906	53,664,328	1,289,189	
Net Position at August 31, 2017	\$	13,227,598	\$	1,679,529 \$	7,908,775 \$	61,830,401	\$ 1,231,188	

Calhoun County Rural Coleto Water Supply Creek Division Division			]	Luling Water Treatment Plant Division	Canyon Hydroelectric Division			Lockhart Division	El	iminations	Total	
\$		\$		\$		\$	389,948	\$		\$	\$	3,868,917
	1,017,421		881,245		1,368,778				595,839			38,684,639
			660,708									780,403
	53,700								869,394			3,737,942
												1,006,168
			92,551									251,676
											(3,115,380)	
	102,068		18,651		33,013		7,173		654,587			3,397,120
	1,173,189		1,653,155		1,401,791		397,121		2,119,820		(3,115,380)	51,726,865
	446,285		1,112,835		433,233		202,099		503,332		(120,593)	15,785,404
	415,929		264,326		348,504		78,451		628,194			16,821,406
	88,904		102,360		76,341		69,502		598,663			3,317,475
	103,402		150,518		100,083		47,874		118,100		(2,994,787)	
	54,105		39,286		130,804		257,833		125,520			5,532,587
	1,108,625		1,669,325		1,088,965		655,759		1,973,809		(3,115,380)	41,456,872
	64,564		(16,170)		312,826		(258,638)		146,011			10,269,993
							_					3,539,362
	4,640		200		5,360		804		1,799			222,968
									(786,015)			72,037
					(149,587)				(8,000)			(4,381,843)
	4,640		200		(144,227)		804		(792,216)			(547,476)
	69,204		(15,970)		168,599		(257,834)		(646,205)			9,722,517
			620		(92,153)		258,880					(611,604)
	69,204		(15,350)		76,446		1,046		(646,205)			9,110,913
	1,414,561		238,514		1,090,070		99,563		1,163,065			80,257,492
\$	1,483,765	\$	223,164	\$	1,166,516	\$	100,609	\$	516,860	\$	\$	89,368,405

### GUADALUPE-BLANCO RIVER AUTHORITY COMBINING SCHEDULE OF CASH FLOWS

FISCAL YEAR ENDED AUGUST 31, 2017		Guadalupe		
		Valley	Rural	Water
	General	Hydroelectric	Utilities	Resource
	Division	Division	Division	Division
CASH FLOWS FROM OPERATING ACTIVITIES:	Division	Division	Division	Division
Cash Received from Customers	\$	\$ 3,817,787	\$ 3,720,581	\$ 34,749,377
Cash Received from Interfund Administrative Charges.				
Cash Paid for Personnel Operating Costs		(1,911,473)	(780,296)	(7,485,509
Cash Paid for Other Operating and Maintenance Costs		(981,459)	(1,366,777)	(12,985,987
Cash Paid for Interfund Administrative Charges.		(447,114)	(183,427)	(1,713,928
Net Cash Flows From (Used by) Operating Activities.		477,741	1,390,081	12,563,953
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		,	-,,	, ,
Interfund Operating Loans Received.		129,000		17,100
Interfund Operating Loans Made		,		,
Principal Payments Made on Interfund Operating Loans.		(557,000)		(697,000
Principal Payments Received on Interfund Operating Loans		(337,000)		(0)7,00
Cash Received from Grants				3,539,36
Net Cash Flows From (Used by) Noncapital Financing Activities		(428,000)		2,859,46
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	1,107,900	(426,000)		2,039,40.
Proceeds from Advances from Customers, Developers, and Other Governmental Units				
* '				12 002 05
Proceeds from Revenue and Loans for Capital Assets and Plant Expansions			1 020 220	13,002,95
Proceeds from Sale of Capital Assets		(40.005)	1,028,230	(000.00
Purchase of Capital Assets		(10,987)	(80,445)	(993,365
Cash Paid for Construction in Progress		(102,474)	(137,809)	(458,13)
Cash Paid for Project Development			(35,087)	(3,596,05
Interest Paid			(79,643)	(4,219,79)
Principal Payments on Revenue Bonds				(17,284,48
Principal Payments on Loans			(71,349)	(298,62
Net Cash Flows Used by Capital and Related Financing Activities	(66,673)	(113,461)	623,897	(13,847,50
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received from Investments			67,546	1,675,00
Investment Income Received			25,149	132,939
Cash Paid for Investments				(3,866,125
Net Cash Flows From (Used by) Investing Activities			92,695	(2,058,185
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,320,702	\$ (63,720)	\$ 2,106,673	\$ (482,279
CURRENT CASH AND CASH EQUIVALENTS:				
At Beginning of Year		72,378	333,951	5,162,634
At End of Year		8,658	2,440,137	7,484,858
Net Increase (Decrease)		(63,720)	2,106,186	2,322,224
RESTRICTED CASH AND CASH EQUIVALENTS:		(00), -0)	_,,,,,,,,,,	
At Beginning of Year			154,184	6,929,95
At End of Year.			154,671	4,125,452
Net Increase (Decrease)			487	(2,804,503
TOTAL CASH AND CASH EQUIVALENTS:	(23,078)		407	(2,004,30.
At Beginning of Year	2 215 005	72 279	100 125	12 002 59
9 9		72,378	488,135	12,092,589
At End of Year		8,658	2,594,808	11,610,31
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,320,702	\$ (63,720)	\$ 2,106,673	\$ (482,27)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS				
FROM OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (477,510)	\$ 62,359	\$ 1,098,572	\$ 9,478,39
Adjustments to Reconcile Operating Income to Net Cash Flows	Ψ(477,510)	Ψ 02,337	\$ 1,070,372	φ
J 1 6				
From Operating Activities:	27.020	200 201	155.662	2.001.76
Depreciation and Amortization.		298,281	455,662	3,881,56
Actuarially Determined Net Pension Expense	. 846,080			
Net Change in Assets and Liabilities From Operating Activities:				
Operating Accounts Receivable		225,354	178,162	(2,356,12
Other Current Assets		253	3,575	(19,30
Operating Accounts Payable	955,110	(108,506)	(345,890)	1,579,42
Total Adjustments	719,203	415,382	291,509	3,085,56
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 241,693	\$ 477,741	\$ 1,390,081	\$ 12,563,953

<sup>1.</sup> During fiscal year 2017 and 2016, an adjustment of (\$100,130) and \$37,281 respectively, was made to decrease investments to fair value.

 $See\ accompanying\ independent\ auditors'\ report.$ 

Port 1	Lavaca	Calhoun		Luling Water					
	Water	County Rural	Coleto	Treatment	Canyon				
Tı	reatment	Water Supply	Creek	Plant	Hydroelectric	Lockhart			
	nt Division	Division	Division	Division	Division	Division	Eliminations		Total
\$	1,486,169	\$ 1,179,432	\$ 1,652,415	\$ 1,370,523	\$ 348,203	\$ 2,126,204	\$	\$	50,450,691
Ψ		φ 1,177,432	φ 1,032, <del>4</del> 13	ψ 1,370,323 	φ 5 <del>4</del> 0,205	\$ 2,120,20 <del>4</del>	φ	Ψ	3,115,380
	(566,087)	(446,285)	(1,112,835)	(433,233)	(202,099)	(503,332)			(15,059,916)
	(436,352)	(557,720)	(343,182)	(324,561)	(79,484)	(1,130,612)			(19,461,054)
	(130,341)	(103,402) 72,025	(150,518) 45,880	(100,083) 512,646	(47,874) 18,746	(118,100)			(2,994,787) 16,050,314
	353,389	72,023	,	312,040		374,100			10,030,314
	7,600		66,000		8,500		(228,200) 228,200		
	(7,600)		(66,000)		(8,500)		1,336,100		
							(1,336,100)		
									3,539,362
									3,539,362
		-							13,002,950
	(15,279)	(8,020)	(43,772)	(8,299)					1,028,230 (1,226,840)
	(50,862)	(5,800)	(43,772)	(8,299)					(755,084)
									(3,631,146)
	(11,313)			(150,320)		(8,000)			(4,469,069)
				(254,496)		(640,000)			(18,178,978)
	(49,975)	(42.020)	(40.550)						(419,945)
	(127,429)	(13,820)	(43,772)	(413,115)		(648,000)			(14,649,882)
		200,518		253,149		374,669			3,121,550
	289	2,710	200	5,340	805	2,465			200,704
	289	(197,391) 5,837	200	(145,065)	805	377,134			(4,752,273)
\$	226,249	\$ 64,042	\$ 2,308	\$ 212,955	\$ 19,551	\$ 103,294	\$	\$	3,509,775
	52,887	131,288	134,583	93,898	187,642	448,212			8,384,471
	279,136	195,330	136,891	306,842	206,866	551,506			14,727,002
	226,249	64,042	2,308	212,944	19,224	103,294			6,342,531
	<u></u>			7,706	103,176	. <u></u>			7,643,028
				7,717	103,503 327			_	4,810,272 (2,832,756)
	52,887	131,288	134,583	101,604	290,818	448,212			16,027,499
	279,136	195,330	136,891	314,559	310,369	551,506			19,537,274
\$	226,249	\$ 64,042	\$ 2,308	\$ 212,955	\$ 19,551	\$ 103,294	\$	\$	3,509,775
\$	(140,414)	\$ 64,564	\$ (16,170)	\$ 312,826	\$ (258,638)	\$ 146,011	\$	\$	10,269,993
	201,706	54,105	39,286	130,804	257,833	125,520			5,532,587
						-			846,080
	(75,799)	(42,749)	(95)	(31,268)	(48,918)	6,384			(3,311,734)
	476	(1,464)	(866)	(318)	414	91			(20,271)
	367,420	(2,431)	23,725	100,602	68,055	96,154			2,733,659
•	493,803	7,461	62,050	199,820	277,384	\$ 228,149		ф	5,780,321
Þ	353,389	\$ 72,025	\$ 45,880	\$ 512,646	\$ 18,746	\$ 374,160	\$	\$	16,050,314

### REGIONS BANK, DUNLAP WASTEWATER TREATEMENT EXPANSION & COLLECTION SYSTEM LOAN

YR END	TAX-EXEMPT	LOAN	
AUG 31	PRINCIPAL	INTEREST	TOTAL
2018	\$ 105,000	\$ 71,894	\$ 176,894
2019	110,000	68,303	178,303
2020	115,000	64,546	179,546
2021	115,000	60,708	175,708
2022	120,000	56,780	176,780
2023	125,000	52,689	177,689
2024	130,000	48,430	178,430
2025	135,000	44,005	179,005
2026	140,000	39,412	179,412
2027	145,000	34,653	179,653
2028	145,000	29,810	174,810
2029	150,000	24,883	174,883
2030	160,000	19,706	179,706
2031	165,000	14,279	179,279
2032	170,000	8,684	178,684
2033	175,000	2,923	177,923
	\$ 2,205,000	\$ 641,705	\$ 2,846,705

### REGIONS BANK, RURAL UTILITIES DIVISION LOAN EMERGENCY GENERATORS

YR END		CA	NYO	N PARK W	WTF	<u>-</u>		<u>D</u>	DUNLAP WWTP					
<b>AUG 31</b>	PRI	PRINCIPAL		TEREST	TOTAL		PRINCIPAL		INT	TEREST		TOTAL		
2018	\$	6,798	\$	339	\$	7,137	\$	7,621	\$	380	\$	8,001		
2019		7,016		121		7,137		7,866		136		8,002		
	\$	13,814	\$	460	\$	14,274	\$	15,487	\$	516	\$	16,003		

#### U.S. GOVERNMENT LOAN, CANYON DAM AND RESERVOIR

2018       \$ 247,337       \$ 61,553       \$ 308,890         2019       253,521       \$ 55,369       \$ 308,890         2020       259,859       \$ 49,031       \$ 308,890         2021       266,355       \$ 42,535       \$ 308,890         2022       273,014       \$ 35,876       \$ 308,890         2023       279,839       \$ 29,051       \$ 308,890         2024       286,835       \$ 22,055       \$ 308,890         2025       294,006       \$ 14,884       \$ 308,890	YR END AUG 31	PRINCIPA	AL IN	TEREST	 TOTAL	
2020       259,859       \$ 49,031       \$ 308,890         2021       266,355       \$ 42,535       \$ 308,890         2022       273,014       \$ 35,876       \$ 308,890         2023       279,839       \$ 29,051       \$ 308,890         2024       286,835       \$ 22,055       \$ 308,890	2018	\$ 247,3	37 \$	61,553	\$ 308,890	
2021       266,355       \$ 42,535       \$ 308,890         2022       273,014       \$ 35,876       \$ 308,890         2023       279,839       \$ 29,051       \$ 308,890         2024       286,835       \$ 22,055       \$ 308,890	2019	253,5	21 \$	55,369	\$ 308,890	
2022       273,014       \$ 35,876       \$ 308,890         2023       279,839       \$ 29,051       \$ 308,890         2024       286,835       \$ 22,055       \$ 308,890	2020	259,8	59 \$	49,031	\$ 308,890	
2023       279,839       \$ 29,051       \$ 308,890         2024       286,835       \$ 22,055       \$ 308,890	2021	266,3	55 \$	42,535	\$ 308,890	
2024 286,835 \$ 22,055 \$ 308,890	2022	273,0	14 \$	35,876	\$ 308,890	
, , , , , , , , , , , , , , , , , , , ,	2023	279,8	39 \$	29,051	\$ 308,890	
2025 294,006 \$ 14,884 \$ 308,890	2024	286,8	35 \$	22,055	\$ 308,890	
	2025	294,0	06 \$	14,884	\$ 308,890	
2026 301,357 \$ 7,533 \$ 308,890	2026	301,3	57 \$	7,533	\$ 308,890	
\$ 2,462,123 \$ 317,887 \$ 2,780,010		\$ 2,462,1	23 \$	317,887	\$ 2,780,010	

### GUADALUPE-BLANCO RIVER AUTHORITY AMORTIZATION SCHEDULES

	WELLS FARGO LOAN EQUIPMENT PURCHASE AMORTIZATION SCHEDULE														
	DUN	LAP EME	RGI	ENCY GE	NER/	ATOR		WATER SAI	LES	BELT PRES	S & '	TRUCK	TOTAL		
YR END AUG 31	PI	RINCIPAL	I	NTEREST		TOTAL		PRINCIPAL		INTEREST		TOTAL	REQ	UIREMENTS	
2018	\$	8,463	\$	3,026	\$	11,489	\$	35,578	\$	12,720	\$	48,298	\$	59,787	
2019		8,760		2,729		11,489		36,824		11,474		48,298		59,787	
2020		9,067		2,422		11,489		38,114		10,183		48,297		59,786	
2021		9,384		2,105		11,489		39,448		8,846		48,294		59,783	
2022		9,713		1,776		11,489		40,830		7,464		48,294		59,783	
2023		10,054		1,435		11,489		42,260		6,033		48,293		59,782	
2024		10,406		1,083		11,489		43,739		4,551		48,290		59,779	
2025		10,771		718		11,489		45,272		3,019		48,291		59,780	
2026		11,148		341		11,489		46,856		1,431		48,287		59,776	
2027		3,123		28		3,151		13,130		116		13,246		16,397	

#### WATER RESOURCE WATER RIGHT PURCHASE AMORTIZATION SCHEDULE

382,051 \$ 65,837 \$

447,888

554,440

90,889 \$ 15,663 \$ 106,552

	LULI	NG FOUNDATION	<u>I</u>			ABNER USSER		TOTAL		
YR END AUG 31	PRINCIPA	L INTEREST	TOTAL		PRINCIPA	L INTEREST		TOTAL	REQUI	REMENTS
2018	\$ 20,681	\$ 17,619 \$	38,300	-	\$ 12,149	\$ 10,351	\$	22,500	\$	60,800
2019	21,612	16,688	38,300		12,69	9,804		22,500		60,800
2020	22,584	15,716	38,300		13,26	9,233		22,500		60,800
2021	23,600	14,700	38,300		13,86	8,636		22,500		60,800
2022	24,662	13,638	38,300		14,48	8,012		22,500		60,800
2023	25,772	12,528	38,300		15,140	7,360		22,500		60,800
2024	26,932	11,368	38,300		15,822	2 6,678		22,500		60,800
2025	28,144	10,156	38,300		16,53	5,966		22,500		60,800
2026	29,410	8,890	38,300		17,27	5,222		22,500		60,800
2027	30,734	7,566	38,300		18,05	5 4,445		22,500		60,800
2028	32,117	6,183	38,300		18,86	3,632		22,500		60,800
2029	33,562	4,738	38,300		19,71	2,783		22,500		60,800
2030	35,072	3,228	38,300		20,60	1,896		22,500		60,800
2031	36,648	3 1,647	38,295		21,53	967		22,501		60,796
	\$ 391,530	\$ 144,665 \$	536,195		\$ 230,010	5 \$ 84,985	\$	315,001	\$	851,196

### GENERAL IMPROVEMENT & REFUNDING REVENUE BONDS, SERIES 2011 OFFICE EXPANSION & WATER RIGHT CONTRACT BUYOUT

	WATER RIGHT CONTRAC				T BUYOUT REFUNDING PORTION-OFFICE							
YR END AUG 31	PRINCIPA	Ĺ :	INTEREST		TOTAL	PI	RINCIPAL	IN	TEREST		TOTAL	TOTAL
2018	\$ 320,00	0 \$	203,463	\$	523,463	\$	200,000	\$	100,044	\$	300,044	\$ 823,507
2019	330,00	0	190,663		520,663		215,000		92,044		307,044	827,707
2020	345,00	0	177,463		522,463		220,000		83,444		303,444	825,907
2021	360,00	0	163,663		523,663		230,000		74,644		304,644	828,307
2022	375,00	0	149,263		524,263		240,000		65,444		305,444	829,707
2023	385,00	0	135,669		520,669		255,000		56,744		311,744	832,413
2024	400,00	0	121,231		521,231		265,000		47,181		312,181	833,412
2025	415,00	0	105,231		520,231		275,000		36,581		311,581	831,812
2026	435,00	0	88,113		523,113		285,000		25,238		310,238	833,351
2027	455,00	0	69,625		524,625		300,000		13,125		313,125	837,750
2028	475,00	0	49,719		524,719							524,719
2029	495,00	0	27,750		522,750							522,750
2030	105,00	0	4,856		109,856							 109,856
	\$ 4,895,00	0 \$	1,486,709	\$	6,381,709	\$	2,485,000	\$	594,489	\$	3,079,489	\$ 9,461,198

#### GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2012 MID-BASIN PROJECT

YR END AUG 31	ΡI	RINCIPAL	IN	TEREST	TOTAL
2018	\$	220,000	\$	37,603	\$ 257,603
2019		225,000		37,295	262,295
2020		225,000		36,620	261,620
2021		225,000		35,473	260,473
2022		225,000		33,898	258,898
2023		230,000		31,985	261,985
2024		230,000		29,593	259,593
2025		235,000		26,971	261,971
2026		235,000		24,128	259,128
2027		240,000		21,002	261,002
2028		245,000		17,522	262,522
2029		245,000		13,210	258,210
2030		250,000		9,143	259,143
2031		255,000		4,743	259,743
	\$	3,285,000	\$	359,186	\$ 3,644,186

### GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2015 IWPP PROJECTS, SWIRF FUNDS

YR END AUG 31	PRI	NCIPAL	INTEREST		TOTAL
2018	\$		\$	\$	
2019					
2020					
2021					
2022					
2023					
2024		145,000	58,295		203,295
2025		145,000	55,267		200,267
2026		150,000	52,080		202,080
2027		155,000	48,404		203,404
2028		160,000	44,294		204,294
2029		160,000	39,789		199,789
2030		165,000	35,096		200,096
2031		170,000	30,075		200,075
2032		180,000	24,747		204,747
2033		185,000	18,969		203,969
2034		190,000	12,916		202,916
2035		195,000	6,591	<u></u>	201,591
	\$	2,000,000	\$ 426,523	\$	2,426,523

### CONTRACT REVENUE REFUNDING BONDS, SERIES 2013 IH35 TREATED WATER DELIVERY SYSTEM PROJECT

YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2018	\$ 585,000	\$ 613,531	\$ 1,198,531
2019	600,000	601,831	1,201,831
2020	625,000	571,833	1,196,833
2021	640,000	557,769	1,197,769
2022	660,000	532,169	1,192,169
2023	690,000	505,769	1,195,769
2024	730,000	471,269	1,201,269
2025	765,000	434,769	1,199,769
2026	785,000	411,819	1,196,819
2027	810,000	387,288	1,197,288
2028	840,000	360,963	1,200,963
2029	865,000	332,613	1,197,613
2030	900,000	301,256	1,201,256
2031	930,000	268,631	1,198,631
2032	965,000	234,919	1,199,919
2033	1,000,000	199,938	1,199,938
2034	1,035,000	163,688	1,198,688
2035	1,070,000	124,875	1,194,875
2036	1,110,000	84,750	1,194,750
2037	1,150,000	43,121	1,193,121
	\$ 16,755,000	\$ 7,202,801	\$ 23,957,801

### CONTRACT REVENUE BONDS, SERIES 2007B & CONTRACT REVENUE REFUNDING BONDS, SERIES 2017 RRWDS PROJECT

			SE	RIES 2007B		SERIES 2017						
YR END AUG 31	PI	RINCIPAL	INTEREST		TOTAL	PI	RINCIPAL	II	NTEREST		TOTAL	TOTAL
2018	\$	105,000	\$	363,752	\$ 468,752	\$	290,000	\$	214,966	\$	504,966	\$ 973,718
2019		110,000		356,328	466,328		245,000		256,531		501,531	967,859
2020		120,000		348,551	468,551		250,000		251,631		501,631	970,182
2021		130,000		340,067	470,067		260,000		244,131		504,131	974,198
2022		135,000		330,876	465,876		270,000		236,331		506,331	972,207
2023		145,000		321,332	466,332		275,000		228,231		503,231	969,563
2024		155,000		311,080	466,080		290,000		217,231		507,231	973,311
2025		170,000		300,122	470,122		295,000		205,631		500,631	970,753
2026		180,000		288,103	468,103		310,000		193,831		503,831	971,934
2027		195,000		275,377	470,377		320,000		181,431		501,431	971,808
2028		205,000		261,590	466,590		330,000		168,631		498,631	965,221
2029		220,000		247,097	467,097		350,000		155,431		505,431	972,528
2030		235,000		231,543	466,543		360,000		141,431		501,431	967,974
2031		255,000		214,928	469,928		375,000		127,031		502,031	971,959
2032		270,000		196,900	466,900		395,000		112,031		507,031	973,931
2033		290,000		177,811	467,811		410,000		96,231		506,231	974,042
2034		310,000		157,308	467,308		420,000		83,931		503,931	971,239
2035		335,000		135,391	470,391		435,000		71,331		506,331	976,722
2036		355,000		111,706	466,706		445,000		58,281		503,281	969,987
2037		380,000		86,608	466,608		460,000		44,375		504,375	970,983
2038		410,000		59,742	469,742		470,000		30,000		500,000	969,742
2039		435,000		30,755	465,755		490,000		15,313		505,313	971,068
	\$	5,145,000	\$	5,146,967	\$ 10,291,967	\$	7,745,000	\$	3,333,962	\$	11,078,962	\$ 21,370,929

# REGIONAL RAW WATER DELIVERY SYSTEM CONTRACT REVENUE REFUNDING BONDS, SERIES 2010 (CITY OF SAN MARCOS, TEXAS PORTION)

			SEI	RIES 2010			
YR END AUG 31	PI	PRINCIPAL		TEREST	TOTAL		
2019 *	\$	490,000	\$	108,756	\$	598,756	
2020		500,000		94,518		594,518	
2021		520,000		79,218		599,218	
2022	540,000			63,318		603,318	
2023		565,000		46,743		611,743	
2024		585,000		29,128		614,128	
2025		615,000		9,994		624,994	
	\$	3,815,000	\$	431,675	\$	4,246,675	

 $<sup>* \</sup>textit{The principal and related interest due on September 1, 2017 (FY2018) were paid in fiscal year ending August 31, 2017.}\\$ 

#### CONTRACT REVENUE REFUNDING BONDS, SERIES 2016 SAN MARCOS WATER TREATMENT PLANT PROJECT

		SERIES 2016	
YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2018	\$ 90,000	\$ 174,681	\$ 264,681
2019	95,000	172,881	267,881
2020	95,000	170,981	265,981
2021	100,000	169,081	269,081
2022	95,000	167,081	262,081
2023	100,000	164,231	264,231
2024	110,000	161,231	271,231
2025	110,000	158,481	268,481
2026	110,000	155,181	265,181
2027	115,000	151,881	266,881
2028	120,000	149,006	269,006
2029	120,000	146,006	266,006
2030	125,000	142,406	267,406
2031	510,000	138,656	648,656
2032	540,000	113,156	653,156
2033	570,000	86,156	656,156
2034	595,000	57,656	652,656
2035	615,000	39,063	654,063
2036	635,000	19,844	654,844
	\$ 4,850,000	\$ 2,537,659	\$ 7,387,659

### COMBINATION CONTRACT REVENUE REFUNDING BONDS SERIES 2013A & 2013B WESTERN CANYON REGIONAL WATER SUPPLY CONTRACT

		SERIES 2013A		SERIES 2013B						
YR END AUG 31	PRINCIPAL	INTEREST	TOTAL	P	RINCIPAL	I	NTEREST		TOTAL	TOTAL
2018	\$ 2,030,000	\$ 2,296,900	\$ 4,326,900	\$	270,000	\$	238,494	\$	508,494	\$ 4,835,394
2019	2,115,000	2,215,700	4,330,700		275,000		233,340		508,340	4,839,040
2020	2,200,000	2,131,100	4,331,100		285,000		224,301		509,301	4,840,401
2021	2,305,000	2,021,100	4,326,100		295,000		214,933		509,933	4,836,033
2022	2,415,000	1,913,350	4,328,350		305,000		205,236		510,236	4,838,586
2023	2,535,000	1,792,600	4,327,600		315,000		195,211		510,211	4,837,811
2024	2,660,000	1,665,850	4,325,850		325,000		184,857		509,857	4,835,707
2025	2,795,000	1,532,850	4,327,850		335,000		169,799		504,799	4,832,649
2026	2,935,000	1,393,100	4,328,100		350,000		154,279		504,279	4,832,379
2027	3,080,000	1,246,350	4,326,350		370,000		138,063		508,063	4,834,413
2028	3,235,000	1,092,350	4,327,350		390,000		120,921		510,921	4,838,271
2029	3,400,000	930,600	4,330,600		405,000		102,853		507,853	4,838,453
2030	3,565,000	762,000	4,327,000		425,000		84,089		509,089	4,836,089
2031	3,745,000	585,200	4,330,200		440,000		64,399		504,399	4,834,599
2032	3,930,000	399,500	4,329,500		465,000		44,014		509,014	4,838,514
2033	4,125,000	204,600	4,329,600		485,000		22,470		507,470	 4,837,070
	\$ 47,070,000	\$ 22,183,150	\$ 69,253,150	\$	5,735,000	\$	2,397,259	\$	8,132,259	\$ 77,385,409

### GUADALUPE-BLANCO RIVER AUTHORITY AMORTIZATION SCHEDULES

#### FROST NATIONAL BANK, PORT LAVACA WTP CLEARWELL

YR END AUG 31		PRINCIPAL	INTEREST			,	TOTAL	
2018	\$	52,040		\$	9,248		\$	61,288
2019		54,190			7,098			61,288
2020		56,416	4,872				61,288	
2021		58,760			2,528			61,288
2022		30,281			362			30,643
	\$ 251,687			\$	24,108		\$	275,795

### TREATED WATER DELIVERY SYSTEM CONTRACT REVENUE REFUNDING BONDS, SERIES 2014 CITY OF LOCKHART PROJECT (LULING-TO-LOCKHART PIPELINE)

YR END AUG 31	P	PRINCIPAL	INTEREST	TOTAL
2018	\$	260,000	\$ 140,933	\$ 400,933
2019		275,000	131,704	406,704
2020		280,000	122,130	402,130
2021		290,000	112,298	402,298
2022		300,000	102,120	402,120
2023		310,000	91,598	401,598
2024		320,000	80,730	400,730
2025		335,000	69,431	404,431
2026		345,000	57,701	402,701
2027		355,000	45,626	400,626
2028		370,000	33,120	403,120
2029		380,000	20,183	400,183
2030		395,000	6,814	 401,814
	\$	4,215,000	\$ 1,014,388	\$ 5,229,388

# **Statistical Section**

### **Index and Explanation**

This part of the Guadalupe Blanco River Authority's (GBRA) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about GBRA's overall financial health.

	These schedules contain trend information to help the reader understand how GBRA's
	financial performance and well-being have changed over time.
N.I.	A Danitan by Commonant
	et Positon by Component
	chedule of Changes in Net Position.
50	chedules of Operating Revenues by Source, Operating Expenses, and
D	Nonoperating Revenue and Expenses
Reve	enue Capacity These schedules contain information to help the reader assess GBRA's most significant
	revenue sources and types of operating systems.
	revenue sources and types of operating systems.
Dr	incipal Customers
	perations
	Capacity
Debi	These schedules present information to help the reader assess and understand GBRA's
	debt burden.
	dobt bardon.
De	ebt by Type
Th	ird Party Debt
Th	ographic and Economic Information
Th	These schedules offer demographic and economic indicators to help the reader
Th	ographic and Economic Information
Th <b>Dem</b>	ographic and Economic Information  These schedules offer demographic and economic indicators to help the reader understand the environment within which GBRA's financial activities take place.
Th <b>Dem</b> Di:	ographic and Economic Information  These schedules offer demographic and economic indicators to help the reader understand the environment within which GBRA's financial activities take place.  strict Demographics
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#### Guadalupe Blanco River Authority Net Position By Component Last Ten Fiscal Years (accrual basis of accounting)

	Fiscal Year						
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>		
Primary government  Net investment in capital assets  Restricted	\$ 39,900,766 9,450,962	\$ 45,212,346 8,546,152	\$ 43,492,246 8,100,743	\$ 41,302,982 8,047,563	\$ 36,423,496 4,787,708		
Unrestricted  Total primary government net position	40,016,677 \$ 89,368,405	26,498,994 \$ 80,257,492	22,926,275 \$ 74,519,264	27,977,413 \$ 77,327,958	30,776,556 \$ 71,987,760		
			Fiscal Year				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>		
Primary government							
Net investment in capital assets	\$ 35,853,611	\$ 40,790,810	\$ 43,235,437	\$ 40,582,695	\$ 38,715,589		
Restricted	5,995,312	5,386,547	6,521,324	10,715,810	7,978,016		
Unrestricted	25,315,195	18,914,321	15,143,773	10,656,309	11,365,266		
Total primary government net positon	\$ 67,164,118	\$ 65,091,678	\$ 64,900,534	\$ 61,954,814	\$ 58,058,871		

#### Guadalupe Blanco River Authority Changes in Net Position Last Ten Fiscal Years

Fiscal <u>Year</u>	Operating Revenues	Operating Expenses	Operating Income	Total Nonoperating Revenues (Expenses)	Income before Capital Contributions and Deferrals	Capital Contributions	<u>Deferrals</u>	Restatement	Change in Net <u>Position</u>
2008	44,645,439	33,684,665	10,960,774	(6,290,390)	4,670,384	704,171	(741,252)		4,633,303
2009	45,001,215	34,503,980	10,497,235	(6,695,555)	3,801,680	1,300,256	(705,993)		4,395,943
2010	44,517,699	34,970,761	9,546,938	(6,499,912)	3,047,026	414,096	(1,015,402)		2,445,720
2011	43,649,714	35,199,680	8,450,034	(7,724,043)	725,991	-	(534,847)		191,144
2012	44,636,657	35,579,849	9,056,808	(6,097,754)	2,959,054	-	(886,614)		2,072,440
2013	45,066,266	36,799,250	8,267,016	(5,908,084)	2,358,932	-	2,464,710		4,823,642
2014	47,577,259	36,666,041	10,891,218	(3,743,258)	7,147,960	-	(1,526,940)		5,621,020
2015	46,857,167	37,337,459	9,519,708	(3,520,050)	5,999,658	-	(1,209,707)	(7,598,645)	(2,808,694)
2016	50,215,953	40,744,118	9,471,835	(2,481,361)	6,990,474	-	(1,252,246)		5,738,228
2017	51,726,865	41,456,872	10,269,993	(547,476)	9,722,517	-	(611,604)		9,110,913

The Guadalupe Blanco River Authority adopted GASB 68, Accounting and Financial Reporting for Pensions in FY 2015, resulting in a decrease in net assets of \$7,598,645.

#### **Guadalupe Blanco River Authority**

### Operating Revenues by Source Last Ten Fiscal Years

	Pollution		Water	Rental,	Waste			
	and		Sales	Recreation	Water			
	Industrial	Power	and Lake	and	Treatment	Laboratory		
Year	Financing	Sales	Operations	Land Use	Services	Services	Miscellaneous	Total
2008	163,560	3,854,491	30,255,712	973,603	6,271,513	641,059	2,485,501	44,645,439
2009	-	3,056,054	31,051,511	932,909	6,683,467	675,585	2,601,689	45,001,215
2010	-	4,040,510	31,054,841	927,049	6,107,928	759,958	1,627,413	44,517,699
2011	-	4,192,271	31,615,931	1,022,746	4,273,817	736,451	1,808,498	43,649,714
2012	-	3,979,015	33,081,820	1,111,419	3,556,848	823,466	2,084,089	44,636,657
2013	-	3,548,940	34,252,743	1,127,145	3,649,643	800,922	1,686,873	45,066,266
2014	-	3,032,418	34,316,750	1,151,892	3,830,673	842,643	4,382,883	47,557,259
2015	-	2,914,459	35,235,777	1,140,268	4,070,855	914,476	2,581,332	46,857,167
2016	-	3,980,284	36,351,390	1,064,728	4,481,509	965,329	3,372,713	50,215,953
2017	-	3,868,917	38,684,639	1,032,079	3,737,942	1,006,168	3,397,120	51,726,865

### Operating Expenses Last Ten Fiscal Years

		Operating				
	Personnel	Supplies	Maintenance	Depreciation		
	Operating	and	and	and	Special	
Year	Costs	Services	Repairs	Amortization	Items (a)	Total
2008	9,325,518	13,858,478	4,876,916	5,623,753	-	33,684,665
2009	10,014,890	14,371,964	4,539,233	5,577,893	-	34,503,980
2010	9,942,404	13,288,880	4,416,585	6,127,100	1,195,792	34,970,761
2011	9,454,599	13,340,648	4,272,751	6,136,748	1,994,934	35,199,680
2012	9,679,527	13,291,466	4,071,712	5,847,241	2,970,725	35,860,671
2013	9,983,897	14,111,633	4,398,941	7,279,816	1,024,963	36,799,250
2014	10,669,145	14,675,651	4,808,404	6,273,761	239,080	36,666,041
2015	11,553,310	14,894,444	4,963,250	5,705,554	220,901	37,337,459
2016	14,335,153	17,397,816	3,393,746	5,617,403	-	40,744,118
2017	15,785,404	16,821,406	3,317,475	5,532,587	-	41,456,872

<sup>(</sup>a) Special Items in FY 2010 through FY 2015 include costs associated with the Whooping Crane Endangered Species Lawsuit

#### Nonoperating Revenue and Expenses Last Ten Fiscal Years

Gain (Loss) on Disposal

	Interest	Investment		of Capital	
Year	Expense	Income	Grants	Assets	Total
2008	(7,046,879)	828,429	-	(71,940)	(6,290,390)
2009	(7,410,716)	475,308	242,557	(2,704)	(6,695,555)
2010	(7,184,205)	237,079	430,424	16,790	(6,499,912)
2011	(6,812,918)	288,242	549,534	(1,748,901)	(7,724,043)
2012	(6,684,592)	146,506	563,047	(122,715)	(6,097,754)
2013	(6,711,171)	117,304	681,223	4,560	(5,908,084)
2014	(5,059,003)	276,151	1,030,613	8,981	(3,743,258)
2015	(4,553,127)	124,228	891,457	17,392	(3,520,050)
2016	(4,387,175)	365,520	1,531,700	8,594	(2,481,361)
2017	(4,381,843)	222,968	3,539,362	72,037	(547,476)

### **List of Principal Customers**

Guadalupe Valley Electric Cooperative

New Braunfels Utilities

Coleto Creek Park Customers

Lake Wood Recreational Park Customers

Nolte Island Park Customers

**Regional Laboratory Customers** 

Calhoun County Rice Farmers

City of Buda

City of Bulverde

City of Lockhart

City of Schertz

Cordillera Ranch

North Hays County MUD #1

Sunfield Municipal Utility District #4

Johnson Ranch Municipal Utility District

## POWER SALES & OTHER SERVICES

### WATER SALES CUSTOMERS

Canyon Lake Water Supply Corp. Canyon Regional Water Authority

City of Boerne

City of Buda

City of Fair Oaks Ranch

City of Kyle

City of Port Lavaca

City of San Marcos

City of Seguin

Coleto Creek Power, LP

Cordillera Ranch

Crystal Clear Water Supply Corporation

**Guadalupe Power Partners** 

Hays Energy Limited Partnership

Ineos Nitriles Green Lake Plant

New Braunfels Utilities

San Antonio Water System

Springs Hill Water Supply Corporation

Sunfield Municipal Utility District #4



### WASTEWATER TREATMENT CUSTOMERS

### WATER TREATMENT CUSTOMERS

Calhoun County Rural Water Corporation

City of Boerne

City of Buda

City of Fair Oaks Ranch

City of Kyle

City of Lockhart

City of Luling

City of Port Lavaca

City of San Marcos

Cordillera Ranch

Goforth Special Utility District

Kendall West Utilities

Port O'Connor Municipal Utility District

San Antonio Water System

Sunfield Municipal Utility District #4

The above customers represent GBRA's principal customers. Because of the long term nature of GBRA's contracts, the majority of these customers have been customers of GBRA for ten years or more. The Water Sales Customers represent GBRA's largest source of revenue. The rate history for Water Sales Customers is as follows:

Price Per	Effective	Price Per	Effective
Acre-Foot (1)	Date	Acre-Foot (1)	Date
\$38.75	10/1/1980	\$96.00	10/1/2006
44.76	10/1/1985	100.00	10/1/2007
53.03	10/1/1990	105.00	10/1/2008
61.00	10/1/1997	110.00	10/1/2010
69.00	10/1/2000	114.00	10/1/2011
80.00	10/1/2002	125.00	10/1/2012
84.00	11/1/2003	130.00	10/1/2014
88.00	10/1/2004	135.00	10/1/2015
92.00	10/1/2005	142.00	10/1/2016

<sup>(1)</sup> Excludes out-of-district charges.

### **Types of Operating Systems**

Several GBRA operating divisions are segregated into systems to facilitate cost accounting, internal control, and rate setting. Each system has one of two types of budgets, either "Budget-to-Actual" or "Units of Service". Budget-to-Actual systems provide services based on a budget approved by the customer and GBRA. During the course of the year, the customer is billed based on the annual budget with those billings adjusted to the total actual cost of service at each fiscal year end. Unit-of Service budgets in other GBRA operations include an annual rate adoption by the GBRA Board where the customer pays for some type of service based on a unit of measure at the applicable rate. The revenue derived from these customers pays the operating and maintenance, debt service, and capital costs of the system. In these systems, revenue is completely dependent upon the number of units sold and no customer year-end adjustment is available. The table below distinguishes the systems according to the type of operations in which they operate:

Budget-to-Actual Operations:	Principal Customers	County
Northcliffe Wastewater Treatment Plant	City of Schertz	Guadalupe
Sunfield Wastewater Treatment Plant	Sunfield MUD #4	Hays
4S Ranch Wastewater Treatment Plant	Comal County WCID #6	Comal
Park Village Wastewater Treatment Plant	Comal County WCID #6	Comal
Singing Hills Wastewater Treatment Plant	City of Bulverde	Comal
Buda Wastewater Treatment Plant	City of Buda	Hays
Port Lavaca Water Treatment Plant	City of Port Lavaca	Calhoun
Coleto Creek Reservoir	Coleto Creek Power, LP	Victoria/Goliad
Luling Water Treatment Plant	Cities of Luling & Lockhart	Caldwell
Canyon Hydroelectric Plant	New Braunfels Utilities	Comal
Lockhart Wastewater Reclamation System	City of Lockhart	Caldwell
Lockhart Water Treatment Plant	City of Lockhart	Caldwell

Unit of Service Operations:	Principal Customers	County
General Division	GBRA Systems	Guadalupe
Guadalupe Valley Hydroelectric Division	Guadalupe Valley Electric Coop.	Guadalupe/Gonzales
Shadow Creek Wastewater Treatment Plant	Residential Customers	Hays
Canyon Park Wastewater Reclamation System	Residential Customers	Comal
Dunlap Wastewater Reclamation System	Residential Customers	Guadalupe
Water Sales System	Communities, industries, farmers	Entire River Basin
Regional Laboratory System	Residential, Industrial, City Customers	Entire River Basin
Calhoun Canal System	Port Lavaca Plant,farmers, industries	Calhoun
San Marcos Water Treatment Plant	City of San Marcos	Hays
Western Canyon Division	Boerne, Bulverde, Fair Oaks, Cordillera	Comal/Kendall
Cordillera Water Treatment Plant	Residential and Commercial Customers	Kendall
Cordillera Wastewater Treatment Plant	Residential and Commercial Customers	Kendall
Comal Trace Water Distribution System	Residential Customers	Comal
Johnson Ranch Water Distribution System	Residential Customers, Public School	Comal
Johnson Ranch Wastewater Treatment Plant	Residential Customers, Public School	Comal
Calhoun County Rural Water System	Residential and Commercial Customers	Calhoun
Coleto Creek Recreation	Recreational Customers	Victoria/Goliad

#### Guadalupe Blanco River Authority Debt By Type Last Ten Fiscal Years

	Net Obligations Payable Directly By GBRA		Net Obligations Payable From Revenue Contracts (a)		Pollution Control	
	Bonds	Loans	Bonds	Loans	Bonds	
Year					<del></del>	
2008	3,755,000	11,076,109	139,522,039	395,467	\$ -	
2009	3,630,000	10,845,301	134,602,007	387,356	-	
2010	3,500,000	9,981,619	129,899,199	378,910	-	
2011	10,122,346	9,362,340	124,789,055	370,115	-	
2012	14,108,088	11,337,160	119,930,725	360,998	-	
2013	13,453,831	10,583,254	117,364,922	351,463	-	
2014	12,784,574	7,682,733	111,208,494	341,534	-	
2015	12,095,316	6,962,889	106,160,734	331,195	-	
2016	13,391,059	5,752,929	100,974,255	301,662	-	
2017	12,671,801	5,790,910	100,969,477	251,687	-	

<sup>(</sup>a) Contract revenue bonds and loans are payable from revenue derived from various contracts between GBRA and the various parties securing payment to GBRA for debt service payments on the bonds and loans. Debt coverage is 100% for these bonds and loans. Each customer is billed monthly for 1/12 of the total debt service for the fiscal year. Each revenue bond contract is insured or credit rated based on the financial strength of GBRA's service contract.

In FY 2017, Net Obligations Payable from Revenue Contracts were as follows:	ws:		Customer Revenue Contract
RRWDS Combination Contrract Revenue Bonds Series 2007	\$	5,145,000	Cities of Kyle & Buda, GoForth SUD,
RRWDS Combination Contrract Revenue Refunding Bonds Series 2017	\$	8,083,612	Sunfield MUD, Monarch Util,
Contract Revenue Refunding Bonds Series 2016-San Marcos Plant	\$	4,850,000	Hays Energy LP, Canyon Reg Water Authority
RRWDS Combination Revenue Refunding Bonds, San Marcos Series 2010	\$	3,815,000	City of San Marcos
IH 35 Proj Combination Contract Revenue Bonds, Series 2013	\$	16,682,779	Cities of Kyle & Buda, GoForth SUD, Monarch Util, Sunfield MUD
Western Canyon Regional WS Project Revenue Bonds, Series 2013 A&B	\$	58,184,642	San Antonio Water System, Cities of Boerne & Fair Oaks, Canyon Lake Water Supply Co., Kendall West, Lerin MUD, DH Investments, Bremer Ranch, Couser Ranch, Retail Operations: Cordillera, Comal Trace, Johnson Ranch
Frost National Bank-Clearwell Treated Water Delivery System Contract Revenue Refund. Bonds, Series 2014	\$ \$	251,687 4,208,444	Port O'Connor MUD, Calhoun Co Rural Water City of Lockhart

Notes: All balances for bonds and loans outstanding are shown prior to defeasance and accretion of Interest.

Guadalupe Blanco River Authority Third Party Debt Last Ten Fiscal Years

### Pollution Control and Industrial Development Bonds

Year	
2008	90,890,000
2009	90,890,000
2010	40,890,000
2011	40,890,000
2012	40,890,000
2013	40,890,000
2014	40,890,000
2015	40,890,000
2016	40,890,000
2017	-

GBRA has assisted industries within the GBRA service area by acting as issuing conduit so that the user of the bond proceeds benefited from reduced debt service requirements. Fees to administer this debt are recognized as pollution and industrial financing income. In each case, the user of the bond proceeds pledge their credit, bear sole responsibility for all debt service, make all payments directly to the trustee and completely indemnify GBRA for any costs incurred. Due to the character of these bonds, GBRA considers them debts of the third party users rather than debts of GBRA. Therefore, these bonds and the related receivables have been excluded from the combined financial statements in order to avoid misrepresenting the nature of the bonds and distorting GBRA's statements. The exclusion is in conformity with the Texas State Auditor's Report dated October 6, 1986 for Water Districts and River Authorities reporting third party conduit financings.

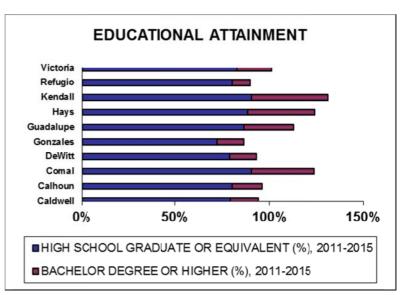
### **GBRA District Demographics**

GBRA provides a variety of services to rural water corporations, electric cooperatives, industries and individuals within this ten-county district. GBRA's operations serve both retail and wholesale customers in an array of services including water sales and distribution, water treatment, wastewater treatment, hydroelectric generation, laboratory analysis and recreation opportunities.

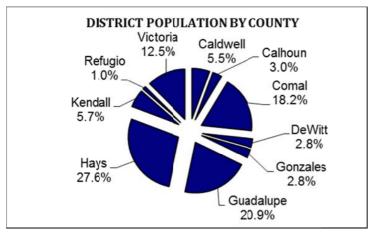
GBRA's service area is geographically part of south central Texas. It stretches from the Hill Country through the I-35 Corridor and on to the Gulf Coast. GBRA's service area includes ten-counties and more than seventy cities and communities. This geographic diversity in turn provides economic diversity with a unique combination of agriculture, oil and gas, defense, high tech and heavy industry.

This diversity allows the local economy to be among the State's growth leaders and outpace the national economy as well as weather the effects of any global economic problems better than other areas may. The local economy is also being spurred by tremendous population growth along the I-35 Corridor and for a period of time, the Eagle Ford Shale oil boom. Indicative of the population boom is the fact that the cities of Austin and San Antonio are both listed in the top ten of cities which have grown the most during the last ten years. The graphs below and on the following page portray the population and economic base within GBRA's ten-county district.

F	HIGH SCHOOL	BACHELOR
	GRADUATE	DEGREE
<b>COUNTY</b>	OR EQUIV.	OR HIGHER
Caldwell	79%	15%
Calhoun	80%	16%
Comal	91%	33%
DeWitt	79%	15%
Gonzales	72%	14%
Guadalupe	87%	26%
Hays	89%	36%
Kendall	90%	41%
Refugio	80%	10%
Victoria	83%	18%



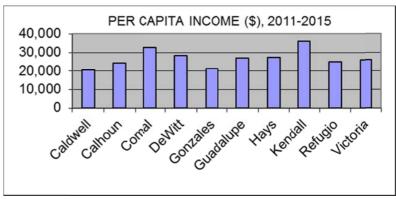
SOURCE: U.S. Census Bureau, 5yr Estimate



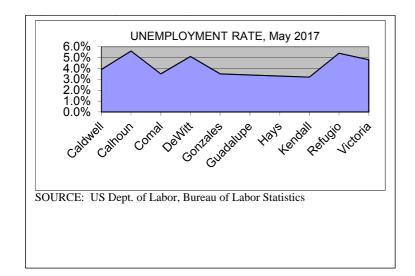
<u>COUNTY</u>	<b>POPULATION</b>
Hays	204,470
Guadalupe	155,265
Comal	134,788
Victoria	92,467
Kendall	42,540
Caldwell	41,161
Calhoun	21,965
Gonzales	20,876
DeWitt	20,865
Refugio	7,321

SOURCE: U.S. Census Bureau, July 2016

COUNTY	PER CAPITA INCOME
Kendall	36,126
Comal	32,838
DeWitt	28,418
Hays	27,398
Guadalupe	26,928
Victoria	25,987
Refugio	24,902
Calhoun	24,372
Gonzales	21,185
Caldwell	20,667



SOURCE: U.S. Census Bureau, 5-yr Estimate



	UNEMPLOYMENT
<u>COUNTY</u>	RATE
Comal	3.5%
Caldwell	3.9%
Guadalupe	3.4%
Calhoun	5.6%
Victoria	4.8%
Hays	3.3%
Kendall	3.2%
Gonzales	3.5%
DeWitt	5.1%
Refugio	5.4%
Texas	4.4%
1 0.1005	
U.S.	4.4%

#### Guadalupe Blanco River Authority Number of Employees by Division Last Ten Fiscal Years

Division	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General	38	40	40	41	39	40	39.5	35	38.5	34
Guadalupe Valley Electric	25	25	25	25	26	26	26	24	24	23
Rural Utilities	7	7	7	7	7	7	7	7	7.5	7.5
Water Resources	46	51	48	49	49	49.5	51.5	50	50.5	57
Western Canyon	9	9	9	9	9	9	9	9	10	11
Port Lavaca WTP	8	8	8	8	8	8	8	8	8	8
Calhoun County RWSS	4	4	4	4	4	4	5	4	5	5
Victoria Regional WWRS	21	21	19	9	-	-	-	-	-	-
Coleto Creek Park and Reservoir	16	16	16	16	16	16	16	14.5	14.5	14
Luling WTP	5	5	5	5	5	5	5	5	5	5
Canyon Hydroeletric	2	2	2	2	2	2	2	2	2	2
Lockhart WWTP & WTP	11	11	11	11	11	11	11	7	7	7
Total	192	199	194	186	176	177.5	180	165.5	172	173.5

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).

GBRA's contract with the City of Victoria to operate the Victoria Regional Wastewater Reclamation Plants terminated in December, 2010. Employees of GBRA transitioned to the City of Victoria or other GBRA divisions.



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### GUADALUPE-BLANCO RIVER AUTHORITY OPERATING STATISTICS

Operating Statistics:	FY 2007	FY 2008	FY 2009
Water Treatment Customers:			
Total Water Distributed (Gal.)			
Calhoun County Rural Water Supply Division	62,684,000	75,006,000	87,252,000
Total Water Treated (Gal.)			
Lockhart Water Treatment System	479,150,000	525,871,000	554,970,000
Luling Water Treatment Plant Division	651,263,000	734,704,000	677,043,000
Port Lavaca Water Treatment Plant Division	592,510,000	673,172,000	739,501,000
San Marcos Water Treatment Plant System	2,129,290,000	2,404,842,000	2,773,635,000
Western Canyon Water Treatment Plant System	2,713,775,000	3,648,193,000	3,669,842,000
Waste Water Treatment Customers:			
Total Wastewater Treated (Gal.)			
Buda Wastewater Treatment Plant	198,200,000	243,800,000	273,300,000
Crestview Subdivision Wastewater Treatment Plant	3,256,203	2,191,534	2,184,018
Lockhart Wastewater Reclamation System	489,000,000	447,100,000	380,250,000
Rural Utilities Division	190,740,000	168,630,000	168,400,000
Victoria Regional Wastewater Reclamation Division	2,390,000,000	2,585,000,000	2,209,000,000
Village of Wimberley Wastewater Treatment Plant	5,385,000	3,660,000	4,720,000
North Hayes County MUD #1	23,790,000	35,570,000	35,980,000
Sunfield Subdivision Wastewater Treatment			
Water Sales Customers:			
Rice Irrigation (Acres)			
Calhoun Canal System	2,086	2,809	2,153
Water Delivered (Gal.)			
Guadalupe Power Partners	974,680,000	1,157,790,000	1,146,655,000
Regional Raw Water Delivery System	2,129,290,000	3,274,240,000	2,908,782,000
Power Sales & Other Services:			
Total Generation (kWh)			
Guadalupe Valley Hydroelectric Division	64,980,700	66,914,600	25,726,200
Canyon Hydroelectric Division	9,102,504	19,026,827	2,415,841
Annual Permits			
Lake Wood Recreation Area	11	17	9
Coleto Creek Regional Park	274	285	252
Camping Permits			
Lake Wood Recreation Area	2,112	2,635	2,995
Coleto Creek Regional Park	13,376	14,594	12,941
Camping Cabins			
Coleto Creek Regional Park	542	662	725
Day Use Permits			
Lake Wood Recreation Area	2,164	2,567	2,739
Coleto Creek Regional Park	14,177	16,851	15,139

FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
FY 2017	F Y 2010	F Y 2015	FY 2014	FY 2013	F Y 2012	F Y 2011	FY 2010
79,187,000	81,715,000	72,753,000	75,749,000	81,818,000	92,377,000	91,070,000	71,381,000
546,343,000	544,955,000	522,285,000	537,896,000	548,963,000	579,122,000	613,240,000	542,137,000
668,198,000	654,244,000	638,074,000	630,906,000	684,728,000	664,541,000	675,179,000	634,399,000
626,247,000	693,981,000	715,451,000	617,275,000	666,194,000	721,578,000	752,918,000	630,210,000
3,261,793,000	3,627,098,000	3,619,286,000	3,643,600,000	3,449,001,000	3,324,085,000	3,209,012,000	2,685,046,000
3,737,741,000	3,641,065,000	3,302,315,000	3,587,600,000	3,663,286,000	3,640,904,000	3,446,937,000	3,722,663,000
412,900,000	435,200,000	426,560,000	479,600,000	363,970,000	376,050,000	331,430,000	339,800,000
2,150,000	2,041,000	3,306,682	1,719,866	2,085,000	2,709,621	2,291,900	3,059,616
451,010,000	491,710,000	483,600,000	413,360,000	395,550,000	453,960,000	429,580,000	465,830,000
190,500,000	229,200,000	239,900,000	199,500,000	186,300,000	186,300,000	195,800,000	239,600,000
		237,700,000				819,000,000	2,579,000,000
					1,750,000	4,930,000	3,246,000
64,880,000	65,760,000	56,050,000	54,790,000	46,700,000	43,000,000	38,160,000	41,010,000
44,800,000	36,710,000	41,670,000	43,610,000	23,210,000	19,020,000	9,970,000	2,560,000
	1,074		1,532	2,306	1,917	2,249	2,177 998,991,000
1,029,213,000 4,032,457,000	1,239,957,000 4,803,160,000	1,224,248,900 4,525,209,000	816,222,100 4,295,695,000	680,145,000 4,281,180,000	498,819,000 4,093,251,000	900,513,000 3,336,852,000	3,280,168,000
63,024,500 17,949,565	68,045,400 22,657,028	37,271,300 4,256,771	18,469,500 1,599	23,444,900	31,405,400	42,126,000 7,566,158	71,633,300 17,716,632
27,5 15,5 00	,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	-,			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,,
3	5	10	23	30	27	19	18
265	285	273	290	320	309	259	254
3,140	2,214	4,031	4,932	5,403	4,914	4,266	3,204
13,850	14,514	13,136	14,697	14,983	14,368	13,133	12,393
623	990	923	1,009	1,072	985	766	717
2,064	2,697	3,746 17,455	3,855	3,080	2,851	2,588 16,331	2,776
2,004							

#### Guadalupe Blanco River Authority Schedule of Capital Asset Additions by Division Last Ten Fiscal Years

					Port Lavaca	Calhoun	Victoria		Luling			
		Guadalupe			Water	County	Regional		Water	Canyon		
		Valley	Rural	Water	Treatment	Rural Water	Wastewater	Coleto	Treatment	Hydro		
	General	Hydro	Utilities	Resource	Plant	Supply	Reclamation	Creek	Plant	Plant	Lockhart	
Year	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Total
2008	\$ 41,054	\$ 990,319	\$ 117,216	\$ 1,936,806	\$ 22,614	\$ 113,413	\$ 14,254	\$ 37,238	\$ 5,893	\$ -	\$ 29,332	\$ 3,308,138
2009	485,055	121,593	391,855	14,182,783	1,464,060	28,727	77,120	7,829	-	-	59,264	16,818,286
2010	83,824	121,168	591,354	511,881	4,106	48,080	57,852	-	-	-	207,062	1,625,327
2011	84,589	51,473	2,005,870	9,027,303	-	43,964	-	21,786	22,954	-	22,902	11,280,840
2012	129,633	83,932	54,626	263,670	39,467	22,346	-	69,548	28,985	-	53,107	745,315
2013	130,693	64,722	3,009,652	302,925	48,602	55,143	-	73,240	3,480	-	117,746	3,806,203
2014	122,328	124,095	79,226	208,507	54,346	6,651	-	57,774	5,787	-	-	658,714
2015	13,776	22,373	412,666	594,566	17,367	-	-	44,963	207,519	-	80,441	1,393,671
2016	97,078	76,635	84,285	706,609	5,599	37,225	-	12,991	-	-	13,781	1,034,202
2017	66,672	10,986	1,289,040	993,366	15,279	8,020	-	43,772	8,299	-	-	2,435,433

### Schedule of Capital Asset Additions by Classification Last Ten Fiscal Years

	2008 2009		2010 2011		2012		2013		2014		2015	2016	2016			
Land, Water,																
& Storage Rights	\$ 99,723	\$	433,650	\$ -	\$	7,000,000	\$	90,058	\$ 151,757	\$	-	\$	-	\$ -	\$	-
Structures & Improve	2,759,542		15,702,963	1,005,294		3,749,160		242,832	2,993,788		71,179		312,900	82,073		1,183,949
Specialized Equip	69,706		142,709	63,522		41,246		4,777	42,542		29,452		5,206	70,054		59,289
Auto & Heavy Equip	193,219		248,342	205,812		229,186		190,060	312,585		261,102		337,541	335,544		591,189
Office Furniture & Equip	54,612		121,309	23,902		89,353		29,423	58,612		69,113		26,184	26,672		44,949
Miscellaneous Equip	131,337		169,314	326,797		171,895		188,165	246,919		227,867		711,840	519,859		556,056
Total	\$ 3,308,138	\$	16,818,286	\$ 1,625,327	\$	11,280,840	\$	745,315	\$ 3,806,203	\$	658,713	\$	1,393,671	\$1,034,202	\$	2,435,432

### Independent Auditor's Report In Accordance With Government Auditing Standards



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Guadalupe- Blanco River Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Guadalupe-Blanco River Authority as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Guadalupe-Blanco River Authority's basic financial statements, and have issued our report thereon dated December 13, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Guadalupe-Blanco River Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Guadalupe-Blanco River Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Guadalupe-Blanco River Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Guadalupe-Blanco River Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants San Antonio, Texas

December 13, 2017

# PRINCIPAL OFFICES AND BUSINESS LOCATIONS

General Office
General Division
Canyon Hydroelectric Division
Guadalupe Valley Hydroelectric Division
GBRA Laboratory
Rural Utilities Division
Water Resources Division
933 East Court Street
Seguin, TX 78155
TEL: 830.379.5822 or
800.413.5822

FAX: 830.379.9718

Website: http://www.gbra.org

Buda Wastewater Reclamation Plant P.O. Box 216 Buda, TX 78610 TEL: 512.312.0526 FAX: 512.295.1207

Coleto Creek Division P.O. Box 68 Fannin, TX 77960 TEL: 361.575.6366 FAX: 361.575.2267

Lake Wood Recreation Area Route 2, Box 158-A Gonzales, TX 78629 TEL and FAX: 830.672.2779

Lockhart Wastewater Reclamation Division 4435 FM 20 East Lockhart, TX 78644 TEL: 512.398.6391 FAX: 512.398.2036

Lockhart Water Treatment Division 547 Old McMahan Road Lockhart, TX 78644 TEL: 512.398.3528

Luling Water Treatment Plant 350 Memorial Drive Luling, TX 78648 TEL: 830.875.2132 FAX: 830.875.3670

Port Lavaca Water Treatment Plant Calhoun County Rural Water Supply Division Calhoun Canal System P.O. Box 146 Port Lavaca, TX 77979 TEL: 361.552.9751 FAX: 361.552.6529

San Marcos Water Treatment Plant 91 Old Bastrop Road San Marcos, TX 78666 TEL: 512.353.3888 FAX: 512.353.3127

Western Canyon Regional Treated Water Plant 4775 South Cranes Mill Road Canyon Lake, TX 78132 TEL: 830.885.2639 FX: 830.885.2564





### **Guadalupe-Blanco River Authority**

933 East Court Street Seguin, Texas 78155

PRST STD U.S. POSTAGE PAID Austin, TX PERMIT NO. 1153

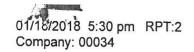
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# GOFORTH SPECIAL UTILITY DIST

## Modified Cash Basis

Budget Report Actual Dec. 31, 2017 VS: Actual Total Budget December 31, 2017

		Filancia Ref	bot Jan. 1-31, 20/8
		Year-to-Date	
<u>Description</u>	<u>Actual</u>	Budget %	Variance %
Moone			
INCOME			
WATER SALES	(5,766,288.25)	(5,100,000.00) 113)	' '
CONNECTION FEE INCOME	(347,210.00)	(399,925.00) 86.)	
RESERVE WATER FEES	(177,942.72)	(339,000.00) 52.)	
CAPITAL RECOVERY IMPROVEME	(1,289,562.93)	(1,141,496.00) 113)	(148,066.93) 13.)
INTEREST INCOME(CDsBndsMnyM	(209,825.27)	(200,000.00) 104)	
OTHER INCOME	(46,182.63)	(40,000.00) 115)	(6,182.63) 15.)
MEMBER TCEQ FEES BILLED	(29,717.93)	(35,000.00) 84.)	5,282.07 15.
MERCHANT INCOME ACCOUNT F	(103,237.08)	(100,000.00) 103)	(3,237.08) 3.2)
MEMBER AQUIFER WATER FEES	(104,020.38)	(100,000.00) 104)	(4,020.38) 4.0)
WASTE WATER BILLING INCOME	(1,346,666.18)	(1,100,000.00) 122)	(246,666.18) 22.)
TOTAL INCOME	(9,420,653.37)	(8,555,421.00) 110)	(865,232.37) 10.)
GENERAL & ADMINISTRATIVE EXPENS	SE	( , , , ,	(000,202.01) 10.)
ADVERTISING & PROMOTION EXP	2,874.36	4,000.00 71.	(1,125.64) 28.)
VEHICLE, BACKHOE R&M+FUEL E	58,972.63	126,000.00 46.	(67,027.37) 53.)
AQUIFER WATER FEES	58,592.04	76,000.00 77.	(17,407.96) 22.)
PURCHASED WATER RIGHTS & F	1,471,169.60	1,700,000.00 86.	(228,830.40) 13.)
BAD DEBTS EXPENSE	0.00	2,000.00 0.0	(2,000.00) 100)
CONTRACT LABOR EXPENSE	0.00	500.00 0.0	(500.00) 100)
DEPRECIATION EXPENSE	752,400.00	785,000.00 95.	(32,600.00) 4.2)
DUES and SUBSCRIPTIONS	5,640.00	8,500.00 66.	(2,860.00) 33.)
ENGINEERING FEE EXPENSE	139,384.44	170,000.00 82.	(30,615.56) 18.)
FREIGHT and POSTAGE	45,618.13	50,000.00 91.	(4,381.87) 8.8)
INS EXPENSE - GL FIRE & W/C	49,602.88	48,500.00 102	1,102.88 2.3
INS EXP - LIFE + ST DISABILITY	525.48	2,500.00 21.	(1,974.52) 79.)
INS EXP - EMPLOYEE MEDICAL	83,208.84	95,000.00 87.	(11,791.16) 12.)
LEGAL AUDIT and PROFESSIONAL	98,086.99	200,000.00 49.	(101,913.01) 51.)
ACCOUNTING & DATA PROCESSI	101,580.38	95,000.00 106	6,580.38 6.9
EASEMENT ACQUISITION EXPEN	0.00	7,000.00 0.0	(7,000.00)100)
MISCELLANEOUS EXPENSE	10,350.07	10,000.00 103	350.07 3.5
OFFICE CLEANING EXPENSE	5,100.00	7,000.00 72.	(1,900.00) 27.)
OFFICE SUPPLIES EXPENSE	57,854.87	70,000.00 82.	(12,145.13) 17.)
CREDIT CARD MERCHANT ACCO	123,774.93	96,000.00 128	27,774.93 28.
RENTAL EXPENSE	12,073.25	25,000.00 48.	(12,926.75) 51.)
REPAIR & MAINTENANCE EXPENS	294,120.87	400,000.00 73.	(105,879.13) 26.)
SECURITY EXPENSE	495.00	1,200.00 41.	(705.00) 58.)
RETIREMENT PLAN EXPENSE SALARIES and WAGES	39,126.71	50,000.00 78.	(10,873.29) 21.)
OALANIES and WAGES	1,012,772.09	1,030,000.00 98.	(17,227.91) 1.7)



# GOFORTH SPECIAL UTILITY DIST

## Modified Cash Basis

Budget Report Actual Dec. 31, 2017 VS: Actual Total Budget December 31, 2017

	Year-to-Date								
<u>Description</u>	Actual	Budget %	Variance %						
CLIDDLIEC EXPENSE	0.10.00.1.5								
SUPPLIES EXPENSE	243,021.31	250,000.00 97.	(6,978.69) 2.8)						
PAYROLL TAX EXPENSE	68,897.80	75,000.00 91.	(6,102.20) 8.1)						
TAXES LICENSE PMTS AGENDA P	1,470.00	1,200.00 122	270.00 22.						
TELEPHONE EXPENSE	22,366.57	23,000.00 97.	(633.43) 2.8)						
TCEQ FEE EXPENSE	41,910.88	32,000.00 131							
WASTE WATER BILLING EXPENS	1,301,989.36	1,067,000.00 122							
TRAINING SCHOOL EXPENSE	822.00	3,000.00 27.	Managara Managara and Angara and						
TRAVEL - DIRECTORS	8,200.00	8,400.00 97.							
UNIFORM EXPENSE	14,875.30	20,000.00 74.	, , , , , , , , , , , , , , , , , , , ,						
UTILITY EXPENSE	96,138.49	150,000.00 64.	(53,861.51) 35.)						
TOTAL GENERAL & ADMIN EXPEN	6,223,015.27	6,688,800.00 93.	(465,784.73) 7.0)						
NET OPERATING <profit> LOSS</profit>	(3,197,638.10)	(1,866,621.00) 171)							
OTHER INCOME & EXPENSE									
INCOME & EXPENSE  INCOME from SALE of ASSETS	(00 407 50)	2.00							
	(20,437.50)	0.00 0.0	(20,437.50) 0.0						
COST of ASSETS SOLD	20,437.50	0.00 0.0	20,437.50 0.0						
TOTAL OTHER INCOME & EXPENS	0.00	0.00 0.0	0.00 0.0						
NET <profit> LOSS</profit>	(3,197,638.10)	(1,866,621.00) 171)	(1,331,017.10) 71.)						

ANNUAL FINANCIAL REPORT

For the fiscal year ended September 30, 2017

ANNUAL FINANCIAL REPORT

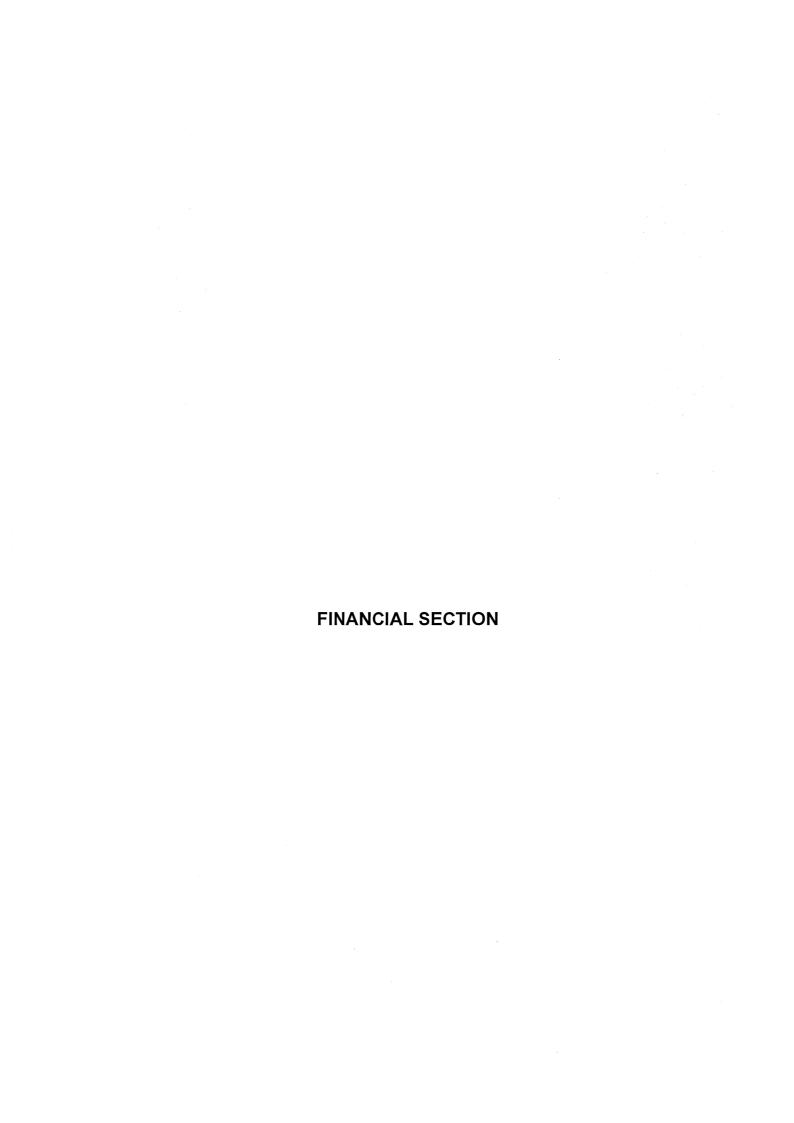
For the year ended September 30, 2017

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## HARRISON, WALDROP & UHEREK, L.L.P.



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#### INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council City of Lockhart, Texas

Mayor and Members of Council:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lockhart, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Lockhart Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable Mayor and Members of the City Council

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of changes in net pension liability and related ratios and the schedule of employer contributions as listed in the table of contents, 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.

## Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable Mayor and Members of the City Council

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Harrison, Waldrop & Uherk, LLP.

Certified Public Accountants

March 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2017

As management of the City of Lockhart, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

## **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2017, by \$42,350,982. Of this amount, \$9,375,749 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2017, the City's governmental funds reported combined ending fund balances of \$10,866,889, a decrease of \$1,080,973 in comparison with the prior year.
- At September 30, 2017, unassigned fund balance for the General Fund was \$3,897,547 or 46.11% of total General Fund expenditures.
- The total cost of all City activities was \$28,103,957 for the fiscal year which is an increase of \$309,153 from the prior year.
- During the year, the City's general revenues exceeded net expenses of all City activities by \$187,370.
   This represents a 0.44% increase in net position from the previous fiscal year as a result of operations.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) component unit financial statements, and 4) notes to financial statements.

## Organization and Flow of Financial Section Information

#### **Independent Auditors' Report**

Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.

## Management's Discussion and Analysis

This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.

Pages 4 to 11

# Government-wide Financial Statements

Provides information on governmental and business-type activities of the primary government.

Pages 12 to 15

## **Fund Financial Statements**

Provides information on the financial position of specific funds of the primary governments.

Pages 16 to 27

## **Notes to Financial Statements**

Provides a summary of significant accounting policies and related disclosures.

Pages 28 to 59

## **OVERVIEW OF THE FINANCIAL STATEMENTS** - (Continued)

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and interest on long-term debt. The business-type activities of the City include electric, water, wastewater, solid waste services, and an airport fund.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit of Lockhart Economic Development Corporation, Inc.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The City maintained numerous individual governmental funds during the 2016-2017 fiscal year. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund and 2015 Capital Project Fund which are considered major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

## **OVERVIEW OF THE FINANCIAL STATEMENTS** - (Continued)

## Fund Financial Statements - (Continued)

The City adopts an annual appropriated budget for its General Fund and Debt Service Fund. A Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, has been provided for the General Fund and Debt Service Fund to demonstrate compliance with this budget.

The City maintains only one type of *proprietary fund*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its electric, water, wastewater utility services, EMS, solid waste operations, and the airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in a more detailed format. The City has four major proprietary funds. They are the electric fund, the water fund, the wastewater fund, and EMSfund. Separate financial statements are presented for the major funds. Individual fund data for each of the nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs/operations. The accounting used for fiduciary funds is similar to proprietary funds.

The basic fiduciary fund financial statements can be found on pages 26 through 27 of this report.

## Notes to Financial Statements

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

## Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$42,350,982 at the close of the 2017 fiscal year.

By far, the largest portion of the City's net position, 72.42%, reflects its investment in capital assets (i.e., land, buildings, infrastructure, and machinery and equipment), less a related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

## City of Lockhart, Texas

#### **Net Position**

	Governmental Business-type						
	Governmental			· · ·			
	Activ	vities	Acti	vities	Total		
	2017	2016*	2017	2016	2017	2016	
Current and other assets	\$ 11,892,770	\$ 13,316,330	\$ 19,992,497	\$ 19,587,889	\$ 31,885,267	\$ 32,904,219	
Capital assets (net)	23,282,995	23,118,718	22,075,259	21,912,245	45,358,254	45,030,963	
Other noncurrent assets				253,469		253,469	
Total assets	35,175,765	36,435,048	42,067,756	41,753,603	77,243,521	78,188,651	
Deferred outflow of resources	1,994,584	2,305,609	624,403	714,842	2,618,987	3,020,451	
Current and other liabilities	1,491,546	1,769,474	2,939,323	2,978,855	4,430,869	4,748,329	
Noncurrent liabilities	19,938,028	18,831,300	14,579,687	15,334,368	34,517,715	34,165,668	
Total liabilities	21,429,574	20,600,774	17,519,010	18,313,223	38,948,584	38,913,997	
Deferred outflow of resources	42,290	101,900	12,198	29,593	54,488	131,493	
Net position:							
Net investment in							
capital assets	14,162,688	14,806,651	16,507,663	15,074,665	30,670,351	29,881,316	
Restricted	1,141,195	1,093,907	1,163,687	1,071,089	2,304,882	2,164,996	
Unrestricted, as restated	1,886,148	2,137,425	7,489,601	7,979,875	9,375,749	10,117,300	
Total net position	\$ 17,190,031	<u>\$ 18,037,983</u>	\$ 25,160,951	\$ 24,125,629	\$ 42,350,982	\$ 42,163,612	

<sup>\*</sup> Prior year restatement see footnote 16

An additional portion of the City's net position, 5.44%, represents resources that are subject to external restrictions on how they may be used (i.e., debt service). The remaining balance of unrestricted net position, \$9,375,749, may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the primary government as a whole.

**Governmental activities**. Governmental activities decreased the City's net position by \$847,952. Key elements of this decrease are as follows:

Decrease in charges for services and operating grants of \$594,555.

**Business-type activities**. Business-type activities increased the City's net position by \$1,035,322 accounting for 100.00% of the total growth in the City's net position. Key elements of this increase are as follows:

• Charges for services were \$712,700 higher due to increase in demand of the various business type activity.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS** - (Continued)

## City of Lockhart, Texas

## **Changes in Net Position**

		Governmental Activities			Business-type Activities			Total			
	2	2017		2016*	2017	,	2016	<b>*</b>	2017		2016*
REVENUES				-							
Program revenues:											
Charges for services Operating grants and	\$ 1	,097,878	\$	1,279,684	\$ 20,330	,035	\$ 19,617	7,335	\$ 21,427,913	3 \$	\$ 20,897,019
contributions		202,393		615,542	7	,016		_	209,409	<b>a</b>	615,542
Capital grants and		202,000		010,012	,	,010			200,100		010,012
contributions		_		-	195	,261	1,042	2,796	195,26	1	1,042,796
General revenues:											
Property taxes		,909,699		3,704,494		-		-	3,909,699		3,704,494
Sales taxes		,549,695		1,478,065		-		-	1,549,69		1,478,065
Franchise taxes		312,433		316,353		-		-	312,43		316,353
Other taxes		96,529		132,234		-		-	96,529		132,234
Impact fees		-		-		,585		3,817	83,58		263,817
Investment earnings		99,353		59,851	118	,159		,357	217,512		121,208
Miscellaneous		289,291		239,590				<u>8,817</u>	289,29		503,407
Total revenues	7	,557,271		7,825,813	20,734	,056	21,249	<u>,122</u>	28,291,32	7 	29,074,935
EXPENSES											
General government	2	,083,166		1,879,383		_		_	2,083,166	3	1,879,383
Public safety		,086,371		5,230,470		_		_	5,086,37		5,230,470
Public works		,644,292		2,586,206		_		_	2,644,292		2,586,206
Health		22,137		17,068		_		_	22,13		17,068
Culture and recreation	1.	,006,038		933,135		_		_	1,006,038		933,135
Interest on long-term debt		459,629		621,121		_		_	459,629		621,121
Electric system		_		-	8,722	.211	8,664	.234	8,722,21		8,664,234
Water systems		_		-	3,545		3,257		3,545,084		3,257,979
Wastewater system		_		_	1,824		2,089		1,824,11		2,089,407
EMS operation		_		=	1,289		1,230		1,289,014		1,230,254
Sanitation		-		_	1,345	,466	1,215		1,345,466	3	1,215,636
Airport				_	76	,438		,911	76,438	3	69,911
Total expenses	11,	,301,633		11,267,383	16,802	,324	16,527	,421	28,103,95	 7 	27,794,804
Change in net position before	re										
transfers	(3,	,744,362)		(3,441,570)	3,931	,732	4,721	,701	187,370	)	1,280,131
Transfers	2,	,896,410		2,448,575	(2,896	<u>,410</u> )	(2,448	,575)			
Change in net position Net position - beginning, as	(	(847,952)		(992,995)	1,035	,322	2,273	,126	187,370	)	1,280,131
restated	18,	,037,983		19,030,978	24,125	,629	21,852	,503	42,163,612	<u> </u>	40,883,481
Net position - ending	<u>\$ 17,</u>	,190,031	\$	18,037,983	\$ 25,160	<u>,951</u>	\$ 24,125	,629	\$ 42,350,982	2 4	42,163,612

<sup>\*</sup>See footnote 16

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,866,889, a decrease of \$1,080,973 from the prior year.

Approximately 35.86% of this total amount, \$3,897,547, constitutes unassigned fund balance, which is available for spending at the government's discretion. The City also has \$609,054 of fund balance that is committed for specific projects. In addition, there is \$6,324,694 of fund balance that is restricted for specific purposes and \$35,594 that is classified as nonspendable; being that it is not available for new spending because it has already been committed: 1) for prepaid expenditures \$24,322; and 2) for inventory \$11,272.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$3,897,547. Unassigned fund balance represents 46.11% of total General Fund expenditures. The fund balance of the City's General Fund increased by \$484,608 during the current fiscal year.

The primary reason for the decrease in the governmental fund balance was due to the decrease in the capital projects fund balance as a result of spending the prior years' bond proceeds.

#### **Proprietary Funds**

The City's proprietary funds, the Electric Fund, the Water Fund, the Wastewater Fund, the EMS Fund, the Sanitation Fund and the Airport Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the current fiscal year amounted to \$7,489,601. The total growth for the funds was \$1,035,322 as a result of an increase in charges for services from the prior year.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual fiscal year revenues in the General Fund were \$256,044 more than the final budgeted amounts. The increase over the anticipated amount is comprised of the following items.

- \$106,369 increase in property tax revenues.
- \$86,303 increase in sales and other tax revenues.
- Overall expenses were less than the budgeted amount by \$863,213, primarily in the general government function.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

## Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$45,358,254 (net of accumulated depreciation) at the end of the current fiscal year. This investment in capital assets includes land, buildings, improvements, vehicles, machinery and equipment, infrastructure, and construction in progress. The net increase in the City's investment in capital assets was 0.29%.

## City of Lockhart, Texas

## Capital Assets

	Governmental Activities			Business-type Activities				Total				
	2017		2016		2017 2016			2017		2016		
Land	\$ 1,488,	954	\$	1,484,604	\$	574,710	\$	574,710	\$	2,063,664	\$	2,059,314
Construction in progress	608,	355		1,510,342		681,574		495,736		1,290,229		2,006,078
Bldgs. and improvements	7,667,	359		7,612,641		1,532,823		1,574,507		9,200,182		9,187,148
Infrastructure	12,384,	114		11,378,397		19,007,730		18,763,492		31,391,844		30,141,889
Machinery and equipment	1,133,	913		1,132,742	_	278,422		503,800		1,412,335		1,636,542
Total	\$ 23,282,9	995	\$	23,118,726	\$	22,075,259	\$	21,912,245	\$	45,358,254	\$	45,030,971

Additional information on the City's capital assets can be found in Note 6 of this report.

## Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$25,537,601. Of this amount, \$6,650,000 represents General Obligation Tax and Revenue Bonds. The remainder of the City's bonded debt is comprised of \$17,645,000 of Combination Tax and Revenue Certificates of Obligation and unamortized premiums of \$1,242,601. The City's bonded debt had a net decrease of \$1,018,425 during the fiscal year ended September 30, 2017. Additional information on the long-term debt can be found in Note 9.

The City maintains a bond rating of "A" from Standard & Poor's.

As a Home Rule City, the City is not limited by law in the amount of debt it may issue; however, all new local bond issues must be approved by the State Attorney General.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Interest rates are remaining at lower levels and should result in decreased interest earnings.
- The City continues to experience economic growth with the construction of new businesses in the retail and manufacturing sectors.

All of these factors were considered in preparing the City's budget for the 2017-2018 fiscal year.

The certified assessed taxable property valuations for the 2017 tax roll total \$610,063,909 with a tax rate of \$.7260 per \$100 valuation. \$.6077 was allocated for maintenance and operations, and \$.1183 was allocated for interest and sinking (debt service). The projected total property tax due is \$4,295,179 for the 2017 tax year.

## Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 308 W. San Antonio Street, Lockhart, Texas 78644.

**Basic Financial Statements** 

STATEMENT OF NET POSITION September 30, 2017

ASSETS	Governmental Activities	Component Unit Lockhart Economic Development Corporation		
Current assets				
Cash and cash equivalents Receivables (net) Contractual settlement Due from other governments Inventory Prepaid expenses Total current assets Noncurrent assets Total noncurrent assets Total noncurrent assets	\$ 10,954,825 633,949 268,402 11,272 24,322 11,892,770 23,282,995 23,282,995	\$ 14,916,219 4,411,666 253,469 - 411,143 - 19,992,497 22,075,259 22,075,259	\$ 25,871,044 5,045,615 253,469 268,402 422,415 24,322 31,885,267 45,358,254 45,358,254	\$ 2,623,549 134,201 - - 400,000 10,000 3,167,750 646,560 646,560
Total assets	35,175,765	42,067,756	77,243,521	3,814,310
DEFERRED OUTFLOWS  Deferred amount on refunding Deferred outflow related to TMRS  Total deferred outflow of resources	281,304 1,713,280 1,994,584	197,375 427,028 624,403	478,679 2,140,308 2,618,987	-

LIABILITIES	Governmental Activities	Component Unit Lockhart Economic Development Corporation		
Current liabilities				
Accounts payable Payroll related payables Accrued interest payable Due to other governments Customer deposits	\$ 456,651 193,432 78,785 23,619 30,650	\$ 1,570,576 38,246 87,981 93,019 355,478	\$ 2,027,227 231,678 166,766 116,638 386,128	\$ 70,154 3,942 -
Accrued compensated absences	106,939	54,994	161,933	2,684
Current portion of long-term liabilities	601,470	739,029	1,340,499	17,494
Total current liabilities	1,491,546	2,939,323	4,430,869	94,274
Noncurrent liabilities Accrued compensated absences Noncurrent portion of long-term liabilities Net pension liability Total noncurrent liabilities	320,817 13,854,110 4,271,555 18,446,482	13,577,718 1,001,969 14,579,687	320,817 27,431,828 5,273,524 33,026,169	184,411 
Total liabilities	19,938,028	17,519,010	37,457,038	278,685
DEFERRED INFLOWS  Deferred inflow related to TMRS  Total deferred inflows	<u>42,290</u> <u>42,290</u>	12,198 12,198	54,488 54,488	<u>-</u>
NET POSITION	4.4.400.000	40 507 000	00 070 071	044.0==
Invested in capital assets, net of related debt	14,162,688	16,507,663	30,670,351	844,655
Restricted Unrestricted	1,141,195 1,886,148	1,163,687 7,489,601	2,304,882 9,375,749	2,690,970
Total net position	\$ 17,190,031	\$ 25,160,951	\$ 42,350,982	\$ 3,535,625

STATEMENT OF ACTIVITIES

For the year ended September 30, 2017

			-	Program Revenues				
Function/Programs	Expenses		Charges for Services		Operating Grants and Contributions		G	Capital rants and ntributions
Primary Government								
Governmental activities General government Public safety	\$ 2,083 5,086	,371	\$	181,313 334,769	\$	202,393	\$	-
Public works Health		,137		549,097 -		-		-
Culture and recreation Interest on long-term debt	1,006 459	,038 ,629		32,699 		<u>-</u>		-
Total governmental activities	11,301	<u>,633</u>		1,097,878		202,393		_
Business-type activities								
Electric	8,722	,211	1	1,444,388		_		-
Water	3,545	,084		3,287,603		-		-
Wastewater	1,824	,111		2,578,386		_		-
EMS	1,289	-		1,354,810		7,016		195,261
Other	1,421	,904		1,664,848				
Total business-type activities	16,802	,324	2	20,330,035		7,016		195,261
Total primary government	\$ 28,103	,957	\$ 2	21,427,913	\$	209,409	\$	195,261
Component Unit								
Lockhart Economic Development Corporation	\$ 437	,361	\$	73,125	\$		\$	-

## General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Impact fees

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

Net (l	Component Unit		
P	rimary Governmer	nt	
Governmental Activities	Business- type Activities	Total	Lockhart Economic Development Corporation
\$ (1,901,853) (4,549,209) (2,095,195) (22,137) (973,339) (459,629) (10,001,362)	\$ - - - - - -	\$ (1,901,853) (4,549,209) (2,095,195) (22,137) (973,339) (459,629) (10,001,362)	\$ - - - - - -
- - - - - - (10,001,362)	2,722,177 (257,481) 754,275 268,073 242,944 3,729,988 3,729,988	2,722,177 (257,481) 754,275 268,073 242,944 3,729,988 (6,271,374)	- - - - - - -
			(364,236)
3,217,538 692,161 1,549,695 312,433 96,529 - 99,353 289,291	- - - - 83,585 118,159	3,217,538 692,161 1,549,695 312,433 96,529 83,585 217,512 289,291	- 774,847 - - - 16,822 15,787
2,896,410	(2,896,410)	200,201	10,707
9,153,410	(2,694,666)	6,458,744	807,456
(847,952)	1,035,322	187,370	443,220
18,037,983	24,125,629	42,163,612	3,092,405
\$ 17,190,031	\$ 25,160,951	\$ 42,350,982	\$ 3,535,625

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2017

	General	2015 Certificates of Obligation	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,382,362	\$ 5,053,969	\$ 1,518,494	\$ 10,954,825
Receivables (net)	465,075	-	168,874	633,949
Due from other funds	18,483	-	-	18,483
Due from other governments Prepaid expenditures	268,402 23,642	-	- 680	268,402 24,322
Inventory	11,272	_	-	11,272
Total assets	\$ 5,169,236	\$ 5,053,969	\$ 1,688,048	\$ 11,911,253
Total assets	Ψ 3,109,230	<u>Ψ 3,033,909</u>	<u>Ψ 1,000,040</u>	Ψ 11,911,233
LIABILITIES				
Accounts payable	\$ 136,688	\$ 255,499	\$ 56,524	\$ 448,711
Payroll related payables	193,432		_	193,432
Other payables	7,940	-	-	7,940
Due to other funds	-	-	18,483	18,483
Due to other governments	23,619	-	-	23,619
Deposits	-	_	30,650	30,650
Total liabilities	361,679	255,499	105,657	722,835
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	266,042	-	55,487	321,529
Total deferred inflows of resources	266,042		55,487	321,529
FUND BALANCES				
Nonspendable				
Prepaid expenditures	23,642	-	680	24,322
Inventory	11,272	-	-	11,272
Restricted				
General government	-	-	664,319	664,319
Tourism		-	8,485	8,485
Public safety	-	-	206,068	206,068
Debt service	-	4 700 470	285,621	285,621
Various capital projects	-	4,798,470	361,731	5,160,201
Committed Sidewalks	24 070			24.070
	31,870 259,674	-	-	31,870 250,674
Revolving loan Industrial park	317,510	<del>-</del>	-	259,674 317,510
Unassigned	3,897,547	- -	-	3,897,547
Total fund balances	4,541,515	4,798,470	1,526,904	10,866,889
Total liabilities, deferred inflows and				
fund balances	\$ 5,169,236	\$ 5,053,969	\$ 1,688,048	\$ 11,911,253

The accompanying notes are an integral part of this statement.

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2017

Total governmental fund balances		\$ 10,866,889
Amounts reported for governmental activities in the statement of net position are different because:		
Property taxes receivable and other receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.  Property taxes Other charges for services	319,661 1,868	321,529
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:  Governmental capital assets costs  Accumulated depreciation of governmental capital assets	\$ 95,429,623 (72,146,628)	23,282,995
Deferred outflows of resources are not reported in the governmental funds:  Deferred amount on refunding  Deferred amount on pension	281,304 1,713,280	1,994,584
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and certificates payable Bond premiums Net pension liability Accrued interest payable Compensated absences	(13,681,287) (774,293) (4,271,555) (78,785) (427,756)	(19,233,676)
Deferred inflows of resources are not reported in the governmental funds:  Deferred amount on pension		(42,290)
Net position of governmental activities		\$ 17,190,031

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the year ended September 30, 2017

	General	2015 Certificates of Obligation	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 3,279,140	\$ -	\$ 692,161	\$ 3,971,301
Sales and other taxes	1,878,820	-	111,401	1,990,221
Fines, fees and forfeitures	271,303	<b>-</b> ,	655,970	927,273
Licenses and permits	125,761	-	-	125,761
Intergovernmental and grants	199,920	<u>-</u>	2,473	202,393
Investment	38,617	45,926	14,810	99,353
Miscellaneous	215,033		72,970	288,003
Total revenues	6,008,594	45,926	1,549,785	7,604,305
EXPENDITURES				
Current	1 700 050		110 700	1 017 050
General government	1,728,059 4,525,288	-	119,799 225,781	1,847,858 4,751,069
Public safety Public works	1,168,180	-	223,701	1,168,180
Health and welfare	17,207	-	-	17,207
Culture and recreation	877,327	-	12,720	890,047
Capital outlay	136,633	1,607,091	74,295	1,818,019
Debt service	100,000	1,007,001	7-4,200	1,010,010
Principal retirement	_		587,160	587,160
Interest and fiscal charges	_	-	500,948	500,948
Paying agent and issue costs	-	-	1,200	1,200
Total expenditures	8,452,694	1,607,091	1,521,903	11,581,688
Excess (deficiency) of revenues				
over expenditures	(2,444,100)	(1,561,165)	27,882	(3,977,383)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,021,106	-	418,992	3,440,098
Transfers out	(92,398)	-	(451,290)	(543,688)
Total other financing sources	2,928,708	-	(32,298)	2,896,410
Net change in fund balances	484,608	(1,561,165)	(4,416)	(1,080,973)
Fund balances - beginning, as restated	4,056,907	6,359,635	1,531,320	11,947,862
Fund balances - ending	\$ 4,541,515	\$ 4,798,470	\$ 1,526,904	\$ 10,866,889

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the year ended September 30, 2017

Total net change in fund balances - governmental funds		\$ (1,080,973)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.  Increase in capital assets  Depreciation expense	\$ 2,234,608 (2,039,034)	195,574
The net effect of various transactions involving capital assets (i.e., transfers, contributions, adjustments and dispositions) is to increase (decrease) net position.		(31,298)
Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:  Bond principal retirement		587,160
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.	(0.1.000)	
Property taxes Other revenues	(34,298) (12,735)	(47,033)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in compensated absences  Decrease in bond premium	7,001 61,513	
Decrease in loss on bond refunding	(23,442)	
Decrease in accrued interest	4,448	
Net pension costs	(520,902)	 (471,382)
Change in net position of governmental activities		\$ (847,952)

STATEMENT OF NET POSITION PROPRIETARY FUNDS September 30, 2017

	Business-type Activities					
	Electric	Water	Wastewater	EMS	Other Funds	Total
ASSETS						
Current assets	¢ 0 04.4 006	Ф O EEE EOE	Ф 0.407.704	¢ 450,000	Ф ECO 400	£ 4.4.046.040
Cash and cash equivalents Receivables (net)	\$ 2,214,006	\$ 9,555,525	\$ 2,127,704	\$ 456,802	\$ 562,182	\$ 14,916,219
Customer accounts	1,932,204	477,466	335,543	1,427,785	238,668	4,411,666
Contractual settlement	-	253,469	-	-		253,469
Inventory	411,143	, -	_	-	-	411,143
Total current assets	4,557,353	10,286,460	2,463,247	1,884,587	800,850	19,992,497
Noncurrent assets Capital assets (net)						
Land and other assets not being depreciated Buildings, improvements, and	561,703	241,312	260,699	-	192,570	1,256,284
equipment (net)	_2,363,746	10,324,212	6,234,409	399,633	1,496,975	20,818,975
Total noncurrent assets	2,925,449	10,565,524	6,495,108	399,633	1,689,545	22,075,259
Total assets	7,482,802	20,851,984	8,958,355	2,284,220	2,490,395	42,067,756
DEFERRED OUTFLOWS				-		
Deferred amount on refunding	-	171,104	26,271	-	-	197,375
Deferred outflow related to TMRS	254,519	66,757	63,795		41,957	427,028
Total deferred outflow of resources	254,519	237,861	90,066		41,957	624,403

		Busi	iness-type Activ	rities		
					Other	
	Electric	Water	Wastewater	EMS	Funds	Total
LIABILITIES						
Current liabilities						
Accounts payable	\$ 775,270	\$ 228,056	\$ 375,800	\$ 98,616	\$ 92,834	\$ 1,570,576
Payroll related payables	21,819	6,955	5,306	-	4,166	38,246
Accrued interest payable	9,789	64,967	13,225	-	-	87,981
Due to other governments	93,019	-	-	-	-	93,019
Customer deposits	251,025	93,545	-	-	7,000	351,570
Unearned revenue	-	-	-	-	3,908	3,908
Accrued compensated absences	32,398	11,410	7,331	-	3,855	54,994
Current portion of long-term obligation	ons					
Capital leases	129,764	90,175	-	-	-	219,939
Bonds, certificates and notes	47,929	385,191	85,970			519,090
Total current liabilities	1,361,013	880,299	487,632	98,616	111,763	2,939,323
Noncurrent liabilities						
Net pension liability	580,088	210,941	105,470	-	105,470	1,001,969
Noncurrent portion of long-term						
obligations	880,949	10,794,712	1,902,057		_	13,577,718
Total noncurrent liabilities	_1,461,037	11,005,653	2,007,527		105,470	14,579,687
Total liabilities	2,822,050	11,885,952	2,495,159	98,616	217,233	<u>17,519,010</u>
DEFERRED INFLOWS						
Deferred inflow related to TMRS	6,710	1,666	3,479	_	343	12,198
	6,710	1,666	3,479		343	12,198
Total deferred inflows	0,710	1,000			343	12,190
NET POSITION						
Invested in capital assets, net of debt	1,866,807	7,398,741	5,152,937	399,633	1,689,545	16,507,663
Restricted	198,308	563,643	401,736	-	-	1,163,687
Unrestricted net position	2,843,446	1,239,843	995,110	1,785,971	625,231	7,489,601
Total net position	\$ 4,908,561	\$ 9,202,227	\$ 6,549,783	\$ 2,185,604	\$ 2,314,776	\$ 25,160,951

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the year ended September 30, 2017

	Business-type Activities			
	Electric	Water	Wastewater	
OPERATING REVENUES				
Charges for services	\$ 11,406,791	\$ 3,270,565	\$ 2,574,845	
Miscellaneous	37,597	17,038	3,541	
Total operating revenues	11,444,388	3,287,603	2,578,386	
OPERATING EXPENSES				
Personnel services	1,025,694	393,688	221,317	
Contracts and services	178,807	23,861	27,445	
Materials and supplies	68,824	32,178	21,521	
Maintenance and repairs	214,153	299,858	277,511	
Power, water, and water treatment	6,744,877	1,860,160	979,695	
Depreciation	388,222	560,060	218,564	
Miscellaneous	63,725	5,349	10,998	
Total operating expenses	8,684,302	3,175,154	1,757,051	
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	2,760,086	112,449	821,335	
NONOPERATING REVENUES (EXPENSES)				
Investment income	15,966	77,728	16,933	
Impact fees	-	45,285	38,300	
Noncapital grants and contributions	•	-	-	
Interest expense	(37,909)	(369,930)	(67,060)	
Net nonoperating revenues (expenses)	(21,943)	(246,917)	(11,827)	
Income before transfers and contributions	2,738,143	(134,468)	809,508	
Contributions and transfers Capital grants and contributions	_	_	_	
Transfers out	(2,162,600)	(134,253)	(407,005)	
Total contributions and transfers	(2,162,600)	(134,253)	(407,005)	
Change in net position	575,543	(268,721)	402,503	
Net position - beginning	4,333,018	9,470,948	6,147,280	
Net position - ending	\$ 4,908,561	\$ 9,202,227	\$ 6,549,783	

 Business-ty	pe Activities	
	Other	
 EMS	Funds	Total
\$ 1,354,578	\$ 1,645,208	\$ 20,251,987
 232	19,640	78,048
 1,354,810	1,664,848	20,330,035
_	215,073	1,855,772
1,188,352	1,118,764	2,537,229
1,262	7,467	131,252
3,513	14,026	809,061
-	-	9,584,732
95,887	61,584	1,324,317
 _	4,990	85,062
1,289,014	1,421,904	16,327,425
65,796	242,944	4,002,610
3,490	4,042	118,159
	-	83,585
7,016	-	7,016
 		(474,899)
 10,506	4,042	(266,139)
76,302	246,986	3,736,471
195,261	-	195,261
 _	(192,552)	(2,896,410)
 195,261	(192,552)	(2,701,149)
271,563	54,434	1,035,322
 1,914,041	2,260,342	24,125,629
\$ 2,185,604	\$ 2,314,776	\$ 25,160,951

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the year ended September 30, 2017

	Business-type Activities			
	Electric	Water	Wastewater	
CASH FLOWS FROM OPERATING ACTIVITIES	- And the state of			
Cash received from customers	\$ 11,354,850	\$ 3,273,850	\$ 2,562,091	
Cash payments to suppliers for goods and services	(7,395,214)	(2,192,546)	(1,155,055)	
Cash payments to employees for services	(1,000,643)	(320,596)	(251,098)	
Net cash provided by operating activities	2,958,993	760,708	1,155,938	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Customer deposits	8,400	3,470	_	
Noncapital grants and contributions	-	-	- -	
Impact fees received	_	45,285	38,300	
Cash paid to other funds	(2,162,600)	(134,253)	(407,005)	
Net cash used by noncapital financing activities	(2,154,200)	(85,498)	(368,705)	
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	(237,260)	(478,576)	(575,253)	
Capital grants and contributions	-	-	-	
Contractual settlement received	-	238,703	-	
Principal paid on capital debt	(296,680)	(541,780)	(74,390)	
Interest paid on capital debt	(38,947)	(387,849)	(68,908)	
Net cash used by capital financing activities	(572,887)	(1,169,502)	(718,551)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	<u> 15,966</u>	77,728	16,933	
Net cash provided (used) by investing activities	15,966	77,728	16,933	
Net increase (decrease) in cash and cash equivalents	247,872	(416,564)	85,615	
Cash and cash equivalents at beginning of year	1,966,134	9,972,089	2,042,089	
Cash and cash equivalents at end of year	\$ 2,214,006	\$ 9,555,525	\$ 2,127,704	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss) Adjustments to reconcile operating income to net	\$ 2,760,086	\$ 112,449	\$ 821,335	
cash provided by operating activities  Depreciation  Change in assets and liabilities:	388,222	560,060	218,564	
(Increase) decrease in receivables (Increase) decrease in inventory	(89,538) (46,259)	(13,753)	(16,295)	
(Increase) decrease in deferred outflow related to TMRS	45,064	9,172	12,523	
Increase (decrease) in accounts and other payables	(78,569)	28,860	162,115	
Increase (decrease) in payroll related liabilities	(11,918)	66,863	(40,832)	
Increase (decrease) in unearned revenue	-	-	-	
Increase (decrease) in deferred inflow related to TMRS	(8,095)	(2,943)	(1,472)	
Net cash provided by operating activities	\$ 2,958,993	\$ 760,708	\$ 1,155,938	
· · · · · · · · · · · · · · · · · · ·				

The accompanying notes are an integral part of this statement.

***************************************	Business-typ	oe Activities	_
	EMS	Other Funds	Total
\$ 	1,315,045 (1,192,793) - 122,252	\$ 1,647,26: (1,149,34) (192,03) 305,884	1) (13,084,949) B) (1,764,375)
	7,016 - - 7,016	(192,55) (192,47)	- 7,016 - 83,585 2) (2,896,410)
	(196,240) 195,261 - - - (979)		- (1,487,329) - 195,261 - 238,703 - (912,850) - (495,704) - (2,461,919)
	3,490 3,490 131,779	4,04; 4,04; 117,44;	2 118,159 9 166,151
 \$	325,023 456,802	\$ 562,183	
\$	65,796	\$ 242,94	
	95,887	61,58	1,324,317
	(39,765) - - 334 - -	(18,08) 2,870 16,06 49	- (46,259) - 66,759 5 115,616 5 30,178
\$	122,252	\$ 305,88	

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS September 30, 2017

	Private	
	Purpose	Agency
	Trust	Funds
ASSETS		
Cash and cash equivalents	<u>\$ 1,712</u>	\$ 18,965
Total assets	1,712	<u>\$ 18,965</u>
LIABILITIES		
Due to others		\$ 18,965
Total liabilities		\$ 18,965
NET POSITION		
Held for various purposes	\$ 1,712	

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

For the year ended September 30, 2017

	Private PurposeTrust
ADDITIONS Investment income Total additions	\$ <u>13</u> 13
DEDUCTIONS	<del>_</del>
Change in net position	13
Net position - beginning	1,699
Net position - ending	\$ 1,712

The accompanying notes are an integral part of this statement.

# CITY OF LOCKHART, TEXAS NOTES TO FINANCIAL STATEMENTS September 30, 2017

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NOTES TO FINANCIAL STATEMENTS September 30, 2017

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lockhart, Texas (the "City") is a municipal corporation operating under a home rule charter as authorized in Article XI, Section 5 of the Constitution of the State of Texas. The City operates under a Council-Manager form of government in which all powers of the City are vested in an elective council. The City Council consists of the mayor and six council members. The mayor and two council members are elected at large with the remaining council members elected by district. The City provides services related to the following: public safety, public works, sanitation, health and welfare, culture and recreation, economic development, planning and zoning, and general administrative services.

## A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable, and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units.

The Lockhart Economic Development Corporation (LEDC) is a nonprofit corporation that was incorporated under the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6 Section (a), to receive and account for the proceeds of a designated sales tax levied to benefit the economic development of Lockhart. The LEDC meets the criteria of a discretely presented component unit and is presented as a governmental fund type. Complete financial statements for the Lockhart Economic Development Corporation may be obtained at City Hall. No other organizations met the necessary criteria for inclusion as component units for the year ended September 30, 2017.

This component unit is discretely presented in the financial statements. Complete financial statements of the individual component unit can be obtained from the Office of the Finance Director, 308 W. San Antonio Street, Lockhart, Texas 78644.

## B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

#### B. Government-wide and Fund Financial Statements - (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when transactions occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 2015 Certificates of Obligation Fund accounts for the proceeds received and expenditures incurred related to the City's issuance of certificates of obligation in 2016. The proceeds from this issue will be used to fund various projects, the majority of which relate to infrastructure improvements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

The City reports the following major enterprise (proprietary) funds:

The Electric Fund accounts for the activities of the City related to its provision of electricity.

The Water Fund is used to account for the establishment and maintenance of water facilities within the municipal boundaries of the City.

The Wastewater Fund is used to account for the establishment and maintenance of sewage and drainage facilities within the municipal boundaries of the City.

The Emergency Medical Services Fund (EMS) is used to account for the activities related to providing ambulance services for the City.

Additionally, the City reports the following fund types:

Special Revenue Funds - Funds of this type account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of the governmental funds.

Capital Projects Funds - These funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Separate financial statements are provided for governmental funds, proprietary funds, discretely presented component units, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Private Purpose Trust Funds - These funds are used to account for resources legally held in trust for use by organizations that are separate from the City. All resources of these funds, including any earnings on invested resources, may be used to support the organizations' activities. There is no requirement that any portion of these resources be preserved as capital.

Agency Funds - These funds are custodial in nature and are used to account for the receipt, temporary investment, and remittance of resources to third parties. Because of the nature of these funds, they do not present results of operations or have a measurement focus.

The proprietary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used between various City functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### D. Budgets and Budgetary Accounting

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The Water Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost connecting new customers to the water system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Between 60 and 90 days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them. A budget is prepared for the City's General Fund and Debt Service Fund.
- 2. Public hearings are conducted to obtain taxpayer comments.
- 3. The budget is adopted by City Council through the passage of an ordinance no later than the beginning of each fiscal year, or as soon thereafter as is practical.
- 4. No funds may be expended or encumbered which will exceed appropriations; however, the City Manager is authorized to transfer budgeted amounts within and among departments of individual funds in amounts not to exceed \$5,000. Any revisions that alter the total expenditures/expenses of any fund must be approved by the City Council.
- 5. The budgets for the City's governmental funds are prepared in accordance with the basis of accounting utilized by those funds. The budgets for the enterprise funds are adopted under a basis consistent with generally accepted accounting principles (GAAP), except that depreciation, certain capital expenses, nonoperating income, and expense items are not considered.
- 6. Formal budgetary integration is employed as a management control device during the year for all governmental funds and proprietary funds.
- 7. All appropriations lapse at year-end.

#### E. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the City are in compliance with the City Council's investment policies.

Investments for the City, as well as the component unit, are recorded at amortized cost, which as of September 30, 2017, approximates fair value. Because the fair value of the City's investments did not materially differ from cost, no adjustments were made to the City's reporting amounts. See Note 3 for further discussion.

#### F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All receivables are reported net of an applicable allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 4.5% of outstanding property taxes at September 30, 2017.

The Caldwell County Appraisal District bills and collects property taxes for the City. These taxes are levied on October 1<sup>st</sup> of each year and are payable by the following January 31<sup>st</sup>, at which time penalties and interest charges are assessed on unpaid balances. An enforceable lien on property is attached on all ad valorem taxes unpaid as of January 1<sup>st</sup> following the year of levy.

#### G. Inventories and Prepaid Items

All inventories are valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses/expenditures in both government-wide and fund financial statements.

#### H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no construction period interest expense was capitalized by the City's enterprise funds.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	<u>Years</u>
Buildings and Improvements Public Domain Infrastructure Utility System Infrastructure Machinery and Equipment	10-50 10-40 30-50 5-10

#### I. Compensated Absences

Vested or accumulated vacation and sick pay that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. Amounts of vested or accumulated vacation and sick pay that are not expected to be liquidated with expendable available financial resources are reported in the government wide financial statements. Vested or accumulated vacation and sick pay of the enterprise funds are recorded as an expense and liability of that fund as the benefits accrue to employees. The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

#### J. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, discounts, and losses on refunding are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable deferred amounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### K. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is the deferred amount calculated in the actuarial pension study required by GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" (GASB No. 68) and the current year pension payments reported in the government-wide statement of net position

In addition to liabilities, the statement of net position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that are considered deferred inflows of resources. One of the items arises only under a modified accrual basis of accounting and this item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from a variety of sources and are further defined in Note 4. The other item that qualifies for reporting as a deferred inflow of resources is calculated in the actuarial pension study required by GASB No. 68. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's pension liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 68.

#### M. Fund Balance Policies

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance amounts that are not in spendable form (such as inventory or prepaid items) because they are either not in spendable form, or legally or contractually required to be maintained in-tact:
- Restricted fund balance amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation;
- Committed fund balance amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;
- Assigned fund balance amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, assigned, or any combination of those classifications. In addition, the General Fund may also include an unassigned amount.

Commitments will only be used for specific purposes pursuant to a formal action (ordinance) of the City Council. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. A two-thirds majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment.

#### N. Net Position Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

#### O. Minimum Fund Balance Policy

The City will maintain a minimum unassigned fund balance in its General Fund of 25 percent of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. When fund balance falls below the 25 percent range, the City will replenish shortages/deficiencies. Should unassigned fund balance of the General Fund ever exceed the maximum 25 percent range, the City will consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures.

#### P. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with GAAP requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

#### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **Excess Expenditures Over Appropriations**

In the General Fund there was one instance where expenditures exceeded appropriations. Health and Welfare expenditures exceeded the budget by \$6,525.

#### NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2017, the City had the following investments:

Investment Type	Amortized Cost	Weighted Average <u>Maturity (Days)</u>
Public Funds Investment Pools TexPool MBIA Texas CLASS TexStar	\$ 6,008,320 10,803,103 8,046,322	44 56 41
Total	\$ 24,857,745	

As previously discussed in Note 1, the investments are reported in the accompanying statements at amortized cost.

#### A. Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments in non-operating funds to less than five years from the time of purchase. The weighted average maturity of investments of the City's operating funds cannot exceed one year from the time of purchase. TexPool's weighted average maturity cannot exceed 60 days.

#### B. Credit Risk

It is the City's policy to limit its investments to those with ratings of not less than A or its equivalent. The City's investments in the public funds investment pools include those with TexPool, MBIA Texas CLASS and TexStar. The pools operate in full compliance with the Public Funds Investment Act. TexPool, MBIA Texas CLASS and TexStar are rated AAAm by Standard & Poor's.

#### C. Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the City was not exposed to concentration of credit risk.

## NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

#### D. Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized. The City's deposits are therefore not subject to custodial credit risk at September 30, 2017.

#### E. Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2017, and for the year then ended, the City was not exposed to any custodial credit risk.

Please see Note 19 for discussions relative to the investments of the City's component unit.

#### NOTE 4: RECEIVABLES

Receivables as of year-end for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

								onmajor ustype	١	Nonmajor Govt.		
	General	Electric	Water	_	<u>Wa</u>	<u>istewate</u> r	EMS	Funds		Funds		Total
Receivables:												
Ad valorem taxes	\$ 317,249	\$ -	\$	-	\$	-	\$ -	\$ -	\$	66,706	\$	383,955
Franchise taxes	66,302	-		-		-	-	-		-		66,302
Municipal court fines	1,349,839	-		-		-	-	-		98,187	•	1,448,026
Customer accounts	-	1,971,679	487,25	3		341,792	2,988,336	243,265		-	(	6,032,325
Occupancy taxes	-	-		-		-	-	-		22,103		22,103
Miscellaneous	210,560	_		_		_		 	_	117,762		328,322
Gross receivables	1,943,950	1,971,679	487,25	3		341,792	2,988,336	243,265		304,758	8	8,281,033
Less: Allowance for												
uncollectibles	(1,478,875)	(39,475)	(9,78	<u>7</u> )		(6,249)	(1,560,551)	 (4,597)		(135,884)	_(;	3,235,418)
Net total receivables	\$ 465,075	\$ 1,932,204	\$ 477,46	<u>6</u>	\$	335,543	\$ 1,427,785	\$ 238,668	<u>\$</u>	168,874	\$ !	5,045,615

#### NOTE 4: RECEIVABLES - (Continued)

The City is permitted by a local charter to levy taxes up to limits set by the Constitution and laws of the State of Texas. Currently, the State of Texas does not set limits on the rate at which ad valorem taxes may be assessed. The combined tax rate for the year ended September 30, 2017, was \$0.7333 per \$100 of assessed valuation. Property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on October 1<sup>st</sup> and payable by the following January 31<sup>st</sup>, which comprises the collection dates for the current tax roll.

The City's governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable). The governmental funds may also defer revenue recognition in connection with resources that have been received, but not yet recognizable (unearned). At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	_ <u>Uı</u>	navailable	Une	arned	Total
General Fund Ad valorem taxes	\$	264,174	\$	-	\$ 264,174
Charges for services Nonmajor Funds		1,868		-	1,868
Ad valorem taxes		55,487			 55,487
	\$	321,529	\$	_	\$ 321,529

#### NOTE 5: DUE FROM OTHER GOVERNMENTS

The City reported amounts due from other governments as of the end of the current fiscal year. These amounts are comprised of the following at September 30, 2017:

	_	General
Sales taxes	<u>\$</u>	268,402
	\$	268,402

## NOTE 6: CAPITAL ASSETS

The capital asset activity of the City was as follows for the year ended September 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities Capital assets, not being depreciated				
Land	\$ 1,484,604	\$ 4,350	\$ -	\$ 1,488,954
Construction in progress	1,510,342	1,663,764	2,565,451	608,655
Total capital assets not being depreciated	2,994,946	1,668,114	2,565,451	2,097,609
Capital assets, being depreciated				
Machinery and equipment	6,178,538	325,579	159,779	6,344,338
Buildings	11,484,190	304,749	_	11,788,939
Infrastructure	72,728,425	2,470,312	450.770	75,198,737
Total capital assets being depreciated	90,391,153	3,100,640	159,779	93,332,014
Less accumulated depreciation for				
Machinery and equipment	5,045,796	324,408	159,779	5,210,425
Buildings	3,871,549	250,031	-	4,121,580
Infrastructure	61,350,028	1,464,595		62,814,623
Total accumulated depreciation	70,267,373	2,039,034	159,779	72,146,628
Total capital assets being depreciated, net	20,123,780	1,061,606	-	21,185,386
Governmental activities capital assets, net	\$ 23,118,726	\$ 2,729,720	\$ 2,565,451	\$ 23,282,995
Business-type activities Capital assets, not being depreciated				
Land	\$ 574,710	\$ -	\$ -	\$ 574,710
Construction in progress	495,736	340,816	154,978	681,574
Total capital assets not being depreciated	1,070,446	340,816	154,978	1,256,284
Capital assets, being depreciated				
Machinery and equipment	5,875,016	196,240	_	6,071,256
Buildings and improvements	4,570,434	-	_	4,570,434
Infrastructure	36,694,515	1,105,253		37,799,768
Total capital assets being depreciated	47,139,965	1,301,493	_	48,441,458
Less accumulated depreciation for				
Machinery and equipment	5,371,216	421,618	_	5,792,834
Buildings and improvements	2,995,927	41,684	-	3,037,611
Infrastructure	17,931,023	861,015	_	18,792,038
Total accumulated depreciation	26,298,166	1,324,317		_27,622,483
Total capital assets being depreciated, net	20,841,799	(22,824)	-	20,818,975
Business-type activities capital assets, net	\$ 21,912,245	\$ 317,992	\$ 154,978	\$ 22,075,259

#### NOTE 6: CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activ	vities	í
--------------------	--------	---

General government	\$	105,215
Public safety		286,036
Public works		1,534,637
Health		4,930
Parks and recreation		108,216
Total depreciation expense - governmental activities	\$ 2	2,039,034
Business-type activities		
Electric	\$	388,222
Water		560,060
Wastewater		218,564
EMS		95,887
Solid Waste		8,766
Airport		52,818
Total depreciation expense - business-type activities	\$ 1	1,324,317

#### **DEFINED BENEFIT PENSION PLAN** NOTE 7:

### Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a sixmember Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

#### **Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump-sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

#### Benefits Provided - (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2017 were as follows:

Employee deposit rate	6.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	
(expressed as age/years of service)	60/5, 0/20
Updated service credit	100.0 repeating
Annuity increase (to retirees)	70.0% of CPI

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	71
Inactive employees entitled to but not yet receiving benefits	104
Active employees	<u> 133</u>
	_308

#### Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.86% and 13.06% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$754,327, and were equal to the required contributions.

#### **Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

#### Actuarial Assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Overall Payroll Growth	3.0%

Investment Rate of Return 6.75%, net of pension plan investment expense,

including inflation

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

		Long-Term
		Expected
	Target	Real Rate of
Asset Class	Allocation	Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	<u>5.00%</u>	7.75%
Total	100.00%	

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase (Decrease)					
	<b>Total Pension</b>		Ρ	lan Fiduciary	N	let Pension
		Liability	Net Position		Liability	
		(a)		(b)		(a) - (b)
Balance at 12/31/2015	\$	28,655,653	\$	23,682,371	\$	4,973,282
Changes for the year:						
Service cost		809,909		-		809,909
Interest		1,924,544		-		1,924,544
Difference between expected and						
actual experience		213,804		-		213,804
Change of assumptions		-		-		-
Contributions - Employer		-		708,591		(708,591)
Contributions - Employee		-		358,731		(358,731)
Net investment income		-		1,599,743		(1,599,743)
Benefit payments, including refunds						
of employee contributions		(1,097,681)		(1,097,681)		-
Administrative expense		-		(18,076)		18,076
Other changes		_		(974)		974
Net changes		1,850,576		1,550,334		300,242
Balance at 12/31/2016	\$	30,506,229	\$	25,232,705	\$	5,273,524

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1.0% Decrease in		1.0% Increase in
	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's Net Pension Liability:	\$9,770,400	\$5,273,524	\$1,620,807

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

<u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the year ended September 30, 2017, the City recognized pension expense of \$1,346,923.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
	of Resources	of Resources
Differences between expected and actual economic experience	\$ 406,636	\$ 54,488
Changes in actuarial assumptions	67,148	-
Difference between projected and actual investment earnings	1,087,323	-
Contributions subsequent to the measurement date	579,201	-
Total	\$ 2,140,308	\$ 54,488

\$2,140,308 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2017	\$ 569,814
2018	578,611
2019	358,430
2020	(235)
2021	-
Thereafter	-

#### NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1<sup>st</sup> of any year to be effective the following January 1<sup>st</sup>.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retired term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2017 and 2016 were \$14,040 and \$14,265, respectively, which equaled the required contributions each year.

## NOTE 9: LONG-TERM DEBT

## A. Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds and certificates payable					
Certificates of obligation	\$ 9,381,395	\$ -	\$ (587,160)	\$ 8,794,235	\$ 601,470
General obligation bonds	4,887,052		-	4,887,052	
Total bonds and certificates	44.000.447		(507.400)	42 004 207	604.470
payable	14,268,447		(587,160)	13,681,287	601,470
Bond premium	835,806		(61,513)	774,293	_
Compensated absences	434,757	301,570	(308,571)	427,756	106,939
Net pension liability	3,978,626	292,929	_	4,271,555	
Total governmental activity					
long-term liabilities	\$ 19,517,636	\$ 594,499	\$ (957,244)	<u>\$ 19,154,891</u>	\$ 708,409
Business-type activities					
Bonds and certificates payable					
Certificates of obligation	\$ 9,070,641	\$ -	\$ (219,876)	\$ 8,850,765	\$ 243,530
General obligation bonds	1,880,560		(117,612)	1,762,948	120,000
Total bonds and certificates	10.051.001		(007.400)	40.040.740	000 500
payable	10,951,201		(337,488)	10,613,713	363,530
Bond premium	500,572		(32,264)	468,308	<u> </u>
State infrastructure note	3,166,553		(151,766)	3,014,787	155,560
Capital leases payable	643,534		(423,595)	219,939	219,939
Compensated absences	55,349	70,206	(70,561)	54,994	54,994
Net pension liability	994,656	7,313	_	1,001,969	_
Total business-type activity					
long-term liabilities	\$ 16,311,865	\$ 77,519	<u>\$ (1,015,674</u> )	\$ 15,373,710	\$ 794,023

#### B. Bonds and Certificates Payable - Governmental Activities

Bonds and certificates payable of the City's governmental activities at September 30, 2017, were comprised of the following individual issues:

2009 Certificates of Obligation due in annual installments ranging from \$135,000 to \$140, 000 through August 1, 2018; interest rate at 4.77%.	\$ 140,000
2006 Combination Certificates of Obligation due in annual installments ranging from \$30,000 to \$45,000 through August 1, 2021; interest rate at 4.10%.	175,000
2006-A Combination Certificates of Obligation due in annual installments ranging from \$167,436 to \$260,456 through August 1, 2021; interest rate at 4.12%.	971,850
2015 Combination Certificates of Obligation due in annual installments ranging from \$184,400 to \$596,995 through August 1, 2035; interest rate at 3.39%.	7,507,385
2016 General Obligation Refunding Bonds due in annual installments ranging from \$205,700 to \$680,680 through August 1, 2028; interest rate at 3.6%.	 4,887,052
	\$ 13.681.287

Annual debt service requirements to maturity for the City's governmental activity bonds and certificates are as follows:

Year Ending			
September 30	 Principal	 Interest	 Total
2018	\$ 601,470	\$ 483,207	\$ 1,084,677
2019	690,800	456,409	1,147,209
2020	727,162	432,504	1,159,666
2021	745,722	408,367	1,154,089
2022	903,038	382,584	1,285,622
2023-2027	3,982,485	1,198,283	5,180,768
2028-2032	3,760,185	697,755	4,457,940
2033-2035	 2,270,425	 197,106	2,467,531
	\$ 13,681,287	\$ 4,256,215	\$ 17,937,502

The City is scheduled to receive annual installments ranging from \$48,093 to \$65,676 from LEDC and annual installments ranging from \$170,304 to \$290,798 from Wastewater Utility Fund for the 2015 Combination Certificates of Obligation through August 1, 2035.

## C. Bonds and Certificates Payable - Business-type Activities

Bonds and certificates payable of the City's business-type activities at September 30, 2017, were comprised of the following individual issues:

2009 General Obligation Refunding Bonds due in annual installments of \$115,000 to \$120,000 through February 1, 2018; interest rate at 4.33%.	\$	120,000
2006-A Combination Certificates of Obligation due in annual installments ranging from \$16,403 to \$19,544 through August 1, 2012; interest rate at 4.12%.		73,150
2015 Combination Certificates of Obligation due in annual installments ranging from \$215,600 to \$698,005 through August 1, 2035; interest rate at 3.39%.		8,777,615
2016 General Obligation Refunding Bonds due in annual installments of \$69,300 to \$229,320 through February 1, 2028; interest rate at 3.60%.		1,642,948
	\$ ^	10,613,713

The annual debt service requirements to maturity for the above-listed obligations of the City's business-type activities are as follows:

Year Ending				
September 30	 Principal		Interest	 Total
2018	\$ 363,530	\$	365,712	\$ 729,242
2019	324,200		351,136	675,336
2020	337,838		342,890	680,728
2021	344,278		334,589	678,867
2022	606,962		324,041	931,003
2023-2027	2,692,515		1,042,005	3,734,520
2028-2032	3,289,815		748,857	4,038,672
2033-2035	 2,654,575	-	230,456	 2,885,031
	\$ 10,613,713	\$	3,739,686	\$ 14,353,399

## D. State Infrastructure Notes - Business-type Activities

2013 State Infrastructure Bank Loan is due in annual installments of \$230,000 through June 2033, interest rate of 2.5%.

Annual debt service requirements to maturity for the City's business-type activity State Infrastructure Notes are as follows:

Year Ending September 30	-	Principal	 Interest	Total
2018	\$	155,560	\$ 75,370	\$ 230,930
2019		159,449	71,481	230,930
2020		163,435	67,495	230,930
2021		167,521	63,409	230,930
2022		171,709	59,221	230,930
2023-2027		925,124	229,526	1,154,650
2028-2032		1,046,692	107,958	1,154,650
2033		225,297	 5,633	 230,930
	\$	3,014,787	\$ 680,093	\$ 3,694,880

#### D. Capital Leases

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, are as follows:

;	Year Ending September 30		siness-type Activities
	2018	\$	219,939
Total minimum lease	payments	\$	219,939

#### E. <u>Debt Reserves</u>

There are certain reserve requirements for the various debt issues that are currently outstanding. The following are the reserve requirements by issue:

		F	Reserve
		Re	quirement
2006	Combination Certificates of Obligation	\$	3,500
2006A	Combination Certificates of Obligation		20,900
2009	General Obligation Refunding Bonds		2,400
2009	Combination Certificates of Obligation		2,800
2015	Combination Certificates of Obligation		325,700
2016	General Obligation Refunding Bonds		130,600
		\$	485,900

F. Debt Reserves - (Continued)

The cash balances reserved for the reserve requirements are as follows:

Fund	Cash
Debt Service I & S Fund	\$ 285,621
Water Utility Fund	200,279
	\$ 485,900

#### NOTE 10: CONDUIT DEBT OBLIGATIONS

#### Lockhart-Luling Water Delivery System

The Guadalupe-Blanco River Authority (GBRA) contracted with the City in 2002 to provide a reliable quantity of treated water through the Luling Water Treatment Plant. For the mutual benefit of the parties, GBRA, the City of Luling, and the City of Lockhart entered into an agreement that enabled GBRA to pump treated water from the Luling Water Treatment Plant to the Lockhart Treatment Plant ground storage reservoir through the water delivery system.

GBRA issued \$4,950,000 in Contract Revenue Refunding Bonds in fiscal year 2014 for the water delivery system. As of September 30, 2017, there was \$4,215,000 bonds outstanding. Through the agreement, the City has agreed to pay GBRA on an annual basis for twenty-five years the following:

(a.) principal and interest on any bonds issued to pay off the financing, refinancing, design, permitting, construction, and equipping the project; (b.) operation and maintenance of the water delivery system; (c.) operation and maintenance of the Luling Water Treatment Plant; (d.) reserve and contingency fund payments, if any; and (e.) capital recovery charges.

#### NOTE 10: CONDUIT DEBT OBLIGATIONS - (Continued)

#### Lockhart Wastewater Treatment Plant

GBRA entered into a contract on June 15, 1994 with the City whereby GBRA would construct a Regional Wastewater Treatment System to receive, treat and dispose of wastewater collected by the City's collection system.

GBRA issued \$4,025,000 of Contract Revenue Refunding Bonds in the fiscal year 2010 for the treatment system. As of September 30, 2017 there were no refunding bonds outstanding. Under the provisions of the contract, the City has agreed to pay GBRA through 2017 the following:

(a.) all operation and maintenance expenses of the Regional Wastewater Treatment System; (b.) amounts necessary to pay debt service on the bonds; (c.) amounts necessary to establish and maintain funds established by the resolution authorizing the issuance of the bonds; and (d.) amounts necessary to restore any deficiency in funds established by the resolution.

#### NOTE 11: CONTRACTUAL SETTLEMENT

The City reached a settlement agreement with a vendor during the 2006 fiscal year in a dispute over the performance of equipment used in its utility system infrastructure. Under the settlement agreement, the vendor agreed to pay the City a total of \$3,210,173 in multiple installments extending through the year 2018. As of September 30, 2017, the City had received \$2,956,704 in scheduled installment payments. The remaining balance due the City is reported as receivable in the accompanying government-wide and proprietary fund Statements of Net Position.

#### NOTE 12: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2017, the City purchased insurance through the Texas Municipal League (TML) to cover its risk of loss in these areas. Substantially all risk of loss for events occurring during the current year has been transferred to TML by the payment of insurance premiums. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

#### **NOTE 13: RELATED PARTY TRANSACTIONS**

During the fiscal year ending September 30, 2017, LEDC (a discretely presented component unit of the City) transferred a total of \$87,561 to the City. The City's Debt Service Fund, a nonmajor governmental fund, received \$48,093 to be used to pay debt service costs related to qualifying economic development projects previously paid for by debt issued by the City. The remaining transfers pertained to the reimbursement of eligible current period expenditures incurred by the City related to economic development activities and administrative services provided to LEDC by the City.

#### NOTE 14: CONTINGENCIES AND COMMITMENTS

#### A. Litigation

The City was not involved in any significant litigation as of September 30, 2017, and management was not aware of any threatened litigation or unasserted claims as of that date.

#### B. Grant Programs

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any monies received may be required, and the collectibility of any related receivables at September 30, 2017, may be impaired. In the opinion of the administration of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the City's various grant programs.

#### C. Water Purchase Commitment

The City has entered into an agreement with the Guadalupe-Blanco River Authority (GBRA) that obligates the City to purchase its water from GBRA through December 31, 2027.

## NOTE 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

## A. Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2017, were as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 18,483

#### B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. These transfers are intended to provide the necessary resources to meet the operating and debt service obligations of the receiving funds. During the current fiscal year, transfers between funds consisted of the following:

Transfers In									
	General	N 	onmajor Govt.		Total				
\$ 	2,162,600 134,253 236,701 192,552 295,000		92,398 - - 170,304 - 156,290 418,992		92,398 162,600 134,253 407,005 192,552 451,290 440,098				
-	\$	General  2,162,600 134,253 236,701 192,552 295,000	General N  General \$ 2,162,600 134,253 236,701 192,552 295,000	Nonmajor Govt.   Sovt.   Sov	General         Nonmajor Govt.           \$ - \$ 92,398 \$           2,162,600 - 2,           134,253 - 236,701 170,304 192,552 - 295,000 156,290				

#### NOTE 16: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

A restatement was made to the beginning balances of the capital assets of the governmental activities. The result of the restatement decreased the government activities net position by \$194,379 decreased the beginning capital assets by \$194,288 and increased accumulated depreciation by \$91.

In addition, there was a restatement as a decrease to the beginning fund balance in the major governmental capital project of \$93,535 with a corresponding increase to the nonmajor governmental funds beginning fund balance.

## **NOTE 17: FUND BALANCES**

The following is a detail of the governmental fund balances as of September 30, 2017:

	Governmental Fund Balances								
	Non	spendable		Restricted		ommitted	Unassigned		Total
General									
Prepaid expenditures	\$	23,642	\$	-	\$	-	\$ -	\$	23,642
Inventory		11,272		-		-	-		11,272
Sidewalks		-		-		31,870	-		31,870
Revolving loan		-		-		259,674	-		259,674
Industrial park		_		-		317,510	-		317,510
Unassigned		-				-	3,897,547		3,897,547
2015 Cert. of Oblig.									
Various capital projects		_		4,798,470		-	_		4,798,470
Nonmajor Governmental									
Prepaid expenditures		680		-		_	-		680
Various capital projects		-		361,731		-	_		361,731
General government		_		664,319		-	-		664,319
Tourism		-		8,485		-	-		8,485
Public safety		-		206,068		-	_		206,068
Debt service	F	_		285,621	**********	_			285,621
	\$	35,594	\$	6,324,694	\$	609,054	\$ 3,897,547	\$1	10,866,889

#### NOTE 18: TAX ABATEMENTS AND REBATES

The City of Lockhart enters into tax abatement and rebate agreements with local businesses under the state local government code, title 12, subtitle A, chapter 380. Under the code, the governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans or grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. For the fiscal year ended September 30, 2017, the City of Lockhart rebated sales taxes totaling \$5,436 under this program, including the following tax rebate agreement that exceeded 10 percent of the total amount rebated:

A 50 percent sales tax rebate to a glass and mirror manufacturing company for purchasing land and building a manufacturing and distribution facility. The rebate amounted to \$5,436.

#### NOTE 19: LOCKHART ECONOMIC DEVELOPMENT CORPORATION

As described in Note 1, the Lockhart Economic Development Corporation is a component unit of the City. It is reported in a separate column to emphasize that it is legally separate for accounting purposes from the City. Following are note disclosures relating to this component unit:

#### A. Organization

The Lockhart Economic Development Corporation (LEDC), a public instrumentality and nonprofit corporation, was created under Section 4B of the Development Corporation Act of 1979, Article 5190.6 of the Revised Civil Statutes of Texas (the "Act") on June 26, 1996. Under the Act, the Board of Directors consists of seven members appointed by and who serve at the pleasure of the City Council of the City for two-year terms.

LEDC may enter into any project authorized by the Act including, but not limited to, such projects as promotion and development of new and expanded business enterprises, job training centers, infrastructure improvements, public safety, municipal buildings, civic centers, recreation facilities, and other related facilities.

LEDC prepares annual financial statements as of September 30<sup>th</sup> of each year. LEDC reports its financial results as a governmental type of entity.

#### B. Summary of Significant Accounting Policies

The accounting and reporting policies of LEDC conform to GAAP, as applicable to governmental units. The more significant of LEDC's accounting policies are described below.

#### 1. Reporting Entity - Component Unit Status

LEDC meets the criteria established by GASB to be a component unit of the City, due to the fact that the City Council of Lockhart appoints each member of its Board of Directors. LEDC is included in the City's annual financial statements as a discretely presented component unit.

#### 2. Government-wide and Fund Accounting

The combined government-wide and fund financial statements (i.e., the Statement of Net Position and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance) report information on all activities of LEDC.

The combined Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance demonstrate the degree to which the direct expenses of LEDC are offset by program revenues. Direct expenses are those that are clearly identifiable with the LEDC's specific function, that of economic development. Program revenues include a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. For the year ended September 30, 2017, all of LEDC's revenues were classified as general revenues.

The government-wide and fund financial statements are provided for LEDC with a column for adjustments between the two statements.

## B. Summary of Significant Accounting Policies - (Continued)

#### 3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide information (i.e., the columns labeled "Statement of Net Position" and "Statement of Activities") in the financial statements is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund (i.e., the column labeled "General Fund") financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LEDC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred.

Sales taxes and interest revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when LEDC receives cash.

The Corporation reports the following governmental fund type:

<u>Major Fund</u> - The General Fund is LEDC's operating fund. All financial resources are accounted for in the General Fund. The General Fund's transactions consist primarily of revenues realized from the collection of sales tax revenue dedicated to the purpose of economic development and transfers to the City (reported as economic development expenditures) to be used for purposes authorized by LEDC's enabling legislation.

LEDC reports no other funds.

#### 4. Cash, Cash Equivalents, and Investments

Cash includes all amounts on deposit with financial institutions in demand accounts. All short-term investments that are highly liquid are considered to be cash equivalents. An investment is considered highly liquid if it is convertible to a known amount of cash and has a maturity date of no longer than three months from the date the investment was purchased.

LEDC may invest in any instruments authorized by the Public Funds Investment Act of the State of Texas. These instruments include, but are not limited to, the following: obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposit issued by state or national banks which are guaranteed or insured by the FDIC; and deposits in statewide investment pools which meet certain restrictive criteria. LEDC reports its investments at fair value.

#### B. Summary of Significant Accounting Policies - (Continued)

#### 5. Budgets and Budgetary Accounting

The Board of Directors submits an annual budget to the City for approval in accordance with the Texas Municipal Budget Act. By September of each year, the Board of Directors, with approval by the City, adopts an annual fiscal year budget for the General Fund. Once approved, the Board of Directors may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budget of LEDC is prepared on a modified accrual basis of accounting. Revenues are budgeted in the year receipts are expected, and expenditures are budgeted in the year that the applicable purchase occurs. Any unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

#### 6. Federal Income Taxes

LEDC is exempt from Federal income taxes due to its classification as a governmental entity under the guidelines of the Internal Revenue Service.

#### 7. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with GAAP requires LEDC to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

#### C. <u>Deposits and Investments</u>

LEDC pools its funds with the City for investment, and as such, follows the City's policies and procedures pertaining to investment transactions. Following is a discussion of various risks associated with the City's (and accordingly LEDC's) investments as of and for the year ending September 30, 2017:

#### 1. <u>Interest Rate Risk</u>

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to one year or less from the time of purchase.

#### 2. Credit Risk

As previously mentioned, it is LEDC's policy to limit its investments to those that are authorized under the Texas Public Funds Investment Act. Additionally, any money market mutual funds or local government investment pools must be rated no lower than AAA by at least one nationally recognized rating service. As of September 30, 2017, TexPool was rated AAAM by Standard and Poor's and MBIA Texas CLASS was rated AAA/V-1+ by Fitch.

#### 3. Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. As such, at year-end LEDC was not exposed to concentration of credit risk.

#### C. Deposits and Investments - (Continued)

#### 4. Custodial Credit Risk - Deposits

Custodial credit risk refers to the risk that in the event of a bank failure, LEDC's deposits may not be returned to it. The City's investment policies require that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. As of September 30, 2017, and for the year then ended, the City and LEDC were not exposed to any custodial credit risk.

It is managements' understanding that the LEDC, a discretely presented component unit, and any other 4A and 4B economic development entity is not considered a "political subdivision" as defined by Section 330.15 of the FDIC's regulation. Therefore, the Corporation's bank deposits may not be insured above \$250,000 even though they are secured by the pledged collateral agreement of the City.

#### 5. <u>Custodial Credit Risk - Investments</u>

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2017, and for the year then ended, the City and LEDC were not exposed to any custodial credit risk.

#### D. Sales Taxes

LEDC, by law, is to receive one-half cent of the sales tax earned by the City and paid monthly to the City by the State of Texas. LEDC's outstanding receivable of the sales tax earned by the City for the year ended September 30, 2017, was \$134,201. The City collects the sales tax from the State of Texas and then pays LEDC's portion monthly when collected.

#### E. Restricted Net Position

The legislation under which LEDC was created restricts the use of sales tax revenue received by LEDC to projects related to quality of life improvements, including economic development that will attract and retain primary employers. Some of the types of projects authorized in the legislation are listed previously. There were no restrictions on LEDC's net position as of September 30, 2017, other than those imposed through the enabling legislation.

#### F. Inventory

Inventory consists of various tracts of land that LEDC has purchased to be used for future economic development projects. There was no change in the inventory from the previous year.

## G. Capital Assets

The LEDC owns two buildings which are rented to businesses. The total cost of the facilities are as follows:

	Beginning Balance	_Increases_	Decreases	Ending Balance
Discretely presented component unit				
Capital assets, not being depreciated Land	\$ 264,857	\$ -	\$ 156,857	\$ 108,000
Total capital assets not being depreciated	264,857		156,857	108,000
Capital assets, being depreciated Buildings Total capital assets being depreciated	2,035,053 2,035,053		1,423,053 1,423,053	612,000 612,000
Less accumulated depreciation for Buildings Total accumulated depreciation	141,292 141,292	<u>21,073</u> 21,073	<u>88,925</u> 88,925	73,440 73,440
Total capital assets being depreciated, net	1,893,761	(21,073)	1,334,128	538,560
Discretely presented component unit capital assets, net	\$ 2,158,618	\$ (21,073)	\$ 1,490,985	\$ 646,560

Depreciation expense was charged to functions/programs of the LEDC as follows:

## Discretely presented component unit

General government

\$ 21,073

## H. Long-Term Debt

An analysis of changes in long term-debt is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Discretely presented					
component unit					
Notes payable	\$ 1,114,604	\$ -	\$ (912,699)	\$ 201,905	\$ 17,494
Compensated absences		4,234	(1,550)	2,684	2,684
Total discretely presented					
component unit	\$ 1,114,604	\$ 4,234	\$ (914,249)	\$ 204,589	\$ 20,178

#### H. Long-Term Debt - (Continued)

Maturities of long term-debt is as follows:

Year Ending								
September 30	Principal		cipal Interest			Total		
	-							
2018	\$	17,494	\$	8,717	\$	26,211		
2019		18,298		7,913		26,211		
2020		19,138		7,073		26,211		
2021		20,017		6,193		26,210		
2022		20,937		5,274		26,211		
2023-2027		106,021		1,297		107,318		
	\$	201,905	\$	36,467	\$	238,372		

#### I. Contingencies and Commitments

## 1. <u>Litigation</u>

LEDC was not involved in any litigation as of September 30, 2017, and management was not aware of any threatened litigation or unasserted claims as of that date.

#### 2. Commitments

The LEDC is scheduled to make annual installments ranging from \$48,093 to \$65,676 to the City for the 2015 Combination Certificates of Obligation through August 1, 2035.

#### j. tax Abatements and Rebates

The Lockhart Economic Development Corporation enters into tax rebate agreements with local businesses under the state local government code, title 12, subtitle C1, chapter 505. Under the code, the governing body of a municipality may create a Type B corporation and provide for the administration of one or more programs, including programs for making loans or grants of public money to promote state or local economic development and to stimulate business and commercial activity in the municipality. For the fiscal year ended September 30, 2017, the Lockhart Economic Development Corporation rebated sales taxes totaling \$2,718 under this program, including the following tax rebate agreement that exceeded 10 percent of the total amount rebated:

A 50 percent sales tax rebate to a glass and mirror manufacturing company for purchasing land and building a manufacturing and distribution facility. The rebate amounted to \$2,718.

Required Supplementary Information

## CITY OF LOCKHART, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND

For the year ended September 30, 2017

DEVENUES	Ori	Budget iginal / Final		Actual Amounts	Fi	ariance with nal Budget Positive Negative)
REVENUES Property taxes	\$	3,172,771	\$	3,279,140	\$	106,369
Sales and other taxes	ψ	1,792,517	ψ	1,878,820	ψ	86,303
Fines, fees, and forfeitures		297,006		271,303		(25,703)
Licenses and permits		175,000		125,761		(49,239)
Intergovernmental and grants		166,224		199,920		33,696
Investment		14,600		38,617		24,017
Miscellaneous		134,432		215,033		80,601
Total revenues		5,752,550		6,008,594		256,044
EXPENDITURES Current General government		2,401,752		1,728,059		673,693
Public safety		4,654,563		4,525,288		129,275
Public works		1,218,816		1,168,180		50,636
Health and welfare		10,682		17,207		(6,525)
Culture and recreation		893,094		877,327		15,767
Capital outlay		137,000		136,633		367
Total expenditures		9,315,907		8,452,694		863,213
Excess (deficiency) of revenues over expenditures		(3,563,357)		(2,444,100)		1,119,257
OTHER FINANCING SOURCES (USES)						
Transfers in		2,915,546		3,021,106		105,560
Transfers out		(86,523)		(92,398)		(5,875)
Total other financing sources (uses)		2,829,023		2,928,708		99,685
Net change in fund balance		(734,334)		484,608		1,218,942
Fund balance - beginning		4,056,907		4,056,907		
Fund balance - ending	\$	3,322,573	\$	4,541,515	\$	1,218,942

# CITY OF LOCKHART, TEXAS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Last ten years

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		2014		2015	2016
Total Pension Liability					
Service cost Interest (on the total pension liability) Difference between expected and actual experience Change of assumptions Benefit payments, including refunds of employee	\$	659,622 1,759,695 (275,265)	\$	755,292 1,840,606 541,546 143,888	\$ 809,909 1,924,544 213,804
contributions		(987,219)		(1,084,811)	(1,097,681)
Net Change in Total Pension Liability		1,156,833		2,196,521	1,850,576
Total Pension Liability - Beginning		25,302,299		26,459,132	28,655,653
Total Pension Liability - Ending (a)	\$	26,459,132	\$	28,655,653	\$ 30,506,229
lan Fiduciary Net Position					
Contributions - Employer Contributions - Employee Net investment income	\$	662,456 321,581 1,282,369	\$	721,903 352,824 34,935	\$ 708,591 358,731 1,599,743
Benefit payments, including refunds of employee contributions Administrative expense Other		(987,219) (13,388) (1,101)		(1,084,811) (21,283) (1,051)	(1,097,681) (18,076) (974)
Net Change in Plan Fiduciary Net Position		1,264,698		2,517	1,550,334
Plan Fiduciary Net Position - Beginning		22,415,156		23,679,854	23,682,371
Plan Fiduciary Net Position - Ending (b)	\$	23,679,854	\$	23,682,371	\$ 25,232,705
let Pension Liability - Ending (a) - (b)	\$	2,779,278	\$	4,973,282	\$ 5,273,524
lan Fiduciary Net Position as a Percentage of Total Pension Liability		89.50%		82.64%	82.71%
Covered Employee Payroll	\$	5,359,686	\$	5,730,595	\$ 5,937,749
let Pension Liability as a Percentage of Covered Employee Payroll		51.86%		86.78%	88.81%

NOTE: Information for the prior seven years was not readily available. The City will compile the respective information over the next seven years as provided by TMRS on a "measurement date" basis.

The accompanying notes to required supplementary information are an integral part of this schedule.

## CITY OF LOCKHART, TEXAS

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last ten fiscal years

	2015		15 2016		2017
Actuarially Determined Contribution	\$	692,664	\$	734,637	\$ 754,327
Contribution in relation to the actuarially determined contribution		(692,664)		(734,637)	 (754,327)
Contribution deficiency (excess)	\$	-	\$	-	\$ 
Covered employee payroll	\$	5,617,224	\$	6,129,529	\$ 5,911,532
Contributions as a percentage of covered employee payroll		12.33%		11.99%	12.76%

NOTE: Information for the prior seven fiscal years was not readily available. The City will compile the respective information over the next seven fiscal years.

#### CITY OF LOCKHART, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION September 30, 2017

#### NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. There was one line item where actual expenditures exceeded the budgeted amount, this was health and welfare and the excess expenditure amount was \$6,525.

#### NOTE 2: TEXAS MUNICIPAL RETIREMENT SYSTEM

#### Valuation Date

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

#### Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll, Closed

Remaining Amortization Period 29 years

Asset Valuation Method 10 year Smoothed Market; 15% Soft Corridor

Inflation 2.5%

Salary Increases 3.50% to 10.5% including inflation

Investment Rate of Return 6.75%

Retirement Age Experience-based table of rates that are specific

to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience

study of the period 2010-2014

Mortality RP2000 Combined Mortality Table with Blue

Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with

scale BB.

## Other Information

There were no benefit changes during the year.

**Combining and Individual Fund Statements** 

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS September 30, 2017

		Total lonmajor Special enue Funds		Total Ionmajor Debt rvice Fund		Total Ionmajor Capital oject Funds	Total
ASSETS Current appets							
Current assets  Cash and cash equivalents	\$	840,492	\$	285,621	\$	392,381	\$ 1,518,494
Receivables (net)	Ψ	113,387	Ψ	55,487	Ψ	392,301	168,874
Prepaid expenditures		680		-		_	680
Total assets	\$	954,559	\$	341,108	\$	392,381	\$ 1,688,048
LIABILITIES							
Accounts payable	\$	56,524	\$	_	\$	_	\$ 56,524
Due to other funds		18,483	·	_		-	18,483
Deposits						30,650	30,650
Total liabilities		75,007				30,650	105,657
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue		_		55,487		_	55,487
Total deferred inflows of resources		<u> </u>		55,487			55,487
FUND BALANCES							
Nonspendable							
Prepaid expenditures		680		-		-	680
Restricted							
General government		664,319		-		-	664,319
Tourism Public safety		8,485		-		=	8,485
Debt service		206,068		- 285,621		_	206,068 285,621
Various capital projects		_		200,021		361,731	361,731
Total fund balances		879,552		285,621		361,731	1,526,904
Total liabilities, deferred inflorer and							_
Total liabilities, deferred inflows and fund balances	\$	954,559	\$	341,108	\$	392,381	\$ 1,688,048
Tuttu Datatioes	Ψ	₹,558	Ψ	J <del>-1</del> 1,100	Ψ	J3Z,J01	ψ 1,000,040

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS September 30, 2017

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Capital Project Funds	Total
REVENUES	Φ.	Φ 000 101	•	Φ 000.404
Property taxes Sales and other taxes	\$ - 111,401	\$ 692,161	\$ -	\$ 692,161 111,401
Fines, fees, and forfeitures	655,970	_	-	655,970
Intergovernmental and grants	2,473		_	2,473
Investment	6,570	5,115	3,125	14,810
Miscellaneous	-	72,970	-	72,970
Total revenues	776,414	770,246	3,125	1,549,785
EXPENDITURES				
Current				
General government	119,799	-	_	119,799
Public safety	225,781	-	-	225,781
Culture and recreation	12,720	-	-	12,720
Capital outlay	-	-	74,295	74,295
Debt service				
Principal retirement	-	587,160	-	587,160
Interest and fiscal charges	-	500,948	-	500,948
Paying agent and issue costs		1,200		1,200
Total expenditures	358,300	1,089,308	74,295	1,521,903
Excess (deficiency) of revenues				
over expenditures	418,114	(319,062)	(71,170)	27,882
OTHER FINANCING SOURCES (USES)				
Transfers in	92,398	326,594	_	418,992
Transfers out	(451,290)	-	_	(451,290)
Total other financing sources (uses)	(358,892)	326,594	_	(32,298)
Net change in fund balances	59,222	7,532	(71,170)	(4,416)
Fund balances - beginning, as restated	820,330	278,089	432,901	1,531,320
Fund balances - ending	\$ 879,552	\$ 285,621	\$ 361,731	\$ 1,526,904

CITY OF LOCKHART, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS September 30, 2017

	Ed	Radio Tower quipment blacement	orfeited operty	 tel / Motel ccupancy Tax	EQ NPS Grant	 Road Impact Fees #1	li	Road mpact ees #2
ASSETS Current assets Cash and cash equivalents Receivables (net) Prepaid expenditures	\$	64,069 - -	\$ 3,662 - -	\$ 160 22,103	\$ 5,907 - -	\$ 462,906 - -	\$	6,056 - -
Total assets	\$	64,069	\$ 3,662	\$ 22,263	\$ 5,907	\$ 462,906	\$	6,056
LIABILITIES  Accounts payable  Due to other funds  Total liabilities	\$	<u>-</u>	\$ - 	\$ 12,106 7,579 19,685	\$ - - -	\$ - - -	\$	- - -
FUND BALANCES Nonspendable Restricted General government Tourism Public safety Total fund balances		- - 64,069 64,069	 3,662 3,662	 - 2,578 - 2,578	 5,907 5,907	 462,906 - - 462,906		6,056 - - 6,056
Total liabilities and fund balances	\$	64,069	\$ 3,662	\$ 22,263	\$ 5,907	\$ 462,906	\$	6,056

(	unicipal Court hnology	Radio System aintenance	Municipal Court Security	 Child Safety	Court ficiency	luvenile Case lanager	uancy Court
\$	6,801 730	\$ 110,858 -	\$ 10,172 547	\$ 18,195 440	\$ 9,174 106	\$ 9,986 1,028	\$ 353 31
\$	7,531	\$ 110,858	\$ 10,719	\$ 18,635	\$ 9,280	\$ 11,014	\$ 384
\$	- - -	\$ 43,684	\$ - - -	\$ - - -	\$ - - -	\$ - - -	\$ - - -
	-	-	-	-	_	-	-
	-	-	-	-	-	-	-
	7,53 <u>1</u>	 67,174	 10,719	 18,635	 9,280	 11,014	 384
	7,531	 67,174	 10,719	 18,635	 9,280	 11,014	 384
\$	7,531	\$ 110,858	\$ 10,719	\$ 18,635	\$ 9,280	\$ 11,014	\$ 384

(continued)

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS September 30, 2017

ASSETS Current assets Cash and cash equivalents Receivables (net) Prepaid expenditures	Cable ducation 13,621 6,082		nsportation System nprovmts 74,837 54,386	,	Orainage System nprovmts 29,455 27,934	Ed	Law forcement lucation - Police 14,280	\$ Total 840,492 113,387 680
Total assets	\$ 19,703	\$	129,223	\$	57,389	\$	14,960	\$ 954,559
LIABILITIES  Accounts payable  Due to other funds  Total liabilities	\$ 54 54	\$	- - -	\$	10,904 10,904	\$	680 - 680	\$ 56,524 18,483 75,007
FUND BALANCES  Nonspendable Restricted General government Tourism Public safety  Total fund balances	 19,649 - - 19,649		129,223 - - 129,223		46,485 - - 46,485		680 - - 13,600 14,280	680 664,319 8,485 206,068 879,552
Total liabilities and fund balances	\$ 19,703	<u>\$</u>	129,223	\$	57,389	\$	14,960	\$ 954,559

(concluded)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS September 30, 2017

	Radio Tower Equipment Replacement	Forfeited Property	Hotel / Motel Occupancy Tax	TCEQ NPS Grant	Road Impact Fees #1	Road Impact Fees #2
REVENUES Sales and other taxes Fines, fees, and forfeitures Intergovernmental and grants Investment	\$ - - 509	\$ - - 29	\$ 87,766 - 440 	\$ - - - 80	\$ - 22,083 - 3,661 25,744	\$ - 6,041 - 15 6,056
Total revenues		29	00,339	00	25,744	0,030
EXPENDITURES Current General government Public safety Culture and recreation Total expenditures	329 	- - - -	35,482 - 12,720 48,202	- - - -	35,151 - - 35,151	
Excess (deficiency) of revenues over expenditures	180	29	40,157	80	(9,407)	6,056
OTHER FINANCING SOURCES (USES) Transfers in Transfers out Total other financing sources (uses)	- 	- 	(40,000) (40,000)			- 
Net change in fund balances	180	29	157	80	(9,407)	6,056
Fund balances - beginning	63,889	3,633	2,421	5,827	472,313	_
Fund balances - ending	\$ 64,069	\$ 3,662	\$ 2,578	\$ 5,907	\$ 462,906	\$ 6,056

Municipal Court Technology	Radio System Maintenance	Municipal Court Security	Child Safety	Court Efficiency	Juvenile Case Manager	Truancy Court
\$ - 6,338	\$ - 129,975	\$ - 4,756	\$ - 2,360	\$ - 442	\$ - 7,615	\$ - 231
6,382	683 130,658	80 4,836	134 2,494	70 512	55 7,670	3 234
13,449 	205,128 	6,195 	- - - -	- - -	- - 	- - - -
(7,067)	(74,470)	(1,359)	2,494	512	7,670	234
	92,398 92,398	- - -	- 		- 	- 
(7,067)	17,928	(1,359)	2,494	512	7,670	234
14,598 \$ 7,531	49,246 \$ 67,174	12,078 \$ 10,719	16,141 \$ 18,635	8,768         9,280	3,344 \$ 11,014	150 \$ 384

(continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2017

	Cable Education	Transportation System Improvmts	Drainage System Improvmts	Law Enforcement Education - Police	Total
REVENUES Sales and other taxes	\$ 23,635	\$ -	\$ -	\$ -	\$ 111,401
Fines, fees, and forfeitures	Ψ 23,033	φ - 288,151	187,978	Ψ -	655,970
Intergovernmental and grants	_	200,101	-	2,033	2,473
Investment	165	470	310	109	6,570
Total revenues	23,800	288,621	188,288	2,142	776,414
EXPENDITURES Current					
General government	41,693	925	6,548	_	119,799
Public safety	-	-	-	680	225,781
Culture and recreation	-	-	-	_	12,720
otal expenditures	41,693	925	6,548	680	358,300
Excess (deficiency) of revenues over expenditures	(17,893)	287,696	181,740	1,462	418,114
OTHER FINANCING SOURCES (USES)					00.000
Transfers in	-	(260,000)	- (151,290)	-	92,398 (451,290)
Transfers out		(260,000)	(151,290)		(358,892)
otal other financing sources (uses)		(200,000)	(101,230)		(550,092)
let change in fund balances	(17,893)	27,696	30,450	1,462	59,222
und balances - beginning	37,542	101,527	16,035	12,818	820,330
und balances - ending	\$ 19,649	\$ 129,223	\$ 46,485	\$ 14,280	\$ 879,552

(concluded)

COMBINING BALANCE SHEET NONMAJOR CAPITAL PROJECT FUNDS September 30, 2017

ASSETS	Clearfork Detention Basin	Clearfork Section 1 Sidewalk	2009 Certificates of Obligation	Total
Current assets	\$ 21.620	Ф 16 2EE	¢ 254.406	¢ 202.204
Cash and cash equivalents	·	\$ 16,355	\$ 354,406	\$ 392,381
Total assets	<u>\$ 21,620</u>	\$ 16,355	\$ 354,406	<u>\$ 392,381</u>
LIABILITIES  Deposits  Total liabilities	\$ 17,450 17,450	\$ 13,200 13,200	\$	\$ 30,650 30,650
FUND BALANCES Restricted				
Various capital projects	4,170	3,155	354,406	361,731
Total fund balances	4,170	3,155	354,406	361,731
Total liabilities and fund balances	\$ 21,620	\$ 16,355	\$ 354,406	\$ 392,381

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR CAPITAL PROJECT FUNDS
September 30, 2017

	Clearfork Detention Basin	Clearfork Section 1 Sidewalk	2009 Certificates of Obligation	Total
REVENUES				•
Investment	<u>\$ 172</u>	<u>\$ 130</u>	\$ 2,823	<u>\$ 3,125</u>
Total revenues	172	130	2,823	3,125
EXPENDITURES Capital outlay Total expenditures		<u> </u>	74,295 74,295	74,295 74,295
Excess (deficiency) of revenues over expenditures	172	130	(71,472)	(71,170)
Fund balances - beginning	3,998	3,025	425,878	432,901
Fund balances - ending	\$ 4,170	\$ 3,155	\$ 354,406	\$ 361,731

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL NONMAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND

NONWAJOR GOVERNMENTAL FUND - DEBT SERVIC

For the year ended September 30, 2017

With comparative totals for the year ended September 30, 2016

		2017		2016
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 658,181	\$ 692,161	\$ 33,980	\$ 696,861
Investment income	=	5,115	5,115	2,727
Miscellaneous		72,970	72,970	350,515
Total revenues	658,181	770,246	112,065	1,050,103
EXPENDITURES				
Debt service				
Principal retirement	587,160	587,160	-	855,322
Interest and fiscal charges	500,948	500,948	-	566,342
Paying agent fees and issue costs	400	1,200	(800)	151,889
Total expenditures	1,088,508	1,089,308	(800)	1,573,553
Excess (deficiency) of revenues				
over expenditures	(430,327)	(319,062)	111,265	(523,450)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	4,887,402
Premium on issuance of bonds	-	-	-	593,157
Payment to escrow	-	-	<del>-</del>	(5,455,484)
Transfers in	374,686	326,594	(48,092)	413,545
Total other financing sources (uses)	374,686	326,594	(48,092)	438,620
Net change in fund balance	\$ (55,641)	7,532	\$ 63,173	(84,830)
Fund balance at beginning of year		278,089		362,919
Fund balance at end of year		\$ 285,621		\$ 278,089

CITY OF LOCKHART, TEXAS
COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS September 30, 2017

	Sanitation	Airport	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 468,277	\$ 93,905	\$ 562,182
Receivables (net)	237,913	755	238,668
Total current assets	706,190	94,660	800,850
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	120,409	72,161	192,570
Buildings, improvements, and equipment (net)	52,165	1,444,810	1,496,975
Total noncurrent assets	172,574	1,516,971	1,689,545
Total assets	878,764	1,611,631	2,490,395
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to TMRS	41,957		41,957
Total deferred outflows of resources	41,957		41,957
LIABILITIES			
Current liabilities			
Accounts payable	92,518	316	92,834
Payroll related payables	4,166	-	4,166
Customer deposits	50	6,950	7,000
Unearned revenue	-	3,908	3,908
Accrued compensated absences	3,855		3,855
Total current liabilities	100,589	11,174	111,763
Noncurrent liabilities			
Net pension liability	105,470	<u> </u>	105,470
Total liabilities	206,059	11,174	217,233
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to TMRS	343	·	343
Total deferred inflows of resources	343		343
NET POSITION			
Invested in capital assets, net of related debt	172,574	1,516,971	1,689,545
Unrestricted net position	541,745	83,486	625,231
Total net position	\$ 714,319	\$ 1,600,457	\$ 2,314,776

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS

For the year ended September 30, 201	For the	year ended	September 30.	2017
--------------------------------------	---------	------------	---------------	------

	Sanit	ation		Airport		Total
OPERATING REVENUES						
Charges for services	\$ 1,5	74,494	\$	70,714	\$	1,645,208
Miscellaneous	**************************************	18,865		775		19,640
Total operating revenues	1,5	93,359	Military de la companya de la compan	71,489		1,664,848
OPERATING EXPENSES						
Personnel services	2	15,073		_		215,073
Contracts and services	1,1	05,644		13,120		1,118,764
Materials and supplies		7,467		_		7,467
Maintenance and repairs		3,526		10,500		14,026
Depreciation		8,766		52,818		61,584
Miscellaneous		4,990		_		4,990
Total operating expenses	1,3	45,466		76,438		1,421,904
Operating income before nonoperating revenues						
(expenses) and transfers	2	47,893		(4,949)		242,944
NONOPERATING REVENUES (EXPENSES)						
Investment income		3,449		593		4,042
Net nonoperating revenues (expenses)	***************************************	3,449		593	-	4,042
Income (loss) before transfers	2	51,342		(4,356)		246,986
Transfers out	(1	92,552)		_		(192,552)
Change in net position		58,790		(4,356)		54,434
Net position - beginning	6	55,529		1,604,813		2,260,342
Net position - ending	\$ 7	14,319	\$	1,600,457	\$	2,314,776

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS For the year ended September 30, 2017

		Sanitation		Airport		Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$	1,574,883	\$	72,380	\$	1,647,263
Cash payments to suppliers for goods and services	Ψ	(1,125,112)	Ψ	(24,229)	Ψ	(1,149,341)
Cash payments to employees for services		(192,038)		(= :,===)		(192,038)
Net cash provided by operating activities		257,733		48,151		305,884
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Customer deposits		-		75		75
Cash paid to other funds		(192,552)				(192,552)
Net cash provided (used) by noncapital financing activities	-	(192,552)	***************************************	75		(192,477)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Acquisition of capital assets		-				<u>-</u>
Net cash used by capital financing activities		_		_		
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income		3,449		593		4,042
Net cash provided (used) by investing activities		3,449		593	-	4,042
Net increase in cash and cash equivalents		68,630		48,819		117,449
Cash and cash equivalents at beginning of year	-	399,647		45,086		444,733
Cash and cash equivalents at end of year	\$	468,277	\$	93,905	\$	562,182
RECONCILIATION OF OPERATING INCOME TO NET						
CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$	247,893	\$	(4,949)	\$	242,944
Adjustments to reconcile operating income to net						
cash provided by operating activities:						
Depreciation		8,766		52,818		61,584
Change in assets and liabilities:						
(Increase) decrease in accounts receivable		(18,476)		396		(18,080)
Increase (decrease) in accounts and other payables		3,485		(609)		2,876
Increase (decrease) in payroll related liabilities		16,065		-		16,065
Increase (decrease) in unearned revenue				495		495
Net cash provided by operating activities	\$	257,733	\$	48,151	<u>\$</u>	305,884

CITY OF LOCKHART, TEXAS
COMBINING STATEMENT OF NET POSITION FIDUCIARY FUNDS September 30, 2017

		Private Pur	pose Tr	usts		
		serman rust	(	Brock Cabin Trust		Total
ASSETS	<del></del>					
Cash and cash equivalents	\$	513	\$	1,199	\$	1,712
Total assets		513		1,199		1,712
LIABILITIES						
Due to others	***************************************	-		_		_
Total liabilities	-				•••	
NET POSITION						
Held for various purposes	\$	513	\$	1,199	\$	1,712

 	Ager	ncy Funds	<del></del>		
 nfiscated roperty	*	claimed roperty		Bicycle Helmet	 Total
\$ 9,444	\$	8,458	\$	1,063	\$ 18,965
\$ 9,444	\$	8,458	\$	1,063	\$ 18,965
\$ 9,444	\$	8,458	\$	1,063	\$ 18,965
\$ 9,444	\$	8,458	\$	1,063	\$ 18,965

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE PURPOSE TRUSTS

For the year ended September 30, 2017

	Glosser Trus		Ca	rock abin rust	 Րotal
ADDITIONS Investment income Total additions	\$	4 4	<u>\$</u>	9	\$ 13 13
DEDUCTIONS					 
Change in net position		4		9	13
Net position - beginning		509		1,190	1,699
Net position - ending	\$	513	\$	1,199	\$ 1,712

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

#### HARRISON, WALDROP & UHEREK, L.L.P.



STEPHEN W. VAN MANEN, CPA DENNIS C. CIHAL, CPA ERIC L. KUCERA, CPA CLAYTON P. VAN PELT, CPA ROBERT W. SCHAAR, CPA MELISSA M. TERRY, CPA

> VOICE: (361) 573-3255 FAX: (361) 573-9531

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members of the City Council City of Lockhart, Texas

#### Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lockhart, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 12, 2018. The financial statements of the Lockhart Economic Development Corporation were not audited in accordance with *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Mayor and Members of the City Council

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HARRISON, WALDROP & UHEREK, L.L.P.

Harrison, Waldrop & Uherk, UP

Certified Public Accountants

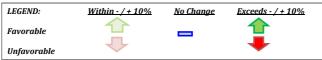
March 12, 2018

#### NEW BRAUNFELS UTLITIES OVERVIEW COMPARISON TO BUDGET & PRIOR FISCAL YEAR MARCH 2018 YTD

		A	MOUNT	VAR	IANCE*	% CHANGE	FAV/UNFAV
ELECTRIC:							
Sales Volume (MWh)	Actual		1,030.1				
Sales volume (Pivvii)	Budget		1,035.8		(5.7)	-1%	<b>₽</b>
	Prior Year		980.5		49.6	5%	
Revenues (\$M)	Actual	\$	66.7				
	Budget	\$	65.8	\$	0.9	1%	
	Prior Year	\$	66.4	\$	0.3	0%	
Gross Margin (\$M)	Actual	\$	17.5				
	Budget	\$	16.9	\$	0.6	4%	
	Prior Year	\$	16.8	\$	0.7	4%	
Operating Income (\$M)	Actual	\$	5.4		0.4	<b>500</b> /	
	Budget	\$	3.1	\$	2.4	78%	T
	Prior Year	\$	4.7	\$	0.7	15%	
WATER:							
Sales Volume (Million Gallons)	Actual		2.5		60.43		
	Budget		2.6		(0.1)	-4%	
	Prior Year		2.3		0.1	6%	1
Revenues (\$M)	Actual	\$	10.0				_
	Budget	\$	10.4	\$	(0.4)	-4%	
	Prior Year	\$	9.1	\$	0.9	10%	
Gross Margin (\$M)	Actual	\$	8.4				
	Budget	\$	8.6	\$	(0.1)	-2%	
	Prior Year	\$	7.7	\$	0.7	10%	
Operating Income (\$M)	Actual	\$	0.4				
	Budget	\$	0.0	\$	0.3	927%	
	Prior Year	\$	1.2	\$	(0.8)	-69%	•
WASTEWATER:							
Revenues (\$M)	Actual	\$	9.8				_
	Budget	\$	10.1	\$	(0.3)	-3%	
	Prior Year	\$	9.1	\$	0.7	8%	
Operating Income (\$M)	Actual	\$	0.5				
	Budget	\$	0.3	\$	0.2	75%	1
	Prior Year	\$	2.3	\$	(1.7)	-76%	-
COMBINED:							
Operating Expenses (\$M)**	Actual	\$	16.5				
	Budget	\$	20.6	\$	(4.1)	-20%	
	Prior Year	\$	14.8	\$	1.7	12%	-
Operating Income (\$M)	Actual	\$	6.4				
	Budget	\$	3.4	\$	3.0	87%	
	Prior Year	\$	8.2	\$	(1.9)	-23%	-
Change in Net Position Before Contributions (\$M)	Actual	\$	0.1				
	Budget	\$	(5.1)	\$	5.2	102%	1
	Prior Year	\$	2.1	\$	(2.0)	-94%	-
Impact Fees (\$M)	Actual	\$	8.1				
	Budget	\$	4.7	\$	3.4	74%	<b>1</b>
	Prior Year	\$	3.8	\$	4.4	116%	
Change in Net Position After Contributions (\$M)	Actual	\$	9.8				
	Budget	\$	0.9	\$	8.9	954%	
	Prior Year	\$	7.3	\$	2.5	35%	

<sup>\*</sup>Note: Variances are based on rounding of actual numbers and not summary numbers in previous column.

\*\*Note: Operating expenses less purchased power, purchased water, and depreciation & amortization.



# NEW BRAUNFELS UTILITIES Balance Sheet

March 31, 2018

Amounts Shown in Thousands

March 31 February 28 2018 2018 Variance % Change **ASSETS** UTILITY PLANT 730 Utility Plant in Service 626,893 626,163 \$ 0% (229,712)(228,090)(1,622)1% Less: Accumulated Depreciation 45,269 42,614 2,655 6% Construction in Progress TOTAL UTILITY PLANT 442,450 440,687 1,763 0% **CURRENT & ACCRUED ASSETS** \$ (2,289)Cash & Temporary Investments 729 3,018 -76% Accounts Receivable - Customers (Net of Allowance for Bad Debt) 5,353 (2,100)-28% 7.453 Accounts Receivable - Other 1,075 1,106 (31)-3% Accrued Unbilled Revenue 8,847 8,786 1% 61 Inventory 2,949 2,898 51 2% 8,142 Prepaid Expenses 8,454 312 4% Accrued Interest Receivable 142 114 28 25% TOTAL CURRENT & ACCRUED ASSETS \$ 27,549 31,517 \$ (3,968)-13% **NONCURRENT ASSETS & DEFERRED DEBITS** Restricted Funds \$ 21,909 \$ 19,541 \$ 2,368 12% Designated Funds 49,100 (3,020)52,120 -6% Long-Term Investments 6,994 6,991 3 0% 4,038 4,038 Pension Deferred Outflows 0% Headwaters at the Comal 456 456 0% TOTAL NONCURRENT ASSETS & DEFERRED DEBITS 82,497 83,146 \$ (649)-1% TOTAL ASSETS \$ 552,496 \$ 555,350 \$ (2,854)-1% LIABILITIES & NET POSITION **BONDS PAYABLE** 110,470 14 0% Long-Term Debt 110,484 \$ Unamortized Bond Discount/Premium -2% 1.559 1.595 (36)TOTAL BONDS PAYABLE 112,043 112,065 \$ (22) 0% **CURRENT & ACCRUED LIABILITIES** Accounts Payable 1,768 \$ 7,320 \$ (5,552)-76% 5,958 Accrued Purchased Power 6,008 (50)-1% **Customer Deposits** 5,924 5,893 31 1% Accrued Payroll & Benefits (Including Compensated Absences) 1.515 1.542 -2% (27)Interest Accrued on Long Term Debt 1,016 677 339 50% Current Portion of Long Term Debt 2,320 2,320 0% Other Payables 1,231 1,218 13 1% TOTAL CURRENT & ACCRUED LIABILITIES 19,732 24,978 -21% \$ \$ (5,246)**NONCURRENT LIABILITIES & DEFERRED CREDITS** Accumulated Provision for Pension \$ 9,149 \$ 9,149 \$ 0% Pension Deferred Inflows 619 619 0% 2,875 582 20% Power Cost Adjustments - Over-Recovered 3,457 Other Deferred Credits 754 751 0% 3 TOTAL NONCURRENT LIABILITIES & DEFERRED CREDITS 13,979 13,394 \$ 585 4% TOTAL LIABILITIES \$ 145,754 \$ 150,437 \$ (4,683)-3% NET POSITION Reserve for Restricted Assets \$ 40,881 \$ 42,772 \$ (1,891)-4% Reserve for Intergovernmental 7,751 7.843 (92) -1% Unrestricted Assets 199,024 195,349 3,675 2% Contributed Capital 159.086 158,949 137 0% TOTAL NET POSITION \$ 1,829 406,742 404,913 \$ 0% TOTAL LIABILITIES & NET POSITION \$ 552,496 \$ 555,350 \$ (2,854)-1%

# NEW BRAUNFELS UTILITIES Statement of Revenues & Expenses For the Period Ending March 31, 2018 Amounts Shown in Thousands

	M	TD Actual	M	TD Budget	V	ariance	% Variance	Y	ΓD Actual	Y	ΓD Budget	V	ariance	% Variance
VOLUME/RATES														
Electric Sales kWh		110,658		119,738		(9,081)	-8%		1,030,084		1,035,751		(5,667)	-1%
Electric Sales Rate Per kWh	\$	0.0605	\$	0.0581	\$	0.0024	4%	\$	0.0624	\$	0.0612	\$	0.0012	2%
Purchased kWh		114,694		125,215		(10,521)	-8%		1,049,302		1,051,932		(2,630)	0%
Purchased Rate per kWh	\$	0.0387	\$	0.0446	\$	(0.0059)	-13%	\$	0.0469	\$	0.0465	\$	0.0004	1%
Gallons Sold		239,769		249,843		(10,074)	-4%		2,455,332		2,570,198		114,866)	-4%
Rate per Gallon Sold	\$	4.30	\$	4.30	\$	(0.00)	0%	\$	3.93	\$	3.91	\$	0.02	0%
OPERATING REVENUES														
SERVICE REVENUE														
Electric Service	\$	6,697	\$	6,961	\$	(264)	-4%	\$	64,283	\$	63,435	\$	848	1%
Water Service		1,031		1,075		(44)	-4%		9,649		10,058		(410)	-4%
Wastewater Service		1,224		1,224		-	0%		9,687		9,975		(288)	-3%
TOTAL SERVICE REVENUE	\$	8,952	\$	9,260	\$	(308)	-3%	\$	83,619	\$	83,468	\$	151	0%
OTHER OPERATING REVENUE														
Electric Other	\$	56	\$	66	\$	(10)	-15%	\$	584	\$	529	\$	55	10%
Water Other		32		35		(3)	-9%		287		277		10	3%
Wastewater Other		13		16		(3)	-19%		114		129		(15)	-12%
Transmission System Revenue		213		200		13	7%		1,578		1,597		(19)	-1%
Electric Pole Attachments		30		31		(1)	-3%		259		245		14	6%
Water Tower Antenna Lease		8		8		-	0%		63		62		1	2%
TOTAL OTHER OPERATING REVENUE	\$	352	\$	356	\$	(4)	-1%	\$	2,885	\$	2,839	\$	46	2%
TOTAL OPERATING REVENUE	\$	9,304	\$	9,616	\$	(312)	-3%	\$	86,503	\$	86,307	\$	196	0%

# NEW BRAUNFELS UTILITIES Statement of Revenues & Expenses For the Period Ending March 31, 2018 Amounts Shown in Thousands

	MT	D Actual	МТ	D Budget	V	ariance	% Variance	YT	D Actual	YT	D Budget	V	ariance	% Variance
OPERATING EXPENSES														-
ELECTRIC														
Purchased Power	\$	4,434	\$	5,580	\$	(1,146)	-21%	\$	49,226	\$	48,949	\$	277	1%
Electric Transmission & Distribution		381		521		(140)	-27%		3,295		4,430		(1,135)	-26%
Electric Customer Service		27		51		(24)	-47%		270		427		(157)	-37%
Electric Administrative & General		37		18		19	*		274		175		99	57%
Electric Depreciation & Amortization		684		662		22	3%		5,399		5,298		101	2%
Electric Support Services Allocated Operating Expenses		327		345		(18)	-5%		2,796		3,471		(675)	-19%
TOTAL ELECTRIC OPERATING EXPENSE	\$	5,890	\$	7,177	\$	(1,287)	-18%	\$	61,260	\$	62,750	\$	(1,490)	-2%
WATER														
Purchased Water	\$	182	\$	226	\$	(44)	-19%	\$	1,557	\$	1,808	\$	(251)	-14%
Supply Source		1		-		1	0%		11		1		10	*
Water Transmission & Distribution		120		171		(51)	-30%		1,095		1,508		(413)	-27%
Pumping		77		83		(6)	-7%		810		677		133	20%
Water Treatment		90		93		(3)	-3%		711		830		(119)	-14%
Water Customer Service		(1)		2		(3)	*		8		17		(9)	-53%
Water Administrative & General		11		10		1	10%		80		58		22	38%
Water Depreciation & Amortization		406		363		43	12%		3,187		2,903		284	10%
Water Support Services Allocated Operating Expenses		267		262		5	2%		2,159		2,558		(399)	-16%
TOTAL WATER OPERATING EXPENSE	\$	1,153	\$	1,210	\$	(57)	-5%	\$	9,618	\$	10,360	\$	(742)	-7%
WASTEWATER														
Wastewater Transmission & Distribution	\$	-	\$	-	\$	-	100%	\$	2	\$	-	\$	2	100%
Wastewater Operations & Maintenance		341		387		(46)	-12%		2,735		3,420		(685)	-20%
Wastewater Treatment		-		-		-	0%		(4)		-		(4)	100%
Wastewater Customer Service		(1)		2		(3)	*		6		15		(9)	-60%
Wastewater Administrative & General		6		5		1	20%		132		315		(183)	-58%
Wastewater Depreciation & Amortization		532		421		111	26%		4,263		3,366		897	27%
Wastewater Support Services Allocated Operating Expense	)	254		276		(22)	-8%		2,133		2,683		(550)	-20%
TOTAL WASTERWATER OPERATING EXPENSE	\$	1,132	\$	1,091	\$	41	4%	\$	9,267	\$	9,799	\$	(532)	-5%
TOTAL OPERATING EXPENSES	\$	8,175	\$	9,478	\$	(1,303)	-14%	\$	80,145	\$	82,909	\$	(2,764)	-3%

NEW BRAUNFELS UTILITIES Statement of Revenues & Expenses
For the Period Ending March 31, 2018
Amounts Shown in Thousands

	MT	D Actual	МТ	TD Budget	Va	ariance	% Variance	YT	D Actual	YT	D Budget	Va	ariance	% Variance
NET OPERATING INCOME														
ELECTRIC	\$	1,106	\$	81	\$	1,025	*	\$	5,444	\$	3,056	\$	2,388	78%
WATER	\$	(82)	\$	(92)	\$	10	-11%	\$	380	\$	37	\$	343	*
WASTEWATER	\$	105	\$	149	\$	(44)	-30%	\$	534	\$	305	\$	229	75%
TOTAL NET OPERATING INCOME	\$	1,129	\$	138	\$	991	*	\$	6,358	\$	3,398	\$	2,960	87%
NONOPERATING REVENUES (EXPENSES)														
Interest Income	\$	164	\$	46	\$	118	*	\$	486	\$	370	\$	116	31%
Intergovernmental Expense		(655)		(658)		3	0%		(5,241)		(5,263)		22	0%
Interest and Amortization Expense		(315)		(476)		161	-34%		(2,523)		(4,386)		1,863	-42%
Other		197		102		95	93%		1,041		816		225	28%
TOTAL NONOPERATING REVENUES (EXPENSES)	\$	(609)	\$	(986)	\$	377	-38%	\$	(6,237)	\$	(8,463)	\$	2,226	-26%
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS	\$	520	\$	(848)	\$	1,368	*	\$	121	\$	(5,065)	\$	5,186	*
CAPITAL CONTRIBUTIONS														
Impact Fees	\$	1,037	\$	585	\$	452	77%	\$	8,126	\$	4,678	\$	3,448	74%
Services		134		165		(31)	-19%		1,595		1,321		274	21%
TOTAL CAPITAL CONTRIBUTIONS	\$	1,171	\$	750	\$	421	56%	\$	9,721	\$	5,999	\$	3,722	62%
CHANGE IN NET POSITION AFTER CONTRIBUTIONS	\$	1,691	\$	(98)	\$	1,789	*	\$	9,842	\$	934	\$	8,908	*

<sup>\*</sup>Denotes variance greater than 100%

NEW BRAUNFELS UTILITIES ELECTRIC LINE OF BUSINESS Statement of Revenues & Expenses For the Period Ending March 31, 2018 Amounts Shown in Thousands

ELECTRIC OPERATING REVENUE   S	/ariance
Selectric Service	
TOTAL ELECTRIC SERVICE REVENUE         \$ 6,697         \$ 6,961         \$ (264)         -4%         \$ 64,283         \$ 63,435         \$ 848           OTHER ELECTRIC OPERATING REVENUE           Electric Other         \$ 56         \$ 66         \$ (10)         -15%         \$ 584         \$ 529         \$ 55           Transmission System Revenue         213         200         13         7%         1,578         1,597         (19)           Electric Pole Attachments         30         31         (1)         -3%         259         245         14           TOTAL OTHER ELECTRIC OPERATING REVENUE         \$ 696         \$ 7,258         \$ (262)         -4%         \$ 66,704         \$ 65,806         \$ 898           ELECTRIC OPERATING EXPENSES           Purchased Power & Other Power Supply         \$ 4,434         \$ 5,580         \$ (1,146)         -21%         \$ 49,226         \$ 48,949         \$ 277           Transmission & Distribution         381         521         (140)         -27%         3,295         4,430         (1,135)           Customer Service         27         51         (24)         -47%         270         427         (157)           Administrative & General         37         18         19	
OTHER ELECTRIC OPERATING REVENUE           Electric Other         \$ 56         \$ 66         \$ (10)         -15%         \$ 584         \$ 529         \$ 55           Transmission System Revenue         213         200         13         7%         1,578         1,597         (19)           Electric Pole Attachments         30         31         (1)         -3%         259         245         14           TOTAL OTHER ELECTRIC OPERATING REVENUE         \$ 6996         \$ 7,258         \$ (262)         -4%         \$ 66,704         \$ 65,806         \$ 898           ELECTRIC OPERATING EXPENSES         ***	1%
Selectric Other	1%
Transmission System Revenue   213   200   13   7%   1,578   1,577   (19)	
Electric Pole Attachments   30   31   (1)   -3%   259   245   14     TOTAL OTHER ELECTRIC OPERATING REVENUE   \$ 299   \$ 297   \$ 2   1%   \$ 2,421   \$ 2,371   \$ 50     TOTAL ELECTRIC OPERATING REVENUE   \$ 6,996   \$ 7,258   \$ (262)   -4%   \$ 66,704   \$ 65,806   \$ 898      ELECTRIC OPERATING EXPENSES	10%
TOTAL OTHER ELECTRIC OPERATING REVENUE   \$ 299  \$ 297  \$ 2 1%   \$ 2,421  \$ 2,371  \$ 50	-1%
TOTAL ELECTRIC OPERATING REVENUE   \$ 6,996   \$ 7,258   \$ (262)   -4%   \$ 66,704   \$ 65,806   \$ 898	6%
ELECTRIC OPERATING EXPENSES           Purchased Power & Other Power Supply         \$ 4,434         \$ 5,580         \$ (1,146)         -21%         \$ 49,226         \$ 48,949         \$ 277           Transmission & Distribution         381         521         (140)         -27%         3,295         4,430         (1,135)           Customer Service         27         51         (24)         -47%         270         427         (157)           Administrative & General         37         18         19         *         274         175         99           Depreciation & Amortization         684         662         22         3%         5,399         5,298         101           Support Services Allocated Operating Expenses         327         345         (18)         -5%         2,796         3,471         (675)           TOTAL ELECTRIC OPERATING EXPENSE         \$,890         \$ 7,177         \$ (1,287)         -18%         \$ 61,260         \$ 62,750         \$ (1,490)           ELECTRIC NET OPERATING INCOME         \$ 1,106         \$ 81         \$ 1,025         1265%         \$ 5,444         \$ 3,056         \$ 2,388           NONOPERATING REVENUES (EXPENSES)         \$ 1,400         \$ 1,400         \$ 1,400         \$ 1,400	2%
Purchased Power & Other Power Supply         \$ 4,434         \$ 5,580         \$ (1,146)         -21%         \$ 49,226         \$ 48,949         277           Transmission & Distribution         381         521         (140)         -27%         3,295         4,430         (1,135)           Customer Service         27         51         (24)         -47%         270         427         (157)           Administrative & General         37         18         19         *         274         175         99           Depreciation & Amortization         684         662         22         3%         5,399         5,298         101           Support Services Allocated Operating Expenses         327         7,177         \$ (1,287)         -18%         61,260         \$ 62,750         \$ (1,490)           TOTAL ELECTRIC OPERATING INCOME         \$ 1,106         \$ 81         \$ 1,025         1265%         \$ 5,444         \$ 3,056         \$ 2,388           NONOPERATING REVENUES (EXPENSES)         \$ 5         \$ 16         42         *         164         \$ 129         \$ 35	1%
Transmission & Distribution         381         521         (140)         -27%         3,295         4,430         (1,135)           Customer Service         27         51         (24)         -47%         270         427         (157)           Administrative & General         37         18         19         *         274         175         9           Depreciation & Amortization         684         662         22         3%         5,399         5,298         101           Support Services Allocated Operating Expenses         327         345         (18)         -5%         2,796         3,471         (675)           TOTAL ELECTRIC OPERATING EXPENSE         5,890         \$ 7,177         \$ (1,287)         -18%         61,260         \$ 62,750         \$ (1,490)           ELECTRIC NET OPERATING INCOME         \$ 1,106         \$ 81         \$ 1,025         1265%         \$ 5,444         \$ 3,056         \$ 2,388           NONOPERATING REVENUES (EXPENSES)         1         5         42         *         \$ 164         \$ 129         \$ 35	
Customer Service   27	1%
Administrative & General 37 18 19 * 274 175 99 Depreciation & Amortization 684 662 22 3% 5,399 5,298 101 Support Services Allocated Operating Expenses 327 345 (18) -5% 2,796 3,471 (675)  TOTAL ELECTRIC OPERATING EXPENSE \$5,890 \$7,177 \$ (1,287) -18% \$61,260 \$62,750 \$ (1,490)  ELECTRIC OPERATING INCOME \$1,106 \$81 \$1,025 1265% \$5,444 \$3,056 \$2,388  NONOPERATING REVENUES (EXPENSES) Interest Income \$58 \$16 \$42 * \$164 \$129 \$35	-26%
Depreciation & Amortization   684   662   22   3%   5,399   5,298   101	-37%
Support Services Allocated Operating Expenses         327         345         (18)         -5%         2,796         3,471         (675)           TOTAL ELECTRIC OPERATING EXPENSE         \$ 5,890         \$ 7,177         \$ (1,287)         -18%         \$ 61,260         \$ 62,750         \$ (1,490)           ELECTRIC NET OPERATING INCOME         \$ 1,106         \$ 81         \$ 1,025         1265%         \$ 5,444         \$ 3,056         \$ 2,388           NONOPERATING REVENUES (EXPENSES)         **	57%
TOTAL ELECTRIC OPERATING EXPENSE         \$ 5,890         \$ 7,177         \$ (1,287)         -18%         \$ 61,260         \$ 62,750         \$ (1,490)           ELECTRIC NET OPERATING INCOME         \$ 1,106         \$ 81         \$ 1,025         1265%         \$ 5,444         \$ 3,056         \$ 2,388           NONOPERATING REVENUES (EXPENSES)         Interest Income         \$ 58         \$ 16         \$ 42         *         \$ 164         \$ 129         \$ 35	2%
ELECTRIC NET OPERATING INCOME \$ 1,106 \$ 81 \$ 1,025 1265% \$ 5,444 \$ 3,056 \$ 2,388  NONOPERATING REVENUES (EXPENSES) Interest Income \$ 58 \$ 16 \$ 42 * \$ 164 \$ 129 \$ 35	-19%
NONOPERATING REVENUES (EXPENSES) Interest Income \$ 58 \$ 16 \$ 42 * \$ 164 \$ 129 \$ 35	-2%
Interest Income \$ 58 \$ 16 \$ 42 * \$ 164 \$ 129 \$ 35	78%
Interest Income \$ 58 \$ 16 \$ 42 * \$ 164 \$ 129 \$ 35	
	27%
	1%
Interest and Amortization Expense (39) (95) 56 -59% (313) (967) 654	-68%
Other 113 63 50 79% 645 503 142	28%
TOTAL NONOPERATING REVENUES (EXPENSES) \$ (430) \$ (570) \$ 141 -25% \$ (3,994) \$ (4,768) \$ 774	-16%
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS         \$ 677         \$ (489)         \$ 1,166         *         \$ 1,450         \$ (1,712)         \$ 3,162	*
ELECTRIC CAPITAL CONTRIBUTIONS	
ELECTRIC CAPITAL CONTRIBUTIONS  \$ 42 \$ 83 \$ (41) -49% \$ 743 \$ 664 \$ 79	12%
TOTAL ELECTRIC CAPITAL CONTRIBUTIONS \$ 42 \$ 83 \$ (41) -49% \$ 743 \$ 664 \$ 79	12%
CHANGE IN NET POSITION AFTER CONTRIBUTIONS \$ 719 \$ (406) \$ 1,125 * \$ 2,193 \$ (1,048) \$ 3,241	*

<sup>\*</sup>Denotes variance greater than 100%

NEW BRAUNFELS UTILITIES
WATER LINE OF BUSINESS
Statement of Revenues & Expenses
For the Period Ending March 31, 2018
Amounts Shown in Thousands

	MT	D Actual	MTI	D Budget	Vai	riance	% Variance	YT	D Actual	YT	D Budget	Va	riance	% Variance
WATER OPERATING REVENUES														
WATER SERVICE REVENUE														<u>.</u>
Water Service	\$	1,031	\$	1,075	\$	(44)	-4%	\$	9,649	\$	10,058	\$	(410)	-4%
TOTAL WATER SERVICE REVENUE	\$	1,031	\$	1,075	\$	(44)	-4%	\$	9,649	\$	10,058	\$	(410)	-4%
OTHER WATER OPERATING REVENUE														
Water Other	\$	32	\$	35	\$	(3)	-9%	\$	287	\$	277	\$	10	3%
Water Tower Antenna Lease		8		8		-	0%		63		62		1	2%
TOTAL OTHER WATER OPERATING REVENUE	\$	40	\$	43	\$	(3)	-7%	\$	350	\$	339	\$	11	3%
TOTAL WATER OPERATING REVENUE	\$	1,071	\$	1,118	\$	(47)	-4%	\$	9,998	\$	10,397	\$	(399)	-4%
WATER OPERATING EXPENSES														
Purchased Water	\$	182	\$	226	\$	(44)	-19%	\$	1,557	\$	1,808	\$	(251)	-14%
Supply Source		1		-		1	100%		11		1		10	*
Transmission & Distribution		120		171		(51)	-30%		1,095		1,508		(413)	-27%
Pumping		77		83		(6)	-7%		810		677		133	20%
Water Treatment		90		93		(3)	-3%		711		830		(119)	-14%
Customer Service		(1)		2		(3)	*		8		17		(9)	-53%
Administrative & General		11		10		1	10%		80		58		22	38%
Depreciation & Amortization		406		363		43	12%		3,187		2,903		284	10%
Support Services Allocated Operating Expenses		267		262		5	2%		2,159		2,558		(399)	-16%
TOTAL WATER OPERATING EXPENSE	\$	1,153	\$	1,210	\$	(57)	-5%	\$	9,618	\$	10,360	\$	(742)	-7%
WATER NET OPERATING INCOME	\$	(82)	\$	(92)	\$	10	-11%	\$	380	\$	37	\$	343	*
NONOPERATING REVENUES (EXPENSES)														
Interest Income	\$	58	\$	16	\$	42	*	\$	173	\$	129	\$	44	34%
Intergovernmental Expense		(47)		(53)		6	-11%		(378)		(424)		46	-11%
Interest and Amortization Expense		(106)		(182)		76	-42%		(851)		(1,716)		865	-50%
Other		60		21		39	*		230		169		61	36%
TOTAL NONOPERATING REVENUES (EXPENSES)	\$	(36)	\$	(198)	\$	163	-82%	\$	(826)	\$	(1,842)	\$	1,016	-55%
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS	\$	(118)	\$	(290)	\$	173	-59%	\$	(446)	\$	(1,805)	\$	1,359	-75%
WATER CAPITAL CONTRIBUTIONS														
Impact Fees	\$	604	\$	366	\$	238	65%	\$	4,702	\$	2,926	\$	1,776	61%
Services		92		77		15	19%		819		617		202	33%
TOTAL WATER CAPITAL CONTRIBUTIONS	\$	696	\$	443	\$	253	57%	\$	5,521	\$	3,543	\$	1,978	56%
CHANGE IN NET POSITION AFTER CONTRIBUTIONS	\$	579	\$	153	\$	426	*	\$	5.075	\$	1.738	\$	3,337	*

<sup>\*</sup>Denotes variance greater than 100%

NEW BRAUNFELS UTILITIES
WASTEWATER LINE OF BUSINESS
Statement of Revenues & Expenses
For the Period Ending March 31, 2018
Amounts Shown in Thousands

	MT	D Actual	MT	D Budget	,	Variance	% Variance	Y	TD Actual	Y	TD Budget	Va	riance	% Variance
WASTEWATER OPERATING REVENUES														
WASTEWATER SERVICE REVENUE							<u>.</u>							
Wastewater Service	\$	1,224	\$		\$	-	0%	\$			9,975	\$	(288)	-3%
TOTAL WASTEWATER SERVICE REVENUE	\$	1,224	\$	1,224	\$	-	0%	5	9,687	\$	9,975	\$	(288)	-3%
OTHER WASTEWATER OPERATING REVENUE														
Wastewater Other	\$	13	\$	16	\$	(3)					129	\$	(15)	-12%
TOTAL OTHER WASTEWATER OPERATING REVENUE	\$	13	\$	16	\$	(3)	-19%	5	114	\$	129	\$	(15)	-12%
TOTAL WASTEWATER OPERATING REVENUE	\$	1,237	\$	1,240	\$	(3)	0%	5	9,801	\$	10,104	\$	(303)	-3%
WASTEWATER OPERATING EXPENSES														
Transmission & Distribution	\$	-	\$	-	\$		0%	9	2	\$	-	\$	2	100%
Wastewater Operations & Maintenance		341		387		(46	-12%		2,735		3,420		(685)	-20%
Wastewater Treatment		-		-		-	0%		(4	)			(4)	100%
Customer Service		(1)		2		(3	*		6		15		(9)	-60%
Administrative & General		6		5		1	20%		132		315		(183)	-58%
Depreciation & Amortization		532		421		111	26%		4,263		3,366		897	27%
Support Services Allocated Operating Expenses		254		276		(22	) -8%		2,133		2,683		(550)	-20%
TOTAL WASTERWATER OPERATING EXPENSE	\$	1,132	\$	1,091	\$	41	4%	5	9,267	\$	9,799	\$	(532)	-5%
WASTEWATER NET OPERATING INCOME	\$	105	\$	149	\$	(44)	-30%	5	534	\$	305	\$	229	75%
NONOPERATING REVENUES (EXPENSES)														
Interest Income	\$	49	\$	14	\$	35	*	9	149	\$	111	\$	38	34%
Intergovernmental Expense		(47)		(51)		4	-8%		(373	)	(406)		33	-8%
Interest and Amortization Expense		(170)		(199)		29	-15%		(1,359	)	(1,703)		344	-20%
Other		24		18		6	33%		166		144		22	15%
TOTAL NONOPERATING REVENUES (EXPENSES)	\$	(144)	\$	(218)	\$	74	-34%	5	(1,417	\$	(1,854)	\$	437	-24%
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS	\$	(39)	\$	(69)	\$	30	-43%		(883)	\$	(1,549)	\$	666	-43%
WASTEWATER CAPITAL CONTRIBUTIONS														
Impact Fees	\$	433	\$	219	\$	214	98%	\$	3.424	¢	1.753	\$	1.671	95%
Services	Ф	433	Ф	219 5	Φ	(5)	/-	3	3,424	Φ	40	Φ	(7)	-18%
TOTAL WASTEWATER CAPITAL CONTRIBUTIONS	\$	433	\$	224	\$	209	93%			\$	1,793	\$	1.664	93%
TO THE WHOTEWATER CHITTLE CONTRIBUTIONS	φ	733	φ	224	φ	209	2370	4	3,73/	Φ	1,773	φ	1,004	2370
CHANGE IN NET POSITION AFTER CONTRIBUTIONS	\$	394	\$	155	\$	239	*	5	2,574	\$	244	\$	2,330	*

<sup>\*</sup>Denotes variance greater than 100%

### NEW BRAUNFELS UTILITIES Statement of Cash Flows For the Period Ending March 31, 2018

Amounts Shown in Thousands

	MTD			YTD	
NET POSITION BEFORE CONTRIBUTIONS	\$	520	\$	121	
Operating activities, cash flows provided by or used in:					
Depreciation	\$	1,622	\$	12,849	
Decrease (increase) in accounts receivable		2,070		4,782	
Decrease (increase) in inventories		(51)		(694)	
Decrease (increase) in other assets		997		17,427	
Increase (decrease) in current liabilities		(4,637)		(8,131)	
Increase (decrease) in other liabilities		585		3,627	
Net Cash Flow from Operating Activities	\$	1,106	\$	29,981	
Investing activities, cash flows provided by or used in:					
Capital Expenditures	\$	(3,385)	\$	(32,154)	
Investments		649		2,814	
Interest Receivable		(28)		(74)	
Net Cash Flow from Investing Activities	\$	(2,764)	\$	(29,414)	
Financing activities, cash flows provided by or used in:					
Transfers to City of New Braunfels	\$	(609)	\$	(5,241)	
Increase (decrease) in long-term debt		(22)	•	(186)	
Net Cash Flow from Financing Activities	\$	(631)	\$	(5,427)	
Net Increase (Decrease) in Cash and Cash Equivalents	\$	(2,289)	\$	(4,860)	

# **Outstanding Debt**

Yes, General obligation debt: N

Yes, Revenue debt: Y

Yes, Authorized but unissued debt: N

No: N

#### City of New Braunfels, Texas Utility System Revenue Bonds

Period Ending	Principal	Interest	Total		
07/31/2018	\$ 2,235,736	\$ 4,638,977	\$ 6,874,713		
07/31/2019	4,825,386	6,040,733	10,866,119		
07/31/2020	3,394,826	6,016,942	9,411,769		
07/31/2021	3,677,322	5,912,496	9,589,819		
07/31/2022	3,717,475	5,800,344	9,517,819		
07/31/2023	2,794,132	5,792,437	8,586,569		
07/31/2024	3,607,368	5,696,951	9,304,319		
07/31/2025	3,676,120	5,574,949	9,251,069		
07/31/2026	3,756,523	5,435,846	9,192,369		
07/31/2027	3,852,387	5,292,082	9,144,469		
07/31/2028	4,330,000	4,757,169	9,087,169		
07/31/2029	4,405,000	4,572,569	8,977,569		
07/31/2030	4,575,000	4,396,369	8,971,369		
07/31/2031	4,715,000	4,223,619	8,938,619		
07/31/2032	4,840,000	4,066,319	8,906,319		
07/31/2033	5,000,000	3,903,825	8,903,825		
07/31/2034	5,040,000	3,733,400	8,773,400		
07/31/2035	5,225,000	3,543,938	8,768,938		
07/31/2036	5,420,000	3,345,250	8,765,250		
07/31/2037	5,630,000	3,136,106	8,766,106		
07/31/2038	5,845,000	2,919,269	8,764,269		
07/31/2039	6,070,000	2,689,594	8,759,594		
07/31/2040	6,330,000	2,431,444	8,761,444		
07/31/2041	6,600,000	2,162,094	8,762,094		
07/31/2042	6,865,000	1,890,519	8,755,519		
07/31/2043	7,105,000	1,646,650	8,751,650		
07/31/2044	7,110,000	1,375,175	8,485,175		
07/31/2045	7,305,000	1,106,350	8,411,350		
07/31/2046	7,515,000	830,350	8,345,350		
07/31/2047	5,360,000	547,000	5,907,000		
07/31/2048	5,580,000	279,000	5,859,000		
	\$ 156,402,274	\$ 113,757,764	\$ 270,160,038		

#### Goforth SUD Contract Revenue Bonds (GBRA IH 35 Treated Water Delivery System Project)

Period Ending	Principal	Interest	Total
08/31/2018	\$ 585,000	\$ 613,531	\$ 1,198,531
08/31/2018	5 585,000	601,831	1,201,831
08/31/2020 08/31/2021	625,000	571,833	1,196,833
08/31/2021	640,000 660,000	557,769	1,197,769
08/31/2022		532,169	1,192,169
08/31/2023	690,000 730,000	505,769 471,269	1,195,769
			1,201,269
08/31/2025 08/31/2026	765,000	434,769	1,199,769
	785,000	411,819	1,196,819
08/31/2027	810,000	387,288	1,197,288
08/31/2028	840,000	360,963	1,200,963
08/31/2029	865,000	332,613	1,197,613
08/31/2030	900,000	301,256	1,201,256
08/31/2031	930,000	268,631	1,198,631
08/31/2032	965,000	234,919	1,199,919
08/31/2033	1,000,000	199,938	1,199,938
08/31/2034	1,035,000	163,688	1,198,688
08/31/2035	1,070,000	124,875	1,194,875
08/31/2036	1,110,000	84,750	1,194,750
08/31/2037	1,150,000	43,121	1,193,121
	\$ 16,170,000	\$ 6,589,267	\$ 23,957,798

# City of Lockhart Utility System Self-Supporting COs & Contract Revenue Bonds (GBRA City of Lockhart Project)

Period		-	
Ending	COs	Cont. Rev	Total
08/31/2018	\$ 1,813,919	\$ 400,933	\$ 2,214,852
08/31/2019	1,822,545	406,704	2,229,249
08/31/2020	1,840,394	402,130	2,242,524
08/31/2021	1,832,956	402,298	2,235,254
08/31/2022	2,216,625	402,120	2,618,745
08/31/2023	2,230,525	401,598	2,632,123
08/31/2024	2,220,338	400,730	2,621,068
08/31/2025	2,227,988	404,431	2,632,419
08/31/2026	2,236,438	402,701	2,639,139
08/31/2027	2,234,838	400,626	2,635,464
08/31/2028	2,246,138	403,120	2,649,258
08/31/2029	1,339,738	400,183	1,739,921
08/31/2030	1,337,638	401,814	1,739,452
08/31/2031	1,338,263		1,338,263
08/31/2032	1,336,375		1,336,375
08/31/2033	1,338,350		1,338,350
08/31/2034	1,337,513		1,337,513
08/31/2035	1,340,325		1,340,325
08/31/2036	-		-
08/31/2037	-		-
	\$ 32,290,902	\$ 4,828,455	\$ 37,520,290
	7 32,230,302	y 4,020,433	7 37,320,230

# Applicant's Ten Largest Employers

Texas State University: 3,681

Formosa Plastics: 2,935

Comal ISD: 2,648 Amazon: 2,600

Hays Consolidated ISD: 2,463

Victoria ISD: 2,209

San Marcos Premium Outlets: 2,100

Schertz/Cibolo/UC ISD: 1,837 Schlitterbahn Water Park: 1,689 Continental Electronics: 1,500

Ten Largest Employers Comments:

# **Bond Ratings**

### **Bond Ratings**

Туре	Standard & Poors	Date Received	Fitch	Date Received	Moody's	Date Received
G.O.						
Revenue						

Bond Rating N/A: Y

# Receive Water or Sewer

Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?: Y

### GONZALES CARRIZO WATER SUPPLY PROJECT TREATED WATER SUPPLY AGREEMENT BY AND BETWEEN THE GUADALUPE-BLANCO RIVER AUTHORITY AND NEW BRAUNFELS UTILITIES

This Gonzales Carrizo Water Supply Project Treated Water Supply Agreement ("Agreement") is made and entered into by and between the Guadalupe-Blanco River Authority ("GBRA"), a Texas conservation and reclamation district organized under Article 16, Section 59 of the Texas Constitution, and New Braunfels Utilities ("Customer"), a municipal utility system created by the City of New Braunfels under Texas Government Code § 1502.070(2)(A) (collectively, the "Parties"). The Effective Date of this Agreement is February 6, 2018.

#### RECITALS

GBRA has leased the right to produce groundwater from 42,000 acres of land in Gonzales and Caldwell counties, Texas.

GBRA is authorized by the Gonzales County Underground Water Conservation District, pursuant to Production and Transportation Permit No. 01-13-01 to produce and transport out of the District up to 15,000 acre-feet of leased groundwater from the land leased by GBRA, subject to the restrictions and limitations in Production and Transportation Permit No. 01-13-01.

GBRA is financing the acquisition of groundwater leases and the construction of facilities to pump, treat, and transport the groundwater from the well fields in Gonzales and Caldwell counties to the Customer.

GBRA intends to contract with Alliance Regional Water Authority to jointly construct, operate, and co-own groundwater treatment and transportation facilities to treat and transport the groundwater for GBRA and Alliance, and GBRA anticipates such joint construction and co-ownership will reduce the cost of the Project (as defined in Article I) and of Alliance's groundwater project.

GBRA anticipates completing the construction of the Project in 2023.

The Customer has determined that it needs an additional source of water to meet its retail water demands in the future.

The Customer has determined that obtaining water from the Project is in the best interest of the Customer.

Gonzales-Carrizo Treated Water Supply Agreement New Braunfels Utilities/Guadalupe-Blanco River Authority GBRA and the Customer anticipate there will be other customers who will obtain water from the Project and because of the unique circumstances of each customer, the agreements regarding the Project and the supply of water may not be identical.

The Customer acknowledges that District Fees and Groundwater Lease Payments will begin in January 2019, before the construction of the Project is completed and delivery of water from the Project has commenced, and, at that time, the Customer may be required pursuant to Section 4.4(a) to begin paying the Gonzales Carrizo Water Charge, which will be based only on those costs being incurred by GBRA.

#### **AGREEMENT**

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, GBRA and the Customer agree as follows:

# ARTICLE I DEFINITIONS

"Alliance Regional Water Authority" or "Alliance" means the regional water authority created and operating under Texas Special District Local Laws Code Chapter 11010.

"Annual Commitment" means 8,000 acre-feet of treated water per year which GBRA agrees to produce for the Customer and the Customer agrees to purchase pursuant to this Agreement.

"Bonds" means all bonds and other obligations issued, executed, and outstanding from time to time to finance or refinance the cost to acquire groundwater leases, and the cost to plan, design, construct, acquire, repair, improve, and upgrade the Gonzales Carrizo Water Supply Project, including without limitation of the generality of the foregoing, any costs necessary or desirable to maintain or increase capacity of the Project to 15,000 acre-feet per year and comply with applicable laws, rules, and regulations.

"District" means the Gonzales County Underground Water Conservation District.

"District Fees" means the fees charged by the District, as amended by the District from time to time, to pump and transport groundwater, including but not limited to permit fees, export fees, monitoring agreement fees, and export fee surcharges related to a mitigation agreement with the District.

"Effective Date" means the date identified in the preamble paragraph of this Agreement, being the same date that the later of GBRA or the Customer signs and enters into this Agreement.

"Fiscal Year" means September 1 to August 31 or such other 12-month period as determined by GBRA.

"Gonzales Carrizo Water Supply Project" or "Project" means the project described in Section 2.1 of this Agreement.

"Groundwater Lease Payments" means the payments for the right to produce 15,000 acre-feet groundwater from 42,000 acres of land leased by GBRA in Gonzales and Caldwell counties.

"Operation, Maintenance, and Administrative Expenses" means the reasonable, necessary, and actual costs incurred by GBRA for the operation, maintenance, and administration of the Project, including without limitation:

- (a) wages and salaries, employee benefits, chemicals, the purchase and carrying of stores, materials, and supplies, power, supervisions, engineering, testing, auditing, franchises, waste disposal charges and assessments, claims, insurance, contract operators, and all other items and expenses of a like or different nature reasonably required for the efficient maintenance and operation of the Project and the performance of this Agreement;
- (b) repairs and replacements of damaged, worn-out or obsolete parts or facilities of the Project, and any relocations of pipelines, or replacements of wells;
- (c) improvements and betterments to keep the Project in operation to render adequate service to the Customer and other customers of the Project and to comply with the requirements of any rule, regulations, or permit issued by any regulatory body having jurisdiction; and
- (d) the reasonable and necessary costs of GBRA's administration of the Project, which shall be based upon a formula, to be set by the Board of Directors of GBRA in the annual budget of GBRA, that fairly apportions GBRA's administration costs.

"Permit" means Gonzales County Underground Water Conservation District's Production and Transportation Permit No. 01-13-01, as it may be amended from time to time.

"Point of Delivery" means the point or points at which GBRA will deliver to the Customer the Annual Commitment, as generally described in Exhibit A attached hereto and incorporated herein for all purposes.

"Settlement Agreement" means the agreement and contract between GBRA and the Customer titled "Settlement Agreement and Covenant Not to Protest" relating to TCEQ Docket No. 2016-0162-WR and executed subsequent to the Effective Date of this Agreement.

### ARTICLE II GONZALES CARRIZO WATER SUPPLY PROJECT

2.1 Description of the Gonzales Carrizo Water Supply Project. The Gonzales Carrizo Water Supply Project primarily consists of groundwater leases for the Carrizo Aquifer water in Gonzales and Caldwell counties, facilities to pump, treat, and convey groundwater in and from Gonzales and Caldwell counties, including but not limited to water treatment plant(s) and associated facilities, and facilities to convey treated water through and to Gonzales, Guadalupe, Caldwell, Hays, and Comal counties. The Project may also include storage and blending facilities, and other facilities necessary or desirable for the supply of treated water to GBRA customers. The Project also includes all lands and interests in lands necessary and desirable for the construction, operation, and maintenance of the Project facilities.

### 2.2 GBRA Responsibilities and Ownership.

- (a) GBRA shall own the Project, including all of the facilities and interest in the land comprising of the Project, and shall be responsible for the operation, maintenance, design, permitting, financing, construction, expansions, extensions, and other modifications to the Project to provide a long-term water supply on behalf of the Customer and other Project participants. GBRA may co-own the Project with other water suppliers.
- (b) GBRA intends to seek financing through the Texas Water Development Board and issue Bonds to finance the Project. Thereafter, GBRA may issue Bonds in the future, at the times and in the amounts determined by GBRA, to refinance the Project and to repair, extend and improve the Project as deemed necessary by GBRA, provided, however, in no event shall GBRA issue Bonds to refinance the Project which would extend the final maturity of any outstanding Bonds (and which would result in the extension of the Termination Date of this Agreement pursuant to Section 6.1(c) hereof) unless it receives the prior written consent of the Customer, which shall not be unreasonably withheld, and all other customers that would be similarly affected.

### 2.3 Contingency.

- (a) Notwithstanding any other requirements in this Agreement, this Agreement is contingent on GBRA obtaining financing for the acquisition and construction of the Project.
- (b) If, by July 1, 2018, GBRA and Alliance have not executed a contract for the joint construction, operation, and co-ownership of facilities to treat and transport GBRA's

and Alliance's groundwater, the Parties shall renegotiate the Customer's participation in the Project.

### 2.4 <u>Customer Operational Meetings and Bond Consultation.</u>

- (a) At least once each quarter of the year, GBRA shall hold a meeting with the Customer and all other customers of the Project to provide information to and obtain information from the Customer regarding the operation and maintenance of the Project, the rates and charges for the Project, water supply matters, District matters, any operating or debt service reserve fund that GBRA reasonably expects will be created or funded pursuant to Section 4.1 within the next quarter, and other matters related to the Project. The Customer, by written notice to GBRA, may waive the meeting for any quarter of the year.
- (b) Before issuing any Bonds for the Project, GBRA shall consult with the Customer regarding the need to issue Bonds, and the structure and terms of the Bonds. GBRA shall consider any issues or concerns raised by the Customer; however, subject to the requirements of Section 2.2(b) and 4.1, GBRA shall have the sole authority to issue Bonds, and to determine the structure, terms, and timing of the Bonds.
- (c) No earlier than sixty (60) days before the Notice of Rate Change provided by Section 4.5, but no later than fifty (50) days before such notice, GBRA will provide the Customer with a draft budget for the next fiscal year. The Customer may provide comments on that draft budget, which GBRA will consider in the development of the final budget.

# ARTICLE III WATER QUANTITY AND DELIVERY

Annual Commitment per year. Payments for the Annual Commitment shall be made pursuant to Section 5.1 of this Agreement and shall include the charges described in Article IV. GBRA will deliver up to the Annual Commitment, less de minimis losses associated with the transmission and treatment of the water, to the Customer's Point of Delivery. Notwithstanding the foregoing, GBRA's obligation to deliver up to the Annual Commitment to the Customer is subject to any restrictions and limitations in the Permit, and in any financing requirements associated with the Project. On or before July 1 of each year, the Customer shall notify GBRA in writing the amount of the Annual Commitment the Customer estimates it will need during the next Fiscal Year. The purpose of the notification is to allow GBRA to prepare its operational budget for the next Fiscal Year and effectively plan for the next Fiscal Year's water supply demands, however, the estimate is not intended to obligate the Customer to take the estimated amount or to limit the Customer to the estimated amount, nor is the Customer's failure to communicate the estimate by the deadline a breach of this Agreement. The Customer agrees to communicate with GBRA on a regular basis to inform GBRA of the Customer's water supply requirements from the Project.

- 3.2 Quality. GBRA shall deliver to the Point of Delivery water of a quality that meets or exceeds the drinking water standards of the Texas Commission on Environmental Quality, or its successor agency, or any other applicable regulatory agency for potable water and using a disinfection method that makes the water suitable for blending with the Customer's other water supplies.
- 3.3 Source of Water. The water GBRA treats for delivery to the Customer under this Agreement may be from any source or combination of sources that may be available to GBRA, including, without limitation, groundwater, surface water from Canyon Reservoir under GBRA's Certificate of Adjudication 18-2074, run-of-river flows of the Guadalupe River or its tributaries under existing, amended or new water rights, and water obtained from sources other than surface waters of the Guadalupe River Basin. Nothing in this Agreement, or any other agreement between GBRA and another customer for water sourced from the Project, will impair or limit the terms of the Settlement Agreement relating to the Customer's right of first refusal to secure raw water supply from Canyon Reservoir.
- 3.4 <u>Purpose of Use</u>. Treated water delivered to the Customer under this Agreement shall not be used for agricultural or mining purposes. No water delivered to the Customer under this Agreement may be used outside GBRA's statutory district boundaries.
- 3.5 Rate of Delivery. GBRA agrees to make the water available to the Customer under this Agreement in the amounts required by the Customer up to a rate of delivery of water which shall not exceed 4,960 gallons per minute at any instant in time. The Customer acknowledges that delivery of water at such a rate constantly throughout a calendar year would result in delivery of the Annual Commitment less de minimis losses during that year.

### 3.6 <u>Measuring Equipment</u>.

- (a) <u>Water Meter</u>. GBRA shall furnish and install, at the Customer's expense, a meter or other equipment and devices at the Point of Delivery to measure quantity of water delivered under this Agreement (the "Water Meter"). The Water Meter shall remain the property of GBRA. GBRA shall operate and maintain the Water Meter in good operating condition. GBRA shall provide the Customer with written notice at least ten (10) days in advance of any replacement of the existing Water Meter. The written notice will include a description of the new Water Meter that will be installed.
- (b) Meter Reading. The reading, calibration and adjustment of the meters described in this Section 3.6 shall be done only by the employees or agents of GBRA. The results of each reading of the Water Meter shall be recorded in a journal or other record book maintained in GBRA's office and representatives of the Customer may inspect the same at any time during reasonable business hours.
- (c) <u>Meter Calibration</u>. GBRA will calibrate the Water Meter at least annually. GBRA shall give the Customer reasonable notice of the date and time when any such

calibration shall occur, and at the request of the Customer, conduct the calibration in the presence of the Customer. In addition to the annual calibration, the Customer shall have the right to request that GBRA calibrate the Water Meter not more than once in each year, in the presence of a representative of the Customer. If, upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of five percent (5%), the registration thereof shall be corrected, and accounts adjusted, for a period extending back to the time when such inaccuracy began, if such time is ascertainable; and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If, for any reason, the Water Meter is out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through the period Water Meter is out of service or out of repair shall be estimated and agreed upon by the Parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (a) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (b) by estimating the quantity of water delivered by deliveries during the preceding period under similar conditions when the Water Meter was registering accurately.

- 3.7 <u>Title to and Responsibility for Water</u>. Title to and responsibility for all water made available by GBRA under this Agreement shall be in GBRA to the Point of Delivery, at which point title shall pass to the Customer. The Customer and GBRA hereby agree to save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation, storage, delivery, processing and handling of such water while title to and responsibility for the water remains in the other Party.
- Reuse and Resale. The Customer agrees that, at all times during the term of this Agreement, it shall not engage in, or seek regulatory approval to engage in, indirect reuse of water delivered to the Customer under this Agreement, unless the Customer and GBRA expressly agree to allow indirect reuse and prescribe the terms thereof in writing. As used in this subsection, "indirect reuse" as used herein means the use for one or more beneficial purposes of the water remaining after initial use at the time or after that water is discharged into a watercourse, lake, or other body of state-owned water. GBRA agrees that water delivered to the Customer under this Agreement may be subleased or wholesaled. Notwithstanding the foregoing, the Customer shall not execute any sublease or wholesale water supply contract that will jeopardize the tax exempt status of the Bonds issued for this Project. Nothing in this Agreement shall impair the Customer's ability to directly reuse, water delivered to the Customer under the terms of this Agreement.

### 3.9 Connection by GBRA; Responsibilities of Customer.

(a) Connection of the Customer's water system to the Project at the Point of Delivery shall be made by GBRA at the completion of the construction of the Project. Connection shall be made in accordance with the plans, specifications, and requirements

prepared and adopted by GBRA and shall be accomplished by GBRA setting the Water Meter and physically tying it to the Customer's water system at the Point of Delivery. GBRA will own, operate, and maintain the connecting facilities at the Point of Delivery.

- (b) The Customer shall construct, maintain, and operate at its own cost and expense, all facilities and equipment necessary to receive and take the treated water delivered under this Agreement. Any facilities and equipment connecting to the Project must be constructed with an air gap connection meeting GBRA's standard specifications.
- 3.10 <u>Allocation of Water During Shortage</u>. During conditions beyond GBRA's control when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided among all customers of the Project, pro rata, according to the amount each may otherwise be entitled under their respective contracts with GBRA, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike.

### ARTICLE IV RATES AND CHARGES

### 4.1 Gonzales Carrizo Debt Service Charge

The Gonzales Carrizo Debt Service Charge is the amount to be charged to the Customer during each Fiscal Year equal to the portion of the total principal and interest requirements on all outstanding Bonds due during such Fiscal Year, plus a coverage factor not to exceed 10% of such portion, that is allocated to the Customer by GBRA in accordance with this Section and to be paid pursuant to the provisions of all applicable bond resolutions. Such allocation shall be based on the percentage equal to the Customer's Annual Commitment divided by the annual commitment of all customers that enter into an agreement with GBRA to receive water from the Project (the "Customer's Pro Rata Portion") and taking into account preferences the Customer elects to exercise with respect to the structure of the debt service for each series of Bonds which differ from the structure of any other customer that enters into a similar agreement with GBRA to receive water from the Project, if any. The Gonzales Carrizo Debt Service Charge charged to the Customer, together with the similar charge that is charged to all other customers that receive water from the Project (but excluding the not to exceed 10% coverage amount charged to all customers), shall be sufficient to cover the annual debt service requirements on the Bonds during each Fiscal Year. Following the delivery of a series of Bonds, GBRA shall provide the Customer with a schedule showing the Gonzales Carrizo Debt Service Charge for all outstanding Bonds to be paid by the Customer that will be applicable for each Fiscal Year following the delivery of such series of Bonds. GBRA expects that such schedule will not change unless additional Bonds are issued or additional funds are required to fund deposits into a reserve account related to the Bonds (as described in Section 4.1(b) below), but GBRA reserves the right to modify such schedule to correct any ambiguities or mistakes or account for any other changes deemed necessary and appropriate.

(b) In the event it becomes necessary for GBRA to make deposits into an operating or debt service reserve fund established pursuant to a resolution authorizing a series of Bonds which will not be funded with proceeds of a series of Bonds, GBRA shall promptly notify the Customer of such event, and the Gonzales Carrizo Debt Service Charge charged to the Customer shall thereafter be adjusted for each applicable Fiscal Year by an amount equal to the Customer's Pro Rata Portion of the additional amount required to be deposited into such operating or debt service reserve fund.

### 4.2 <u>Gonzales Carrizo Water Rate and Charge</u>

- (a) The Gonzales Carrizo Water Rate is the rate per acre-foot of treated water determined by the Board of Directors of GBRA to then be in effect for the commitment of capacity in the Project. Subject to Section 4.5, the GBRA Board of Directors may at any time and from time to time change the Gonzales Carrizo Water Rate. The Gonzales Carrizo Water Rate shall be sufficient to cover Groundwater Lease Payments, the District Fees, and the fixed Operation, Maintenance, and Administrative Expenses of the Project, as those payments, fees, and expenses are incurred.
- (b) The Gonzales Carrizo Water Charge is equal to the Gonzales Carrizo Water Rate multiplied by the Annual Commitment.

### 4.3 Gonzales Carrizo Delivery Rate and Charge.

- (a) The Gonzales Carrizo Delivery Rate is the rate per 1000 gallons of water determined by the GBRA Board of Directors to then be in effect for the delivery of water through the Project. Subject to Section 4.5, the GBRA Board of Directors at any time and from time to time may change the Gonzales Carrizo Delivery Rate. The Gonzales Carrizo Delivery Rate shall be sufficient to cover variable Operation, Maintenance, and Administrative Expenses related to the delivery of water through the Project that are not otherwise included in the Gonzales Carrizo Water Rate or the Gonzales Carrizo Debt Service Charge.
- (b) The Gonzales Carrizo Delivery Charge per month shall be calculated by multiplying the amount of Project water, expressed in thousands of gallons, delivered in the month to the Customer at the Point of Delivery as measured by the Water Meter by the then-current Gonzales Carrizo Delivery Rate.

### 4.4 Commencement of Payments.

(a) The assessment of the Gonzales Carrizo Water Charge shall commence the month that GBRA begins paying any Groundwater Lease Payments, District Fees, or any Operation, Maintenance, and Administrative Expenses of the Project, whichever is earlier, on the Project from funds other than Bond proceeds.

- (b) The assessment of the Gonzales Carrizo Delivery Charge shall commence the month that GBRA begins to supply water to the Customer through the Project.
- 4.5 <u>Notice of Rate Change</u>. If GBRA desires to adjust the Gonzales Carrizo Debt Service Charge, the Gonzales Carrizo Water Rate, or the Gonzales Carrizo Delivery Charge, it shall, at least sixty (60) days before the first day on which such adjustment is to become effective, give written notice to the Customer; however, the failure to provide such notice shall not invalidate the adjusted charge or rate.

## ARTICLE V PAYMENT OF CHARGES

- 5.1 Billing and Payment. GBRA will render bills to the Customer once each month for the payments required by this Agreement. GBRA will bill the Customer and the Customer shall pay GBRA one-twelfth of the Gonzales Carrizo Debt Service Charge and the Gonzales Carrizo Water Charge each month during the year. GBRA will bill the Customer and the Customer shall pay the Gonzales Carrizo Delivery Charge each month during the year. Any prepayments shall be shown on the bill as a credit. GBRA shall, until further notice, render such bills on or before the 10th day of each month and such bills shall be due and payable at GBRA's office indicated below by the 20th day of each month or fifteen (15) days after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to the Customer, whichever is later. GBRA may, however, by sixty (60) days written notice, change the monthly date by which it shall render bills, and all bills shall thereafter be due and payable ten (10) days after such date or fifteen (15) days after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to the Customer, whichever is later. The Customer shall make all payments in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall make payment to GBRA at its office in Seguin, Texas, or at such other place as GBRA may from time to time designate by sixty (60) days written notice.
- 5.2 Source of Payments. The Parties agree and the Customer represents and covenants that all moneys required to be paid by the Customer under this Agreement shall constitute reasonable and necessary operating expenses of the Customer's water, wastewater, gas, and electric utility systems ("Customer's System"), as authorized by the Constitution and the laws of the State of Texas. All payments required to be made by the Customer to GBRA under this Agreement shall be payable from income of the Customer's System. GBRA shall never have the right to demand payment by the Customer of any obligations assumed by or imposed upon it under or by virtue of this Agreement from funds raised or to be raised by taxation and the Customer's obligation under this Agreement shall never be construed to be a debt of the Customer of such kind as to require it under the Constitution and the laws of the State of Texas to levy and collect a tax to discharge such obligation.
- 5.3 <u>Payments Unconditional</u>. The Customer recognizes that any debt instruments relating to the Project, including the Bonds, will be payable from and secured by pledges of the

sums of money to be received by GBRA from the Customer under this Agreement and from other customers under similar contracts. In order to make such debt instruments marketable at the lowest available interest rate, it is to the mutual advantage of GBRA and the Customer that the Customer's obligation to make the payments required hereunder be, and the same is hereby, made unconditional. So long as any part of such debt instruments are outstanding and unpaid, all sums payable hereunder to GBRA shall be paid by the Customer without set-off, counterclaim, abatement, suspension or diminution. So long as any part of such debt instruments are outstanding and unpaid, the Customer shall have no right to terminate this Agreement or be entitled to the abatement of any payment or any reduction thereof, and the obligations hereunder of the Customer shall not be otherwise affected for any reason (including but not limited to the inability of GBRA to deliver water under this Agreement), it being the intention of the Parties that, so long as any portion of such debt instruments are outstanding and unpaid, all sums required to be paid by the Customer to GBRA shall continue to be payable in all events and the obligations of the Customer hereunder shall continue unaffected, unless the requirement to pay the same is reduced or terminated pursuant to an express provision of this Agreement. It is specifically provided, however, that this Section shall not prevent the Customer from exercising any rights related to breach of this Agreement by GBRA.

- 5.4 <u>Covenant to Maintain Sufficient Income</u>. The Customer agrees to fix and maintain rates and collect charges for the facilities and services provided by Customer's System as will be adequate to permit the Customer to make prompt payment of all expenses of operating and maintaining the Customer's System, including payments under this Agreement, and to make prompt payment of the interest on and principal of any debt instruments of the Customer payable, in whole or in part, from the revenues of the Customer's System. The Customer further agrees to comply with all of the provisions of the ordinances, resolutions, orders or indentures authorizing its debt instruments which are payable, in whole or in part, from the revenues of the Customer's System.
- 5.5 <u>Continuing Disclosure Agreement.</u> If GBRA is required by 17 C.F.R. § 240.15c2-12 ("Municipal Securities Disclosure Rule"), as that rule may be amended from time-to-time by the Securities and Exchange Commission, to enter into a "Continuing Disclosure Agreement" with the Customer to fulfill GBRA's obligations under the Municipal Securities Disclosure Rule, the Customer and GBRA agree to execute a Continuing Disclosure Agreement. The form of such Continuing Disclosure Agreement shall be approved by GBRA's bond counsel in order to comply with the then-current requirements of the Municipal Securities Disclosure Rule. Similarly, if the Municipal Securities Disclosure Rule does not technically apply to the initial purchaser of a series of Bonds but such initial purchaser otherwise requires GBRA to provide continuing disclosure from the Customer, the Customer and GBRA agree to execute an agreement detailing the continuing disclosure information to be provided by the Customer. The form of such agreement shall be approved by GBRA's bond counsel in order to comply with the requirements of such initial purchaser.
- 5.6 <u>Delinquency of Payment</u>. All amounts due and owing to GBRA by the Customer shall be billed and paid monthly, and if not paid when due, bear interest at the same rate as the

post-judgment interest rate as set out in Section 304.003(c), Texas Finance Code, or any successor statute from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate as otherwise permitted by law. If any amount due and owing by the Customer is placed with an attorney for collection by GBRA and GBRA prevails, then the Customer shall pay to GBRA, in addition to all other payments provided for by this Agreement, including interest, GBRA's reasonable collection expenses, including court costs and attorney's fees. The Customer further agrees that GBRA may, at its option, discontinue delivering treated water until all amounts due and unpaid are paid in full with interest as herein Any such discontinuation shall not, however, relieve the Customer of its specified. unconditional obligation to make the payments required hereunder, as provided by Section 5.3 of this Agreement. The Customer agrees that GBRA may, at its option, terminate this Agreement for the Customer's failure to pay due and unpaid amounts, and, notwithstanding anything to the contrary in Section 5.3, if GBRA terminates this agreement for default in payments, the unconditional obligation to make the future payments shall terminate except that the Customer shall continue to be obligated to make payments for amounts due and unpaid at the time of termination, which shall survive the termination of the Agreement. Notwithstanding anything in this Agreement to the contrary, the Parties agree that the Customer's default under this Section 5.6 shall not result in termination of this Agreement until thirty (30) days after the date that the Customer receives written notice from GBRA specifying the default and the requirements to cure the same.

### ARTICLE VI TERM AND TERMIATION

### 6.1 Term.

- (a) This Agreement shall be in force and effect until the latter of 11:59 p.m. Central time on December 31, 2058, or as it may be extended pursuant to subsection (b) and (c) below ("Termination Date").
- (b) Unless written notice to terminate this Agreement is provided by either Party to the other Party at least three (3) years before the Termination Date, this Agreement shall automatically renew for an additional ten (10) year period. Unless notice is provided as described in this subsection (b), this Agreement will automatically renew for perpetual successive renewal periods of ten (10) years.
- (c) Notwithstanding subsections (a) and (b) of this Section, if all the Bonds (including principal and interest) will not be fully paid by the Termination Date then the Termination Date shall be extended to December 31 of the year in which the Bonds are to be paid. Any extension by GBRA pursuant to this subsection shall be effective as of the date that GBRA gives the Customer written notice of the extension.
- 6.2 <u>Rights after Termination</u>. Except as specifically provided otherwise in this Agreement, all of the rights and obligations of the Parties under this Agreement shall terminate

upon termination of this Agreement, except that such termination shall not affect any rights or liabilities accrued prior to such termination.

## ARTICLE VII OTHER PROVISIONS

- 7.1 Water Conservation and Drought Contingency Plans. The Customer agrees to provide to the maximum extent practicable for the conservation of water, and agrees to design, construct, operate and maintain its facilities in a manner that will prevent waste of water. The Customer shall develop and implement a water conservation plan or water conservation measures and a drought contingency plan using the elements of Chapter 288 of the TCEQ's rules that are applicable to the Customer and its uses, and that are consistent with GBRA's water conservation and drought contingency plans for wholesale customers in accordance with the provisions of Section 3.10. Such plans, at a minimum, shall comply with all minimum standards that may be required or recommended by the Texas Water Development Board (TWDB) and the TCEQ. If the Customer intends to resell the water to another wholesale customer, the Customer shall require the successive customer in the resale to implement water conservation and drought contingency plans in accordance with the applicable provision of Chapter 288 of the TCEQ's rules and the applicable provisions of GBRA's water conservation and drought contingency plans.
- 7.2 Regulatory Requirements. This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. This Agreement is specifically subject to all applicable sections of the Texas Water Code and the rules of the TCEQ, or any successor agency subject to Section 7.10 below regarding severability and provided that changes in the law shall not be applied retroactively to amend this Agreement unless retroactivity is required by law.
- 7.3 <u>Interest in Gonzales Carrizo Water Supply Project</u>. The Customer is not entitled to any equity interest in GBRA's Project for any reason including, without limitation, the payments made to GBRA under this Agreement.
- 7.4 Remedies. It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default by either Party, but all such other remedies existing at law or in equity shall be cumulative including, without limitation, specific performance may be availed of by either Party. The prevailing Party shall be entitled to any reasonable attorney's fees, court costs or other expenses incurred in bringing or defending any suit alleging such default or claim.
- 7.5 Actual Damages. No Party shall be liable or have any responsibility to the other for any indirect, special, consequential, punitive or delay-related or performance-related damages including, without limitation, lost earnings or profits. Such limitation on liability shall apply to

any claim or action, whether it is based on whole or in part on agreement, negligence, strict liability, tort, statute or other theory of liability.

- 7.6 <u>Assignability</u>. No Party may assign its rights or obligations under this Agreement without first obtaining the written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Further, the Customer may not assign its rights or obligations under this Agreement if such assignment is prohibited by the Project's Bonds or would alter the tax-exempt status of those Bonds.
- 7.7 Entire Agreement. This Agreement constitutes the entire agreement between the Parties, and supersedes any prior understanding or oral or written agreements between the Parties respecting the subject matter of this Agreement.
- 7.8 <u>No Third Party Beneficiaries</u>. This Agreement does not create any third party benefits to any person or entity other than the signatories hereto and their authorized successors in interest, and is solely for the consideration herein expressed.
- 7.9 <u>Due Authorization and Binding Obligation</u>. This Agreement has been duly authorized, executed and delivered by all necessary action of the Parties. This Agreement, and the terms, covenants, and conditions herein contained, shall inure to the benefit of and be binding upon the heirs, personal representatives, successors, and assigns of each of the Parties hereto.
- 7.10 Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, administrative rule, regulation or finding, rule of public policy, or for any other reason, this Agreement shall remain in effect and be construed as if the invalid, inoperative, or unenforceable provision had never been in the Agreement, and such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.
- 7.11 <u>Waiver and Amendment</u>. Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by either Party shall not be deemed a waiver by the other Party of the right in the future to demand strict compliance and performance of any provision of this Agreement. No officer or agent of GBRA is authorized to waive or modify any provision of this Agreement. No modifications to or recession of this Agreement may be made except by a written document signed by all Parties' authorized representatives.
- 7.12 Force Majeure. If for any reason of force majeure, either Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, then that Party shall give notice of the reasons in writing to the other Party within a reasonable time after the occurrence of the force majeure event. The obligation of the Party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then

claimed, but for no longer period, but only so long as the Party giving notice uses its best efforts to mitigate the impact and remedy the condition which constitutes the force majeure. The term "force majeure" as used in this Agreement shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, order or actions of any kind of government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lighting, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply including pollution (accidental or intentional), and any other cause not reasonably within the control of GBRA or the Customer.

- 7.13 <u>Captions</u>. The sections and captions contained herein are for convenience and reference only and are not intended to define, extend or limit any provision of this Agreement.
- 7.14 Necessary Documents and Actions. Each Party agrees to execute and deliver all such other and further instruments and undertake such actions as are or may become necessary or convenient to effectuate the purposes and intent of this Agreement. In particular, and without limiting the broader meaning of the preceding sentence, the Customer agrees to timely provide GBRA with all records, financial and operating information of the Customer reasonably requested by GBRA in connection with the issuance of Bonds to be provided to rating agencies, municipal bond insurance companies, potential purchasers of the Bonds (including the Texas Water Development Board), or other third parties.
- 7.15 Applicable Law and Venue. This Agreement shall be construed and enforced in accordance with the laws of the State of Texas. The obligations contained within this Agreement are performable in Comal County or Guadalupe County, Texas. Any action in law or equity brought to enforce or interpret any provision of this Agreement shall be brought in a court of competent jurisdiction with venue in Comal County or Guadalupe County, Texas.
- 7.16 <u>Negotiation by Counsel</u>. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement, and agree that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.
- 7.17 Counterparts and Electronic Transmissions. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart. A telecopied or emailed electronically transmitted facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each Party to the terms hereof. However, each Party agrees to promptly deliver to the other Party an original, duly executed counterpart of this Agreement.

- 7.18 <u>Legal Construction</u>. Whenever context requires, the singular will include the plural and the neuter will include the masculine or feminine gender, and vice versa.
- 7.19 Notices. Any notice or payment required or permitted hereunder shall be in writing and shall be deemed to be delivered on the date received if delivered by hand to the address shown hereinafter for the Customer or GBRA, as appropriate, or such notice shall, if deposited in the mail, be deemed to be delivered, whether actually received or not, on the first business day after having been deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the Customer or GBRA, as appropriate, at the address shown hereinafter. For purposes of notice, the addresses of and the designated representative for receipt of notice for each of the parties shall be as follows:

#### For GBRA:

Guadalupe-Blanco River Authority Attention: General Manager/CEO 933 E. Court Street Seguin, Texas 78155

#### For the Customer:

New Braunfels Utilities Attention: CEO 263 E. Main Plaza New Braunfels, Texas 78130

The Parties hereto shall have the right from time to time to change their respective addresses, and each shall have the right to specify as its address any other address within the United States of America by at least five (5) days' written notice to the other Party.

7.20 <u>Business Days</u>. In the event that any date or any period provided for in this Agreement shall end on a Saturday, Sunday or legal holiday, the applicable period shall be extended to the first business day following such Saturday, Sunday or legal holiday. As used herein, the term "legal holiday" means any state or federal holiday for which financial institutions or post offices are generally closed in the State of Texas.

### **GUADALUPE-BLANCO RIVER AUTHORITY**

By:

Kevin Patteson, General Manager/CEO

Date:

\*

STATE OF TEXAS
COUNTY OF GUADALUPE

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared Kevin Patteson, General Manager and CEO of the GUADALUPE-BLANCO RIVER AUTHORITY, known to me to be the persons whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision, and that he executed the same as the act of such entity for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of 7, 2018.



Motary Public
The State of Texas

Notary Seal

& 13093864-5

#### **NEW BRAUNFELS UTILITIES**

By: Ian Taylor, CEO

Date: Feb 2, 2018

STATE OF TEXAS
COUNTY OF COMAL

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared Ian Taylor, CEO of NEW BRAUNFELS UTILITIES, known to me to be the persons whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the NEW BRAUNFELS UTILITIES, and that he executed the same in his capacity as CEO the act of such entity for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the day of , 2018.



Notary Public
The State of Texas

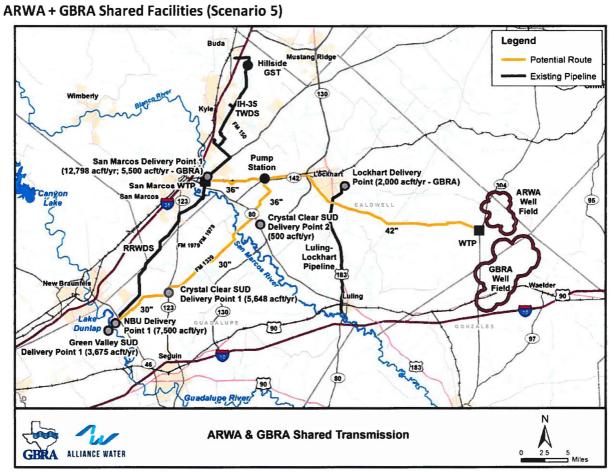
Notary Seal

Q,

I.D. No. 19633417-1

### **EXHIBIT A**

### POINT OF DELIVERY



# GONZALES CARRIZO WATER SUPPLY PROJECT TREATED WATER SUPPLY AGREEMENT BY AND BETWEEN THE GUADALUPE-BLANCO RIVER AUTHORITY AND CITY OF LOCKHART

This Gonzales Carrizo Water Supply Project Treated Water Supply Agreement ("Agreement") is made and entered into by and between the Guadalupe-Blanco River Authority ("GBRA"), a Texas conservation and reclamation district organized under Article 16, Section 59 of the Texas Constitution, and City of Lockhart ("Customer"), a municipal corporation, (collectively, the "Parties"). The Effective Date of this Agreement is

#### RECITALS

GBRA has leased the right to produce groundwater from 42,000 acres of land in Gonzales and Caldwell counties, Texas.

GBRA is authorized by the Gonzales County Underground Water Conservation District, pursuant to Production and Transportation Permit No. 01-13-01 to produce and transport out of the District up to 15,000 acre-feet of leased groundwater from the land leased by GBRA, subject to the restrictions and limitations in Production and Transportation Permit No. 01-13-01.

GBRA is financing the acquisition of groundwater leases and the construction of facilities to pump, treat, and transport the groundwater from the well fields in Gonzales and Caldwell counties to the Customer.

GBRA intends to contract with Alliance Regional Water Authority to jointly construct, operate, and co-own groundwater treatment and transportation facilities to treat and transport the groundwater for GBRA and Alliance, and GBRA anticipates such joint construction and co-ownership will reduce the cost of the Project (as defined in Article I) and of Alliance's groundwater project.

GBRA anticipates completing the construction of the Project in 2023.

The Customer has determined that it needs an additional source of water to meet its retail water demands in the future.

The Customer has determined that obtaining water from the Project is in the best interest of the Customer.

GBRA and the Customer anticipate there will be other customers who will obtain water from the Project and because of the unique circumstances of each customer, the agreements regarding the Project and the supply of water may not be identical.

The Customer acknowledges that District Fees and Groundwater Lease Payments will begin in January 2019, before the construction of the Project is completed and delivery of water from the Project has commenced, and, at that time, the Customer may be required pursuant to Section 4.4(a) to begin paying the Gonzales Carrizo Water Charge, which will be based only on those costs being incurred by GBRA.

#### **AGREEMENT**

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, GBRA and the Customer agree as follows:

## ARTICLE I DEFINITIONS

"Alliance Regional Water Authority" or "Alliance" means the regional water authority created and operating under Texas Special District Local Laws Code Chapter 11010.

"Annual Commitment" means 3,000 acre-feet of treated water per year which GBRA agrees to produce for the Customer and the Customer agrees to purchase pursuant to this Agreement.

"Authorized Area of Use" means the Customer's retail water service area as it may exist from time to time.

"Bonds" means all bonds and other obligations issued, executed, and outstanding from time to time to finance or refinance the cost to acquire groundwater leases, and the cost to plan, design, construct, acquire, repair, improve, and upgrade the Gonzales Carrizo Water Supply Project, including without limitation of the generality of the foregoing, any costs necessary or desirable to maintain or increase capacity of the Project to 15,000 acre-feet per year and comply with applicable laws, rules, and regulations.

"District" means the Gonzales County Underground Water Conservation District.

"District Fees" means the fees charged by the District, as amended by the District from time to time, to pump and transport groundwater, including but not limited to permit fees, export fees, monitoring agreement fees, and export fee surcharges related to a mitigation agreement with the District.

"Effective Date" means the date identified in the preamble paragraph of this Agreement, being the same date that the later of GBRA or the Customer signs and enters into this Agreement.

"Fiscal Year" means September 1 to August 31 or such other 12-month period as determined by GBRA.

"Gonzales Carrizo Water Supply Project" or "Project" means the project described in Section 2.1 of this Agreement.

"Groundwater Lease Payments" means the payments for the right to produce 15,000 acre-feet of groundwater from land leased by GBRA in Gonzales and Caldwell counties, 3,000 acre-feet of which are for the Customer; such lease payments shall be subject to an annual consumer price index increase as reflected in the groundwater leases.

"Operation, Maintenance, and Administrative Expenses" means the reasonable, necessary, and actual costs incurred by GBRA for the operation, maintenance, and administration of the Project, including without limitation:

- (a) wages and salaries, employee benefits, chemicals, the purchase and carrying of stores, materials, and supplies, power, supervision, engineering, testing, auditing, franchises, waste disposal charges and assessments, claims, insurance, contract operators and all other items and expenses of a like or different nature reasonably required for the efficient maintenance and operation of the Project and the performance of this Agreement;
- (b) repairs and replacements of damaged, worn-out or obsolete parts or facilities of the Project, and any relocations of pipelines, or replacements of wells;
- (c) improvements and betterments to keep the Project in operation to render adequate service to the Customer and other customers of the Project and to comply with the requirements of any rule, regulations, or permit issued by any regulatory body having jurisdiction; and
- (d) the reasonable and necessary costs of GBRA's administration of the Project, which shall be based upon a formula, to be set by the Board of Directors of GBRA in the annual budget of GBRA, that fairly apportions GBRA's administration costs.

"Permit" means Gonzales County Underground Water Conservation District's Production and Transportation Permit No. 01-13-01, as it may be amended from time to time.

"Point of Delivery" means the point or points at which GBRA will deliver to the Customer the Annual Commitment, as agreed to by the Customer and which will be generally described in Exhibit A attached hereto and incorporated herein for all purposes.

# ARTICLE II GONZALES CARRIZO WATER SUPPLY PROJECT

2.1 <u>Description of the Gonzales Carrizo Water Supply Project</u>. The Gonzales Carrizo Water Supply Project primarily consists of groundwater leases for the Carrizo Aquifer water in Gonzales and Caldwell counties, facilities to pump, treat, and convey groundwater in and from Gonzales and Caldwell counties, including but not limited to water treatment plant(s) and associated facilities, and facilities to convey treated water through and to Gonzales, Guadalupe, Caldwell, Hays, and Comal counties. The Project may also include storage and blending facilities, and other facilities necessary or desirable for the supply of treated water to GBRA customers. The Project also includes all lands and interests in lands necessary and desirable for the construction, operation, and maintenance of the Project facilities.

### 2.2 GBRA Responsibilities and Ownership.

- (a) GBRA shall own the Project, including all of the facilities and interest in the land comprising the Project, and shall be responsible for the operation, maintenance, design, permitting, financing, construction, expansions, extensions, and other modifications to the Project to provide a long-term water supply on behalf of the Customer and other Project participants. GBRA may co-own the Project with other water suppliers.
- (b) GBRA will seek financing through the Texas Water Development Board and issue Bonds to finance the Project. Thereafter, GBRA may issue Bonds in the future, at the times and in the amounts determined by GBRA, to refinance the Project and to repair, extend and improve the Project as deemed necessary by GBRA, provided, however, in no event shall GBRA issue Bonds to refinance the Project which would extend the final maturity of any outstanding Bonds (and which would result in the extension of the Termination Date of this Agreement pursuant to Section 6.1(c) hereof) unless it receives the prior written consent of the Customer, which shall not be unreasonably withheld, and all other customers that would be similarly affected.

### 2.3 <u>Contingency</u>.

- (a) Notwithstanding any other requirements in this Agreement, this Agreement is contingent on GBRA obtaining financing for the acquisition and construction of the Project.
- (b) If, by July 1, 2018, GBRA and Alliance have not executed a contract for the joint construction, operation, and co-ownership of facilities to treat and transport GBRA's and Alliance's groundwater, the Parties may renegotiate the Customer's participation in the Project.

### 2.4 <u>Customer Operational Meetings and Bond Consultation.</u>

- (a) At least once each quarter of the year, GBRA shall hold a meeting with the Customer and all other customers of the Project to provide information to and obtain information from the Customer regarding the operation and maintenance of the Project, the rates and charges for the Project, water supply matters, District matters, any operating or debt service reserve fund that GBRA reasonably expects will be created or funded pursuant to Section 4.1 within the next quarter, and other matters related to the Project. The Customer, by written notice to GBRA, may waive the meeting for any quarter of the year.
- (b) Before issuing any Bonds for the Project, GBRA shall consult with the Customer regarding the need to issue Bonds, and the structure and terms of the Bonds. GBRA shall consider any issues or concerns raised by the Customer; however, subject to the requirements of Section 2.2(b) and 4.1, GBRA shall have the sole authority to issue Bonds, and to determine the structure, terms, and timing of the Bonds.
- (c) No earlier than sixty (60) days before the Notice of Rate Change provided by Section 4.5, but no later than fifty (50) days before such notice, GBRA will provide the Customer with a draft budget for the next fiscal year. The Customer may provide comments on that draft budget, which GBRA will consider in the development of the final budget.
- 2.5 <u>Future Water Supply Projects</u>. GBRA will notify the Customer of any GBRA project to develop additional phases of the Mid-Basin Water Supply Project so that the Customer has a reasonable opportunity to participate and purchase water from such project.

# ARTICLE III WATER QUANTITY AND DELIVERY

Annual Commitment per year. Payments for the Annual Commitment shall be made pursuant to Section 5.1 of this Agreement and shall include the charges described in Article IV. GBRA will deliver up to the Annual Commitment, less de minimis losses associated with the transmission and treatment of the water, to the Customer's Point of Delivery. Notwithstanding the foregoing, GBRA's obligation to deliver up to the Annual Commitment to the Customer is subject to any restrictions and limitations in the Permit, and in any financing requirements associated with the Project. On or before July 1 of each year, the Customer shall notify GBRA in writing the amount of the Annual Commitment the Customer estimates it will need during the next Fiscal Year. The purpose of the notification is to allow GBRA to prepare its operational budget for the next Fiscal Year and effectively plan for the next Fiscal Year's water supply demands, however, the estimate is not intended to obligate the Customer to take the estimated amount or to limit the Customer to the estimated amount, nor is the Customer's failure to communicate the estimate by the deadline a breach of this Agreement. The Customer agrees to communicate with GBRA on a regular basis to inform GBRA of the Customer's water supply requirements from the Project.

- 3.2 Quality. GBRA shall deliver to the Point of Delivery water of a quality that meets or exceeds the drinking water standards of the Texas Commission on Environmental Quality, or its successor agency, or any other applicable regulatory agency for potable water and using a disinfection method that makes the water suitable for blending with the Customer's other water supplies.
- 3.3 Source of Water. The water GBRA treats for delivery to the Customer under this Agreement may be from any source or combination of sources that may be available to GBRA, including, without limitation, groundwater, surface water from Canyon Reservoir under GBRA's Certificate of Adjudication 18-2074, run-of-river flows of the Guadalupe River or its tributaries under existing, amended or new water rights, and water obtained from sources other than surface waters of the Guadalupe River Basin.
- 3.4 <u>Purpose of Use</u>. Treated water delivered to the Customer under this Agreement may only be used for municipal and industrial use. No water delivered to the Customer under this Agreement may be used outside the boundaries of the Authorized Area of Use without prior written consent by GBRA, such consent shall not be unreasonably withheld. No water delivered to the Customer under this Agreement may be used to irrigate any golf course, unless it is first beneficially used for drinking water purposes.
- 3.5 Rate of Delivery. GBRA agrees to make the water available to the Customer under this Agreement in the amounts required by the Customer up to a rate of delivery of water which shall not exceed 1,860 gallons per minute at any instant in time. The Customer acknowledges that delivery of water at such a rate constantly throughout a calendar year would result in delivery of the Annual Commitment less de minimis losses, expected to be 1% or less during that year.

### 3.6 Measuring Equipment.

- (a) <u>Water Meter</u>. GBRA shall furnish and install a meter or other equipment and devices at the Point of Delivery to measure quantity of water delivered under this Agreement (the "Water Meter"). The Water Meter shall remain the property of GBRA. GBRA shall operate and maintain the Water Meter in good operating condition. GBRA shall provide the Customer with written notice at least ten (10) days in advance of any replacement of the existing Water Meter. The written notice will include a description of the new Water Meter that will be installed.
- (b) Meter Reading. The reading, calibration and adjustment of the meters described in this Section 3.6 shall be done only by the employees or agents of GBRA. The results of each reading of the Water Meter shall be recorded in a journal or other record book maintained in GBRA's office and representatives of the Customer may inspect the same at any time during reasonable business hours.
- (c) <u>Meter Calibration</u>. GBRA will calibrate the Water Meter at least annually. GBRA shall give the Customer reasonable notice of the date and time when any such

calibration shall occur, and at the request of the Customer, conduct the calibration in the presence of the Customer. In addition to the annual calibration, the Customer shall have the right to request that GBRA calibrate the Water Meter not more than once in each year, in the presence of a representative of the Customer. If, upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of five percent (5%), the registration thereof shall be corrected, and accounts adjusted, for a period extending back to the time when such inaccuracy began, if such time is ascertainable; and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If, for any reason, the Water Meter is out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through the period Water Meter is out of service or out of repair shall be estimated and agreed upon by the Parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (a) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (b) by estimating the quantity of water delivered by deliveries during the preceding period under similar conditions when the Water Meter was registering accurately.

- 3.7 <u>Title to and Responsibility for Water</u>. Title to and responsibility for all water made available by GBRA under this Agreement shall be in GBRA to the Point of Delivery, at which point title shall pass to the Customer. The Customer and GBRA hereby agree to save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation, storage, delivery, processing and handling of such water while title to and responsibility for the water remains in the other Party.
- Reuse and Resale. The Customer agrees that, at all times during the term of this Agreement, it shall not engage in, or seek regulatory approval to engage in, indirect reuse of water delivered to the Customer under this Agreement, unless the Customer and GBRA expressly agree to allow indirect reuse and prescribe the terms thereof in writing. As used in this subsection, "indirect reuse" as used herein means the use for one or more beneficial purposes of the water remaining after initial use at the time or after that water is discharged into a watercourse, lake, or other body of state-owned water. The Customer shall not resell water delivered to the Customer under this Agreement on a wholesale basis to any third party without GBRA's prior written consent, which shall not be unreasonably withheld. Notwithstanding the foregoing, the Customer shall not execute any wholesale water supply contract that will jeopardize the tax exempt status of the Bonds issued for this Project. Nothing in this Agreement shall impair the Customer's ability to directly reuse water delivered to the Customer under the terms of this Agreement.

### 3.9 Connection by GBRA; Responsibilities of Customer.

(a) Connection of the Customer's water system to the Project at the Point of Delivery shall be made by GBRA at the completion of the construction of the Project. Connection shall be made in accordance with the plans, specifications, and requirements prepared and adopted by GBRA and shall be accomplished by GBRA setting the Water Meter

and physically tying it to the Customer's water system at the Point of Delivery. GBRA will own, operate, and maintain the connecting facilities at the Point of Delivery.

- (b) The Customer shall construct, maintain, and operate at its own cost and expense, all facilities and equipment necessary to receive and take the treated water delivered under this Agreement. Any facilities and equipment connecting to the Project must be constructed with an air gap connection meeting GBRA's standard specifications.
- 3.10 <u>Allocation of Water During Shortage</u>. During conditions beyond GBRA's control when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided among all customers of the Project, pro rata, according to the amount each may otherwise be entitled under their respective contracts with GBRA, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike.

### ARTICLE IV RATES AND CHARGES

### 4.1 <u>Gonzales Carrizo Debt Service Charge.</u>

- The Gonzales Carrizo Debt Service Charge is the amount to be charged to the Customer during each Fiscal Year equal to the portion of the total principal and interest requirements on all outstanding Bonds due during such Fiscal Year, plus a coverage factor not to exceed 10% of such portion, that is allocated to the Customer by GBRA in accordance with this Section and to be paid pursuant to the provisions of all applicable bond resolutions. Such allocation shall be based on the percentage equal to the Customer's Annual Commitment divided by the annual commitment of all customers that enter into an agreement with GBRA to receive water from the Project (the "Customer's Pro Rata Portion") and taking into account preferences the Customer elects to exercise with respect to the structure of the debt service for each series of Bonds which differ from the structure of any other customer that enters into a similar agreement with GBRA to receive water from the Project, if any. The Gonzales Carrizo Debt Service Charge charged to the Customer, together with the similar charge that is charged to all other customers that receive water from the Project (but excluding the not to exceed 10% coverage amount charged to all customers), shall be sufficient to cover the annual debt service requirements on the Bonds during each Fiscal Year. Following the delivery of a series of Bonds, GBRA shall provide the Customer with a schedule showing the Gonzales Carrizo Debt Service Charge for all outstanding Bonds to be paid by the Customer that will be applicable for each Fiscal Year following the delivery of such series of Bonds. GBRA expects that such schedule will not change unless additional Bonds are issued or additional funds are required to fund deposits into a reserve account related to the Bonds (as described in Section 4.1(b) below), but GBRA reserves the right to modify such schedule to correct any ambiguities or mistakes or account for any other changes deemed necessary and appropriate.
- (b) In the event it becomes necessary for GBRA to make deposits into an operating or debt service reserve fund established pursuant to a resolution authorizing a series of Bonds which will not be funded with proceeds of a series of Bonds, GBRA shall promptly notify

the Customer of such event, and the Gonzales Carrizo Debt Service Charge charged to the Customer shall thereafter be adjusted for each applicable Fiscal Year by an amount equal to the Customer's Pro Rata Portion of the additional amount required to be deposited into such operating or debt service reserve fund.

#### 4.2 Gonzales Carrizo Water Rate and Charge.

- (a) The Gonzales Carrizo Water Rate is the rate per acre-foot of treated water determined by the Board of Directors of GBRA to then be in effect for the commitment of capacity in the Project. Subject to Section 4.5, the GBRA Board of Directors may at any time and from time to time change the Gonzales Carrizo Water Rate. The Gonzales Carrizo Water Rate shall be sufficient to cover Groundwater Lease Payments, the District Fees, and the fixed Operation, Maintenance, and Administrative Expenses of the Project, as those payments, fees, and expenses are incurred.
- (b) The Gonzales Carrizo Water Charge is equal to the Gonzales Carrizo Water Rate multiplied by the Annual Commitment.

### 4.3 <u>Gonzales Carrizo Delivery Rate and Charge.</u>

- (a) The Gonzales Carrizo Delivery Rate is the rate per 1000 gallons of water determined by the GBRA Board of Directors to then be in effect for the delivery of water through the Project. Subject to Section 4.5, the GBRA Board of Directors at any time and from time to time may change the Gonzales Carrizo Delivery Rate. The Gonzales Carrizo Delivery Rate shall be sufficient to cover variable Operation, Maintenance, and Administrative Expenses related to the delivery of water through the Project that are not otherwise included in the Gonzales Carrizo Water Rate or the Gonzales Carrizo Debt Service Charge.
- (b) The Gonzales Carrizo Delivery Charge per month shall be calculated by multiplying the amount of Project water, expressed in thousands of gallons, delivered in the month to the Customer at the Point of Delivery as measured by the Water Meter by the then-current Gonzales Carrizo Delivery Rate.

### 4.4 <u>Commencement of Payments.</u>

- (a) The assessment of the Gonzales Carrizo Water Charge shall commence the month that GBRA begins paying any Groundwater Lease Payments, District Fees, or any Operation, Maintenance, and Administrative Expenses of the Project, whichever is earlier, on the Project from funds other than Bond proceeds.
- (b) The assessment of the Gonzales Carrizo Delivery Charge shall commence the month that GBRA begins to supply water to the Customer through the Project.
- 4.5 <u>Notice of Rate Change</u>. If GBRA desires to adjust the Gonzales Carrizo Debt Service Charge, the Gonzales Carrizo Water Rate, or the Gonzales Carrizo Delivery Charge, it shall, at least sixty (60) days before the first day on which such adjustment is to become

effective, give written notice to the Customer; however, the failure to provide such notice shall not invalidate the adjusted charge or rate.

## ARTICLE V PAYMENT OF CHARGES

- 5.1 Billing and Payment. GBRA will render bills to the Customer once each month for the payments required by this Agreement. GBRA will bill the Customer and the Customer shall pay GBRA one-twelfth of the Gonzales Carrizo Debt Service Charge and the Gonzales Carrizo Water Charge each month during the year. GBRA will bill the Customer and the Customer shall pay the Gonzales Carrizo Delivery Charge each month during the year. Any prepayments shall be shown on the bill as a credit. GBRA shall, until further notice, render such bills on or before the 10th day of each month and such bills shall be due and payable at GBRA's office indicated below by the 20th day of each month or fifteen (15) days after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to the Customer, whichever is later. GBRA may, however, by sixty (60) days written notice, change the monthly date by which it shall render bills, and all bills shall thereafter be due and payable ten (10) days after such date or fifteen (15) days after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to the Customer, whichever is later. The Customer shall make all payments in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall make payment to GBRA at its office in Seguin, Texas, or at such other place as GBRA may from time to time designate by sixty (60) days written notice.
- 5.2 Source of Payments. The Parties agree and the Customer represents and covenants that all moneys required to be paid by the Customer under this Agreement shall constitute reasonable and necessary operating expenses of the Customer's water utility system ("Customer's System"), as authorized by the Constitution and the laws of the State of Texas. All payments required to be made by the Customer to GBRA under this Agreement shall be payable from income of the Customer's System. GBRA shall never have the right to demand payment by the Customer of any obligations assumed by or imposed upon it under or by virtue of this Agreement from funds raised or to be raised by taxation and the Customer's obligation under this Agreement shall never be construed to be a debt of the Customer of such kind as to require it under the Constitution and the laws of the State of Texas to levy and collect a tax to discharge such obligation.
- 5.3 Payments Unconditional. The Customer recognizes that any debt instruments relating to the Project, including the Bonds, will be payable from and secured by pledges of the sums of money to be received by GBRA from the Customer under this Agreement and from other customers under similar contracts. In order to make such debt instruments marketable at the lowest available interest rate, it is to the mutual advantage of GBRA and the Customer that the Customer's obligation to make the payments required hereunder be, and the same is hereby, made unconditional. So long as any part of such debt instruments are outstanding and unpaid, all sums payable hereunder to GBRA shall be paid by the Customer without set-off, counterclaim, abatement, suspension or diminution. So long as any part of such debt instruments are

outstanding and unpaid, the Customer shall have no right to terminate this Agreement or be entitled to the abatement of any payment or any reduction thereof, and the obligations hereunder of the Customer shall not be otherwise affected for any reason (including but not limited to the inability of GBRA to deliver water under this Agreement), it being the intention of the Parties that, so long as any portion of such debt instruments are outstanding and unpaid, all sums required to be paid by the Customer to GBRA shall continue to be payable in all events and the obligations of the Customer hereunder shall continue unaffected, unless the requirement to pay the same is reduced or terminated pursuant to an express provision of this Agreement. It is specifically provided, however, that this Section shall not prevent the Customer from exercising any rights related to breach of this Agreement by GBRA.

- 5.4 <u>Covenant to Maintain Sufficient Income.</u> The Customer agrees to fix and maintain rates and collect charges for the facilities and services provided by Customer's System as will be adequate to permit the Customer to make prompt payment of all expenses of operating and maintaining the Customer's System, including payments under this Agreement, and to make prompt payment of the interest on and principal of any debt instruments of the Customer payable, in whole or in part, from the revenues of the Customer's System. The Customer further agrees to comply with all of the provisions of the ordinances, resolutions, orders or indentures authorizing its debt instruments which are payable, in whole or in part, from the revenues of the Customer's System.
- 5.5 <u>Continuing Disclosure Agreement</u>. If GBRA is required by 17 C.F.R. § 240.15c2-12 ("Municipal Securities Disclosure Rule"), as that rule may be amended from time-to-time by the Securities and Exchange Commission, to enter into a "Continuing Disclosure Agreement" with the Customer to fulfill GBRA's obligations under the Municipal Securities Disclosure Rule, the Customer and GBRA agree to execute a Continuing Disclosure Agreement. The form of such Continuing Disclosure Agreement shall be approved by GBRA's bond counsel in order to comply with the then-current requirements of the Municipal Securities Disclosure Rule. Similarly, if the Municipal Securities Disclosure Rule does not technically apply to the initial purchaser of a series of Bonds but such initial purchaser otherwise requires GBRA to provide continuing disclosure from the Customer, the Customer and GBRA agree to execute an agreement detailing the continuing disclosure information to be provided by the Customer. The form of such agreement shall be approved by GBRA's bond counsel in order to comply with the requirements of such initial purchaser.
- 5.6 <u>Delinquency of Payment</u>. All amounts due and owing to GBRA by the Customer shall be billed and paid monthly, and if not paid when due, bear interest at the same rate as the post-judgment interest rate as set out in Section 304.003(c), Texas Finance Code, or any successor statute from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate as otherwise permitted by law. If any amount due and owing by the Customer is placed with an attorney for collection by GBRA and GBRA prevails, then the Customer shall pay to GBRA, in addition to all other payments provided for by this Agreement, including interest, GBRA's reasonable collection expenses, including court costs and attorney's fees. The Customer further agrees that GBRA may, at its option, discontinue delivering treated water until all amounts due and unpaid are paid in full with interest as herein

specified. Any such discontinuation shall not, however, relieve the Customer of its unconditional obligation to make the payments required hereunder, as provided by Section 5.3 of this Agreement. The Customer agrees that GBRA may, at its option, terminate this Agreement for the Customer's failure to pay due and unpaid amounts, and, notwithstanding anything to the contrary in Section 5.3, if GBRA terminates this agreement for default in payments, the unconditional obligation to make the future payments shall terminate except that the Customer shall continue to be obligated to make payments for amounts due and unpaid at the time of termination, which shall survive the termination of the Agreement. Notwithstanding anything in this Agreement to the contrary, the Parties agree that the Customer's default under this Section 5.6 shall not result in termination of this Agreement until thirty (30) days after the date that the Customer receives written notice from GBRA specifying the default and the requirements to cure the same.

### ARTICLE VI TERM AND TERMINATION

### 6.1 Term.

- (a) This Agreement shall be in force and effect until the latter of 11:59 p.m. Central time on December 31, 2058, or as it may be extended pursuant to subsection (b) and (c) below ("Termination Date").
- (b) Unless written notice to terminate this Agreement is provided by either Party to the other Party at least three (3) years before the Termination Date, this Agreement shall automatically renew for an additional ten (10) year period. Unless notice is provided as described in this subsection (b), this Agreement will automatically renew for perpetual successive renewal periods of ten (10) years.
- (c) Notwithstanding subsections (a) and (b) of this Section, if all the Bonds (including principal and interest) will not be fully paid by the Termination Date then the Termination Date shall be extended to December 31 of the year in which the Bonds are to be paid. Any extension by GBRA pursuant to this subsection shall be effective as of the date that GBRA gives the Customer written notice of the extension.
- 6.2 <u>Rights after Termination</u>. Except as specifically provided otherwise in this Agreement, all of the rights and obligations of the Parties under this Agreement shall terminate upon termination of this Agreement, except that such termination shall not affect any rights or liabilities accrued prior to such termination.

### ARTICLE VII OTHER PROVISIONS

7.1 <u>Water Conservation and Drought Contingency Plans</u>. The Customer agrees to provide to the maximum extent practicable for the conservation of water, and agrees to design, construct, operate and maintain its facilities in a manner that will prevent waste of water. The Gonzales Carrizo Treated Water Supply Agreement City of Lockhart/Guadalupe-Blanco River Authority

Customer shall develop and implement a water conservation plan or water conservation measures and a drought contingency plan using the elements of Chapter 288 of the TCEQ's rules that are applicable to the Customer and its uses, and that are consistent with GBRA's water conservation and drought contingency plans for wholesale customers in accordance with the provisions of Section 3.10. Such plans, at a minimum, shall comply with all minimum standards that may be required or recommended by the Texas Water Development Board (TWDB) and the TCEQ. If the Customer intends to resell the water to another wholesale customer, the Customer shall require the successive customer in the resale to implement water conservation and drought contingency plans in accordance with the applicable provision of Chapter 288 of the TCEQ's rules and the applicable provisions of GBRA's water conservation and drought contingency plans.

- 7.2 Regulatory Requirements. This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. This Agreement is specifically subject to all applicable sections of the Texas Water Code and the rules of the TCEQ, or any successor agency subject to Section 7.10 below regarding severability and provided that changes in the law shall not be applied retroactively to amend this Agreement unless retroactivity is required by law.
- 7.3 <u>Interest in Gonzales Carrizo Water Supply Project</u>. The Customer is not entitled to any equity interest in GBRA's Project for any reason including, without limitation, the payments made to GBRA under this Agreement.
- 7.4 <u>Remedies</u>. It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default by either Party, but all such other remedies existing at law or in equity shall be cumulative including, without limitation, specific performance may be availed of by either Party. The prevailing Party shall be entitled to any reasonable attorney's fees, court costs or other expenses incurred in bringing or defending any suit alleging such default or claim.
- 7.5 Actual Damages. No Party shall be liable or have any responsibility to the other for any indirect, special, consequential, punitive or delay-related or performance-related damages including, without limitation, lost earnings or profits. Such limitation on liability shall apply to any claim or action, whether it is based on whole or in part on agreement, negligence, strict liability, tort, statute or other theory of liability.
- 7.6 <u>Assignability</u>. No Party may assign its rights or obligations under this Agreement without first obtaining the written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Further, the Customer may not assign its rights or obligations under this Agreement if such assignment is prohibited by the Project's Bonds or would alter the tax-exempt status of those Bonds.

- 7.7 <u>Entire Agreement</u>. This Agreement constitutes the entire agreement between the Parties, and supersedes any prior understanding or oral or written agreements between the Parties respecting the subject matter of this Agreement.
- 7.8 No Third Party Beneficiaries. This Agreement does not create any third party benefits to any person or entity other than the signatories hereto and their authorized successors in interest, and is solely for the consideration herein expressed.
- 7.9 <u>Due Authorization and Binding Obligation</u>. This Agreement has been duly authorized, executed and delivered by all necessary action of the Parties. This Agreement, and the terms, covenants, and conditions herein contained, shall inure to the benefit of and be binding upon the heirs, personal representatives, successors, and assigns of each of the Parties hereto.
- 7.10 <u>Severability</u>. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, administrative rule, regulation or finding, rule of public policy, or for any other reason, this Agreement shall remain in effect and be construed as if the invalid, inoperative, or unenforceable provision had never been in the Agreement, and such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.
- 7.11 <u>Waiver and Amendment</u>. Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by either Party shall not be deemed a waiver by the other Party of the right in the future to demand strict compliance and performance of any provision of this Agreement. No officer or agent of GBRA is authorized to waive or modify any provision of this Agreement. No modifications to or recession of this Agreement may be made except by a written document signed by all Parties' authorized representatives.
- 7.12 Force Majeure. If for any reason of force majeure, either Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, then that Party shall give notice of the reasons in writing to the other Party within a reasonable time after the occurrence of the force majeure event. The obligation of the Party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, but only so long as the Party giving notice uses its best efforts to mitigate the impact and remedy the condition which constitutes the force majeure. The term "force majeure" as used in this Agreement shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, order or actions of any kind of government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lighting, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply including pollution (accidental or intentional), and any other cause not reasonably within the control of GBRA or the Customer.

- 7.13 <u>Captions</u>. The sections and captions contained herein are for convenience and reference only and are not intended to define, extend or limit any provision of this Agreement.
- 7.14 Necessary Documents and Actions. Each Party agrees to execute and deliver all such other and further instruments and undertake such actions as are or may become necessary or convenient to effectuate the purposes and intent of this Agreement. In particular, and without limiting the broader meaning of the preceding sentence, the Customer agrees to timely provide GBRA with all records, financial and operating information of the Customer reasonably requested by GBRA in connection with the issuance of Bonds to be provided to rating agencies, municipal bond insurance companies, potential purchasers of the Bonds (including the Texas Water Development Board), or other third parties.
- 7.15 Applicable Law and Venue. This Agreement shall be construed and enforced in accordance with the laws of the State of Texas. The obligations contained within this Agreement are performable in Hays County, Caldwell County, Comal County or Guadalupe County, Texas. Any action in law or equity brought to enforce or interpret any provision of this Agreement shall be brought in a court of competent jurisdiction with venue in Hays County, Caldwell County, Comal County or Guadalupe County, Texas.
- 7.16 Negotiation by Counsel. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement, and agree that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.
- 7.17 <u>Counterparts and Electronic Transmissions</u>. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart. A telecopied or emailed electronically transmitted facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each Party to the terms hereof. However, each Party agrees to promptly deliver to the other Party an original, duly executed counterpart of this Agreement.
- 7.18 <u>Legal Construction</u>. Whenever context requires, the singular will include the plural and the neuter will include the masculine or feminine gender, and vice versa.
- 7.19 Notices. Any notice or payment required or permitted hereunder shall be in writing and shall be deemed to be delivered on the date received if delivered by hand to the address shown hereinafter for the Customer or GBRA, as appropriate, or such notice shall, if deposited in the mail, be deemed to be delivered, whether actually received or not, on the first business day after having been deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the Customer or GBRA, as appropriate, at the address shown hereinafter. For purposes of notice, the addresses of and the designated representative for receipt of notice for each of the parties shall be as follows:

#### For GBRA:

Guadalupe-Blanco River Authority Attention: General Manager/CEO 933 E. Court Street Seguin, Texas 78155

#### For the Customer:

City of Lockhart Attention: City Manager 308 W. San Antonio St. P.O. Box 239 Lockhart, Texas 78644

The Parties hereto shall have the right from time to time to change their respective addresses, and each shall have the right to specify as its address any other address within the United States of America by at least five (5) days' written notice to the other Party.

7.20 <u>Business Days</u>. In the event that any date or any period provided for in this Agreement shall end on a Saturday, Sunday or legal holiday, the applicable period shall be extended to the first business day following such Saturday, Sunday or legal holiday. As used herein, the term "legal holiday" means any state or federal holiday for which financial institutions or post offices are generally closed in the State of Texas.

### **GUADALUPE-BLANCO RIVER AUTHORITY**

By:

Kevin Patteson, General Manager/CEO

February 13,2018

Date

ATMEST:

STATE OF TEXAS

§ §

COUNTY OF GUADALUPE

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BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared Kevin Patteson, General Manager and CEO of the GUADALUPE-BLANCO RIVER AUTHORITY, known to me to be the persons whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision, and that he executed the same as the act of such entity for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 13th day of 2018.



Notary Public
The State of Texas

Notary Seal

& ID No.

13093864-5

#### **CITY OF LOCKHART**

By:	Sew White	
	Lew White, Mayor	
Date:	February 6,2018	

STATE OF TEXAS
COUNTY OF CALDWELL

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared Lew White, Mayor of CITY OF LOCKHART, known to me to be the persons whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the CITY OF LOCKHART, a municipal corporation, and that he executed the same as the act of such entity for the purposes and consideration therein expressed, and in the capacity therein stated.

February, 20 18.



Notary Public
The State of Texas

Notary Seal

& 5271582 I.D. No.

### **EXHIBIT A**

### POINT OF DELIVERY

### GONZALES CARRIZO WATER SUPPLY PROJECT TREATED WATER SUPPLY AGREEMENT BY AND BETWEEN THE GUADALUPE-BLANCO RIVER AUTHORITY AND GOFORTH SPECIAL UTILITY DISTRICT

This Gonzales Carrizo Water Supply Project Treated Water Supply Agreement ("Agreement") is made and entered into by and between the Guadalupe-Blanco River Authority ("GBRA"), a Texas conservation and reclamation district organized under Article 16, Section 59 of the Texas Constitution, and Goforth Special Utility District ("Customer"), a Texas conservation and reclamation district organized under Article 16, Section 59 of the Texas Constitution (collectively, the "Parties"). The Effective Date of this Agreement is February 21,2018.

#### **RECITALS**

GBRA has leased the right to produce groundwater from 42,000 acres of land in Gonzales and Caldwell counties, Texas.

GBRA is authorized by the Gonzales County Underground Water Conservation District, pursuant to Production and Transportation Permit No. 01-13-01 to produce and transport out of the District up to 15,000 acre-feet of leased groundwater from the land leased by GBRA, subject to the restrictions and limitations in Production and Transportation Permit No. 01-13-01.

GBRA is financing the acquisition of groundwater leases and the construction of facilities to pump, treat, and transport the groundwater from the well fields in Gonzales and Caldwell counties to the Customer.

GBRA intends to contract with Alliance Regional Water Authority to jointly construct, operate, and co-own groundwater treatment and transportation facilities to treat and transport the groundwater for GBRA and Alliance, and GBRA anticipates such joint construction and co-ownership will reduce the cost of the Project (as defined in Article I) and of Alliance's groundwater project.

GBRA anticipates completing the construction of the Project in 2023.

The Customer has determined that it needs an additional source of water to meet its retail water demands in the future.

The Customer has determined that obtaining water from the Project is in the best interest of the Customer.

GBRA and the Customer anticipate there will be other customers who will obtain water from the Project and because of the unique circumstances of each customer, the agreements regarding the Project and the supply of water may not be identical.

The Customer acknowledges that District Fees and Groundwater Lease Payments will begin in January 2019, before the construction of the Project is completed and delivery of water from the Project has commenced, and, at that time, the Customer may be required pursuant to Section 4.4(a) to begin paying the Gonzales Carrizo Water Charge, which will be based only on those costs being incurred by GBRA.

#### **AGREEMENT**

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, GBRA and the Customer agree as follows:

# ARTICLE I DEFINITIONS

"Alliance Regional Water Authority" or "Alliance" means the regional water authority created and operating under Texas Special District Local Laws Code Chapter 11010.

"Annual Commitment" means 4,000 acre-feet of treated water per year which GBRA agrees to produce for the Customer and the Customer agrees to purchase pursuant to this Agreement.

"Authorized Area of Use" means the Customer's retail water service area as it may exist from time to time.

"Bonds" means all bonds and other obligations issued, executed, and outstanding from time to time to finance or refinance the cost to acquire groundwater leases, and the cost to plan, design, construct, acquire, repair, improve, and upgrade the Gonzales Carrizo Water Supply Project, including without limitation of the generality of the foregoing, any costs necessary or desirable to maintain or increase capacity of the Project to 15,000 acre-feet per year and comply with applicable laws, rules, and regulations.

"District" means the Gonzales County Underground Water Conservation District.

"District Fees" means the fees charged by the District, as amended by the District from time to time, to pump and transport groundwater, including but not limited to permit fees, export fees, monitoring agreement fees, and export fee surcharges related to a mitigation agreement with the District.

"Effective Date" means the date identified in the preamble paragraph of this Agreement, being the same date that the later of GBRA or the Customer signs and enters into this Agreement.

"Fiscal Year" means September 1 to August 31 or such other 12-month period as determined by GBRA.

Gonzales Carrizo Treated Water Supply Agreement Goforth Special Utility District / Guadalupe-Blanco River Authority "Gonzales Carrizo Water Supply Project" or "Project" means the project described in Section 2.1 of this Agreement.

"Groundwater Lease Payments" means the payments for the right to produce 15,000 acrefeet of groundwater from land leased by GBRA in Gonzales and Caldwell counties.

"March 1, 2004 Water Supply Agreement" means the Water Supply Agreement between Goforth Special Utility District and GBRA entered into on March 1, 2004, as amended.

"Operation, Maintenance, and Administrative Expenses" means the reasonable, necessary, and actual costs incurred by GBRA for the operation, maintenance, and administration of the Project, including without limitation:

- (a) wages and salaries, employee benefits, chemicals, the purchase and carrying of stores, materials, and supplies, power, supervision, engineering, testing, auditing, franchises, waste disposal charges and assessments, claims, insurance, contract operators and all other items and expenses of a like or different nature reasonably required for the efficient maintenance and operation of the Project and the performance of this Agreement;
- (b) repairs and replacements of damaged, worn-out or obsolete parts or facilities of the Project, and any relocations of pipelines, or replacements of wells;
- (c) improvements and betterments to keep the Project in operation to render adequate service to the Customer and other customers of the Project and to comply with the requirements of any rule, regulations, or permit issued by any regulatory body having jurisdiction; and
- (d) the reasonable and necessary costs of GBRA's administration of the Project, which shall be based upon a formula, to be set by the Board of Directors of GBRA in the annual budget of GBRA, that fairly apportions GBRA's administration costs.

"Permit" means Gonzales County Underground Water Conservation District's Production and Transportation Permit No. 01-13-01, as it may be amended from time to time.

"Point of Delivery" means the point or points at which GBRA will deliver to the Customer the Annual Commitment, as generally described in Exhibit A attached hereto and incorporated herein for all purposes.

## ARTICLE II GONZALES CARRIZO WATER SUPPLY PROJECT

2.1 <u>Description of the Gonzales Carrizo Water Supply Project</u>. The Gonzales Carrizo Water Supply Project primarily consists of groundwater leases for the Carrizo Aquifer water in Gonzales and Caldwell counties, facilities to pump, treat, and convey groundwater in and from

Gonzales and Caldwell counties, including but not limited to water treatment plant(s) and associated facilities, and facilities to convey treated water through and to Gonzales, Guadalupe, Caldwell, Hays, and Comal counties. The Project may also include storage and blending facilities, and other facilities necessary or desirable for the supply of treated water to GBRA customers. The Project also includes all lands and interests in lands necessary and desirable for the construction, operation, and maintenance of the Project facilities.

#### 2.2 GBRA Responsibilities and Ownership.

- (a) GBRA shall own the Project, including all of the facilities and interest in the land comprising the Project, and shall be responsible for the operation, maintenance, design, permitting, financing, construction, expansions, extensions, and other modifications to the Project to provide a long-term water supply on behalf of the Customer and other Project participants. GBRA may co-own the Project with other water suppliers.
- (b) GBRA intends to seek financing through the Texas Water Development Board and issue Bonds to finance the Project. Thereafter, GBRA may issue Bonds in the future, at the times and in the amounts determined by GBRA, to refinance the Project and to repair, extend and improve the Project as deemed necessary by GBRA, provided, however, in no event shall GBRA issue Bonds to refinance the Project which would extend the final maturity of any outstanding Bonds (and which would result in the extension of the Termination Date of this Agreement pursuant to Section 6.1(c) hereof) unless it receives the prior written consent of the Customer, which shall not be unreasonably withheld, and all other customers that would be similarly affected.

#### 2.3 Contingency.

- (a) Notwithstanding any other requirements in this Agreement, this Agreement is contingent on GBRA obtaining financing for the acquisition and construction of the Project.
- (b) If, by July 1, 2018, GBRA and Alliance have not executed a contract for the joint construction, operation, and co-ownership of facilities to treat and transport GBRA's and Alliance's groundwater, the Parties shall renegotiate the Customer's participation in the Project.

#### 2.4 Customer Operational Meetings and Bond Consultation.

(a) At least once each quarter of the year, GBRA shall hold a meeting with the Customer and all other customers of the Project to provide information to and obtain information from the Customer regarding the operation and maintenance of the Project, the rates and charges for the Project, water supply matters, District matters, any operating or debt service reserve fund that GBRA reasonably expects will be created or funded pursuant to Section 4.1 within the next quarter, and other matters related to the Project. The Customer, by written notice to GBRA, may waive the meeting for any quarter of the year.

- (b) Before issuing any Bonds for the Project, GBRA shall consult with the Customer regarding the need to issue Bonds, and the structure and terms of the Bonds. GBRA shall consider any issues or concerns raised by the Customer; however, subject to the requirements of Section 2.2(b) and 4.1, GBRA shall have the sole authority to issue Bonds, and to determine the structure, terms, and timing of the Bonds.
- (c) No earlier than sixty (60) days before the Notice of Rate Change provided by Section 4.5, but no later than fifty (50) days before such notice, GBRA will provide the Customer with a draft budget for the next fiscal year. The Customer may provide comments on that draft budget, which GBRA will consider in the development of the final budget.
- 2.5 <u>Future Water Supply Projects.</u> GBRA will notify the Customer of any GBRA project to develop additional phases of the Mid-Basin Water Supply Project so that the Customer has a reasonable opportunity to participate and purchase water from such project.

# ARTICLE III WATER QUANTITY AND DELIVERY

- Annual Commitment per year. Payments for the Annual Commitment shall be made pursuant to Section 5.1 of this Agreement and shall include the charges described in Article IV. GBRA will deliver up to the Annual Commitment, less de minimis losses associated with the transmission and treatment of the water, to the Customer's Point of Delivery. Notwithstanding the foregoing, GBRA's obligation to deliver up to the Annual Commitment to the Customer is subject to any restrictions and limitations in the Permit, and in any financing requirements associated with the Project. On or before July 1 of each year, the Customer shall notify GBRA in writing the amount of the Annual Commitment the Customer estimates it will need during the next Fiscal Year. The purpose of the notification is to allow GBRA to prepare its operational budget for the next Fiscal Year and effectively plan for the next Fiscal Year's water supply demands, however, the estimate is not intended to obligate the Customer to take the estimated amount or to limit the Customer to the estimated amount, nor is the Customer's failure to communicate the estimate by the deadline a breach of this Agreement. The Customer agrees to communicate with GBRA on a regular basis to inform GBRA of the Customer's water supply requirements from the Project.
- 3.2 Quality. GBRA shall deliver to the Point of Delivery water of a quality that meets or exceeds the drinking water standards of the Texas Commission on Environmental Quality, or its successor agency, or any other applicable regulatory agency for potable water and using a disinfection method that makes the water suitable for blending with the Customer's other water supplies.
- 3.3 Source of Water. The water GBRA treats for delivery to the Customer under this Agreement may be from any source or combination of sources that may be available to GBRA, including, without limitation, groundwater, surface water from Canyon Reservoir under GBRA's Certificate of Adjudication 18-2074, run-of-river flows of the Guadalupe River or its tributaries

under existing, amended or new water rights, and water obtained from sources other than surface waters of the Guadalupe River Basin.

- 3.4 <u>Purpose of Use</u>. Treated water delivered to the Customer under this Agreement may only be used for municipal and industrial use. No water delivered to the Customer under this Agreement may be used outside the boundaries of the Authorized Area of Use without prior written consent by GBRA. No water delivered to the Customer under this Agreement may be used to irrigate any golf course, unless it is first beneficially used for drinking water purposes.
- 3.5 Rate of Delivery. GBRA agrees to make the water available to the Customer under this Agreement in the amounts required by the Customer up to a rate of delivery of water which shall not exceed 2,480 gallons per minute at any instant in time. The Customer acknowledges that delivery of water at such a rate constantly throughout a calendar year would result in delivery of the Annual Commitment less de minimis losses during that year.

#### 3.6 Measuring Equipment.

- (a) <u>Water Meter</u>. GBRA shall furnish and install a meter or other equipment and devices at the Point of Delivery to measure quantity of water delivered under this Agreement (the "Water Meter"). The Water Meter shall remain the property of GBRA. GBRA shall operate and maintain the Water Meter in good operating condition. GBRA shall provide the Customer with written notice at least ten (10) days in advance of any replacement of the existing Water Meter. The written notice will include a description of the new Water Meter that will be installed.
- (b) Meter Reading. The reading, calibration and adjustment of the meters described in this Section 3.6 shall be done only by the employees or agents of GBRA. The results of each reading of the Water Meter shall be recorded in a journal or other record book maintained in GBRA's office and representatives of the Customer may inspect the same at any time during reasonable business hours.
- Meter Calibration. GBRA will calibrate the Water Meter at least (c) annually. GBRA shall give the Customer reasonable notice of the date and time when any such calibration shall occur, and at the request of the Customer, conduct the calibration in the presence of the Customer. In addition to the annual calibration, the Customer shall have the right to request that GBRA calibrate the Water Meter not more than once in each year, in the presence of a representative of the Customer. If, upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of five percent (5%), the registration thereof shall be corrected, and accounts adjusted, for a period extending back to the time when such inaccuracy began, if such time is ascertainable; and if such time is not ascertainable, then for a period extending back onehalf (1/2) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If, for any reason, the Water Meter is out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through the period Water Meter is out of service or out of repair shall be estimated and agreed upon by the Parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters

if same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (a) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (b) by estimating the quantity of water delivered by deliveries during the preceding period under similar conditions when the Water Meter was registering accurately.

- 3.7 <u>Title to and Responsibility for Water</u>. Title to and responsibility for all water made available by GBRA under this Agreement shall be in GBRA to the Point of Delivery. After the Point of Delivery, title to and responsibility for all water made available by GBRA under this Agreement shall be governed by Section 23 of March 1, 2004 Water Supply Agreement. The Customer and GBRA hereby agree to save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation, storage, delivery, processing and handling of such water while title to and responsibility for the water remains in the other Party.
- Reuse and Resale. The Customer agrees that, at all times during the term of this Agreement, it shall not engage in, or seek regulatory approval to engage in, indirect reuse of water delivered to the Customer under this Agreement, unless the Customer and GBRA expressly agree to allow indirect reuse and prescribe the terms thereof in writing. As used in this subsection, "indirect reuse" as used herein means the use for one or more beneficial purposes of the water remaining after initial use at the time or after that water is discharged into a watercourse, lake, or other body of state-owned water. The Customer shall not resell water delivered to the Customer under this Agreement on a wholesale basis to any third party without GBRA's prior written consent, which shall not be unreasonably withheld. Notwithstanding the foregoing, the Customer shall not execute any wholesale water supply contract that will jeopardize the tax exempt status of the Bonds issued for this Project. Nothing in this Agreement shall impair the Customer's ability to directly reuse water delivered to the Customer under the terms of this Agreement.

#### 3.9 Connection by GBRA; Responsibilities of Customer.

- (a) Connection of the Customer's water system to the Project at the Point of Delivery shall be made by GBRA at the completion of the construction of the Project. Connection shall be made in accordance with the plans, specifications, and requirements prepared and adopted by GBRA and shall be accomplished by GBRA setting the Water Meter and physically tying it to the Customer's water system at the Point of Delivery. GBRA will own, operate, and maintain the connecting facilities at the Point of Delivery.
- (b) The Customer shall construct, maintain, and operate at its own cost and expense, all facilities and equipment necessary to receive and take the treated water delivered under this Agreement. Any facilities and equipment connecting to the Project must be constructed with an air gap connection meeting GBRA's standard specifications.
- (c) The Customer also agrees that after the Point of Delivery, the delivery of the water made available under this Agreement shall be governed by March 1, 2004 Water Supply Agreement, including applicable charges billed to the Customer pursuant to the March 1, 2004 Water Supply Agreement.

3.10 <u>Allocation of Water During Shortage</u>. During conditions beyond GBRA's control when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided among all customers of the Project, pro rata, according to the amount each may otherwise be entitled under their respective contracts with GBRA, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike.

# ARTICLE IV RATES AND CHARGES

#### 4.1 Gonzales Carrizo Debt Service Charge.

- The Gonzales Carrizo Debt Service Charge is the amount to be charged to (a) the Customer during each Fiscal Year equal to the portion of the total principal and interest requirements on all outstanding Bonds due during such Fiscal Year, plus a coverage factor not to exceed 10% of such portion, that is allocated to the Customer by GBRA in accordance with this Section and to be paid pursuant to the provisions of all applicable bond resolutions. Such allocation shall be based on the percentage equal to the Customer's Annual Commitment divided by the annual commitment of all customers that enter into an agreement with GBRA to receive water from the Project (the "Customer's Pro Rata Portion") and taking into account preferences the Customer elects to exercise with respect to the structure of the debt service for each series of Bonds which differ from the structure of any other customer that enters into a similar agreement with GBRA to receive water from the Project, if any. The Gonzales Carrizo Debt Service Charge charged to the Customer, together with the similar charge that is charged to all other customers that receive water from the Project (but excluding the not to exceed 10% coverage amount charged to all customers), shall be sufficient to cover the annual debt service requirements on the Bonds during each Fiscal Year. Following the delivery of a series of Bonds, GBRA shall provide the Customer with a schedule showing the Gonzales Carrizo Debt Service Charge for all outstanding Bonds to be paid by the Customer that will be applicable for each Fiscal Year following the delivery of such series of Bonds. GBRA expects that such schedule will not change unless additional Bonds are issued or additional funds are required to fund deposits into a reserve account related to the Bonds (as described in Section 4.1(b) below), but GBRA reserves the right to modify such schedule to correct any ambiguities or mistakes or account for any other changes deemed necessary and appropriate.
- (b) In the event it becomes necessary for GBRA to make deposits into an operating or debt service reserve fund established pursuant to a resolution authorizing a series of Bonds which will not be funded with proceeds of a series of Bonds, GBRA shall promptly notify the Customer of such event, and the Gonzales Carrizo Debt Service Charge charged to the Customer shall thereafter be adjusted for each applicable Fiscal Year by an amount equal to the Customer's Pro Rata Portion of the additional amount required to be deposited into such operating or debt service reserve fund.

#### 4.2 <u>Gonzales Carrizo Water Rate and Charge.</u>

- (a) The Gonzales Carrizo Water Rate is the rate per acre-foot of treated water determined by the Board of Directors of GBRA to then be in effect for the commitment of capacity in the Project. Subject to Section 4.5, the GBRA Board of Directors may at any time and from time to time change the Gonzales Carrizo Water Rate. The Gonzales Carrizo Water Rate shall be sufficient to cover Groundwater Lease Payments, the District Fees, and the fixed Operation, Maintenance, and Administrative Expenses of the Project, as those payments, fees, and expenses are incurred.
- (b) The Gonzales Carrizo Water Charge is equal to the Gonzales Carrizo Water Rate multiplied by the Annual Commitment.

#### 4.3 Gonzales Carrizo Delivery Rate and Charge.

- (a) The Gonzales Carrizo Delivery Rate is the rate per 1000 gallons of water determined by the GBRA Board of Directors to then be in effect for the delivery of water through the Project. Subject to Section 4.5, the GBRA Board of Directors at any time and from time to time may change the Gonzales Carrizo Delivery Rate. The Gonzales Carrizo Delivery Rate shall be sufficient to cover variable Operation, Maintenance, and Administrative Expenses related to the delivery of water through the Project that are not otherwise included in the Gonzales Carrizo Water Rate or the Gonzales Carrizo Debt Service Charge.
- (b) The Gonzales Carrizo Delivery Charge per month shall be calculated by multiplying the amount of Project water, expressed in thousands of gallons, delivered in the month to the Customer at the Point of Delivery as measured by the Water Meter by the then-current Gonzales Carrizo Delivery Rate.

#### 4.4 Commencement of Payments.

- (a) The assessment of the Gonzales Carrizo Water Charge shall commence the month that GBRA begins paying any Groundwater Lease Payments, District Fees, or any Operation, Maintenance, and Administrative Expenses of the Project, whichever is earlier, on the Project from funds other than Bond proceeds.
- (b) The assessment of the Gonzales Carrizo Delivery Charge shall commence the month that GBRA begins to supply water to the Customer through the Project.
- 4.5 <u>Notice of Rate Change</u>. If GBRA desires to adjust the Gonzales Carrizo Debt Service Charge, the Gonzales Carrizo Water Rate, or the Gonzales Carrizo Delivery Charge, it shall, at least sixty (60) days before the first day on which such adjustment is to become effective, give written notice to the Customer; however, the failure to provide such notice shall not invalidate the adjusted charge or rate.

## ARTICLE V PAYMENT OF CHARGES

- Billing and Payment. GBRA will render bills to the Customer once each month for 5.1 the payments required by this Agreement. GBRA will bill the Customer and the Customer shall pay GBRA one-twelfth of the Gonzales Carrizo Debt Service Charge and the Gonzales Carrizo Water Charge each month during the year. GBRA will bill the Customer and the Customer shall pay the Gonzales Carrizo Delivery Charge each month during the year. Any prepayments shall be shown on the bill as a credit. GBRA shall, until further notice, render such bills on or before the 10th day of each month and such bills shall be due and payable at GBRA's office indicated below by the 20th day of each month or fifteen (15) days after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to the Customer, whichever is later. GBRA may, however, by sixty (60) days written notice, change the monthly date by which it shall render bills, and all bills shall thereafter be due and payable ten (10) days after such date or fifteen (15) days after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to the Customer, whichever is later. The Customer shall make all payments in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall make payment to GBRA at its office in Seguin, Texas, or at such other place as GBRA may from time to time designate by sixty (60) days written notice.
- 5.2 Source of Payments. The Parties agree and the Customer represents and covenants that all moneys required to be paid by the Customer under this Agreement shall constitute reasonable and necessary operating expenses of the Customer's water, wastewater, gas, and electric utility systems ("Customer's System"), as authorized by the Constitution and the laws of the State of Texas. All payments required to be made by the Customer to GBRA under this Agreement shall be payable from income of the Customer's System. GBRA shall never have the right to demand payment by the Customer of any obligations assumed by or imposed upon it under or by virtue of this Agreement from funds raised or to be raised by taxation and the Customer's obligation under this Agreement shall never be construed to be a debt of the Customer of such kind as to require it under the Constitution and the laws of the State of Texas to levy and collect a tax to discharge such obligation.
- 5.3 Payments Unconditional. The Customer recognizes that any debt instruments relating to the Project, including the Bonds, will be payable from and secured by pledges of the sums of money to be received by GBRA from the Customer under this Agreement and from other customers under similar contracts. In order to make such debt instruments marketable at the lowest available interest rate, it is to the mutual advantage of GBRA and the Customer that the Customer's obligation to make the payments required hereunder be, and the same is hereby, made unconditional. So long as any part of such debt instruments are outstanding and unpaid, all sums payable hereunder to GBRA shall be paid by the Customer without set-off, counterclaim, abatement, suspension or diminution. So long as any part of such debt instruments are outstanding and unpaid, the Customer shall have no right to terminate this Agreement or be entitled to the abatement of any payment or any reduction thereof, and the obligations hereunder of the Customer shall not be otherwise affected for any reason (including but not limited to the inability of GBRA

to deliver water under this Agreement), it being the intention of the Parties that, so long as any portion of such debt instruments are outstanding and unpaid, all sums required to be paid by the Customer to GBRA shall continue to be payable in all events and the obligations of the Customer hereunder shall continue unaffected, unless the requirement to pay the same is reduced or terminated pursuant to an express provision of this Agreement. It is specifically provided, however, that this Section shall not prevent the Customer from exercising any rights related to breach of this Agreement by GBRA.

- 5.4 Covenant to Maintain Sufficient Income. The Customer agrees to fix and maintain rates and collect charges for the facilities and services provided by Customer's System as will be adequate to permit the Customer to make prompt payment of all expenses of operating and maintaining the Customer's System, including payments under this Agreement, and to make prompt payment of the interest on and principal of any debt instruments of the Customer payable, in whole or in part, from the revenues of the Customer's System. The Customer further agrees to comply with all of the provisions of the ordinances, resolutions, orders or indentures authorizing its debt instruments which are payable, in whole or in part, from the revenues of the Customer's System.
- 5.5 Continuing Disclosure Agreement. If GBRA is required by 17 C.F.R. § 240.15c2-12 ("Municipal Securities Disclosure Rule"), as that rule may be amended from time-to-time by the Securities and Exchange Commission, to enter into a "Continuing Disclosure Agreement" with the Customer to fulfill GBRA's obligations under the Municipal Securities Disclosure Rule, the Customer and GBRA agree to execute a Continuing Disclosure Agreement. The form of such Continuing Disclosure Agreement shall be approved by GBRA's bond counsel in order to comply with the then-current requirements of the Municipal Securities Disclosure Rule. Similarly, if the Municipal Securities Disclosure Rule does not technically apply to the initial purchaser of a series of Bonds but such initial purchaser otherwise requires GBRA to provide continuing disclosure from the Customer, the Customer and GBRA agree to execute an agreement detailing the continuing disclosure information to be provided by the Customer. The form of such agreement shall be approved by GBRA's bond counsel in order to comply with the requirements of such initial purchaser.
- 5.6 Delinquency of Payment. All amounts due and owing to GBRA by the Customer shall be billed and paid monthly, and if not paid when due, bear interest at the same rate as the post-judgment interest rate as set out in Section 304.003(c), Texas Finance Code, or any successor statute from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate as otherwise permitted by law. If any amount due and owing by the Customer is placed with an attorney for collection by GBRA and GBRA prevails, then the Customer shall pay to GBRA, in addition to all other payments provided for by this Agreement, including interest, GBRA's reasonable collection expenses, including court costs and attorney's fees. The Customer further agrees that GBRA may, at its option, discontinue delivering treated water until all amounts due and unpaid are paid in full with interest as herein specified. Any such discontinuation shall not, however, relieve the Customer of its unconditional obligation to make the payments required hereunder, as provided by Section 5.3 of this Agreement. The Customer agrees that GBRA may, at its option, terminate this Agreement for the Customer's failure to pay due and unpaid amounts,

and, notwithstanding anything to the contrary in Section 5.3, if GBRA terminates this agreement for default in payments, the unconditional obligation to make the future payments shall terminate except that the Customer shall continue to be obligated to make payments for amounts due and unpaid at the time of termination, which shall survive the termination of the Agreement. Notwithstanding anything in this Agreement to the contrary, the Parties agree that the Customer's default under this Section 5.6 shall not result in termination of this Agreement until thirty (30) days after the date that the Customer receives written notice from GBRA specifying the default and the requirements to cure the same.

### ARTICLE VI TERM AND TERMINATION

#### 6.1 Term.

- (a) This Agreement shall be in force and effect until the latter of 11:59 p.m. Central time on December 31, 2058, or as it may be extended pursuant to subsection (b) and (c) below ("Termination Date").
- (b) Unless written notice to terminate this Agreement is provided by either Party to the other Party at least three (3) years before the Termination Date, this Agreement shall automatically renew for an additional ten (10) year period. Unless notice is provided as described in this subsection (b), this Agreement will automatically renew for perpetual successive renewal periods of ten (10) years.
- (c) Notwithstanding subsections (a) and (b) of this Section, if all the Bonds (including principal and interest) will not be fully paid by the Termination Date then the Termination Date shall be extended to December 31 of the year in which the Bonds are to be paid. Any extension by GBRA pursuant to this subsection shall be effective as of the date that GBRA gives the Customer written notice of the extension.
- 6.2 <u>Rights after Termination</u>. Except as specifically provided otherwise in this Agreement, all of the rights and obligations of the Parties under this Agreement shall terminate upon termination of this Agreement, except that such termination shall not affect any rights or liabilities accrued prior to such termination.

# ARTICLE VII OTHER PROVISIONS

7.1 Water Conservation and Drought Contingency Plans. The Customer agrees to provide to the maximum extent practicable for the conservation of water, and agrees to design, construct, operate and maintain its facilities in a manner that will prevent waste of water. The Customer shall develop and implement a water conservation plan or water conservation measures and a drought contingency plan using the elements of Chapter 288 of the TCEQ's rules that are applicable to the Customer and its uses, and that are consistent with GBRA's water conservation and drought contingency plans for wholesale customers in accordance with the provisions of

- Section 3.10. Such plans, at a minimum, shall comply with all minimum standards that may be required or recommended by the Texas Water Development Board (TWDB) and the TCEQ. If the Customer intends to resell the water to another wholesale customer, the Customer shall require the successive customer in the resale to implement water conservation and drought contingency plans in accordance with the applicable provision of Chapter 288 of the TCEQ's rules and the applicable provisions of GBRA's water conservation and drought contingency plans.
- 7.2 Regulatory Requirements. This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. This Agreement is specifically subject to all applicable sections of the Texas Water Code and the rules of the TCEQ, or any successor agency subject to Section 7.10 below regarding severability and provided that changes in the law shall not be applied retroactively to amend this Agreement unless retroactivity is required by law.
- 7.3 Interest in Gonzales Carrizo Water Supply Project. The Customer is not entitled to any equity interest in GBRA's Project for any reason including, without limitation, the payments made to GBRA under this Agreement.
- 7.4 Remedies. It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default by either Party, but all such other remedies existing at law or in equity shall be cumulative including, without limitation, specific performance may be availed of by either Party. The prevailing Party shall be entitled to any reasonable attorney's fees, court costs or other expenses incurred in bringing or defending any suit alleging such default or claim.
- 7.5 Actual Damages. No Party shall be liable or have any responsibility to the other for any indirect, special, consequential, punitive or delay-related or performance-related damages including, without limitation, lost earnings or profits. Such limitation on liability shall apply to any claim or action, whether it is based on whole or in part on agreement, negligence, strict liability, tort, statute or other theory of liability.
- 7.6 <u>Assignability</u>. No Party may assign its rights or obligations under this Agreement without first obtaining the written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Further, the Customer may not assign its rights or obligations under this Agreement if such assignment is prohibited by the Project's Bonds or would alter the tax-exempt status of those Bonds.
- 7.7 Entire Agreement. This Agreement constitutes the entire agreement between the Parties, and supersedes any prior understanding or oral or written agreements between the Parties respecting the subject matter of this Agreement.
- 7.8 No Third Party Beneficiaries. This Agreement does not create any third party benefits to any person or entity other than the signatories hereto and their authorized successors in interest, and is solely for the consideration herein expressed.

- 7.9 <u>Due Authorization and Binding Obligation</u>. This Agreement has been duly authorized, executed and delivered by all necessary action of the Parties. This Agreement, and the terms, covenants, and conditions herein contained, shall inure to the benefit of and be binding upon the heirs, personal representatives, successors, and assigns of each of the Parties hereto.
- 7.10 Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, administrative rule, regulation or finding, rule of public policy, or for any other reason, this Agreement shall remain in effect and be construed as if the invalid, inoperative, or unenforceable provision had never been in the Agreement, and such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.
- 7.11 <u>Waiver and Amendment</u>. Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by either Party shall not be deemed a waiver by the other Party of the right in the future to demand strict compliance and performance of any provision of this Agreement. No officer or agent of GBRA is authorized to waive or modify any provision of this Agreement. No modifications to or recession of this Agreement may be made except by a written document signed by all Parties' authorized representatives.
- 7.12 Force Majeure. If for any reason of force majeure, either Party is rendered unable, wholly or in part, to carry out its obligations under this Agreement, then that Party shall give notice of the reasons in writing to the other Party within a reasonable time after the occurrence of the force majeure event. The obligation of the Party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, but only so long as the Party giving notice uses its best efforts to mitigate the impact and remedy the condition which constitutes the force majeure. The term "force majeure" as used in this Agreement shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, order or actions of any kind of government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lighting, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply including pollution (accidental or intentional), and any other cause not reasonably within the control of GBRA or the Customer.
- 7.13 <u>Captions</u>. The sections and captions contained herein are for convenience and reference only and are not intended to define, extend or limit any provision of this Agreement.
- 7.14 Necessary Documents and Actions. Each Party agrees to execute and deliver all such other and further instruments and undertake such actions as are or may become necessary or convenient to effectuate the purposes and intent of this Agreement. In particular, and without limiting the broader meaning of the preceding sentence, the Customer agrees to timely provide GBRA with all records, financial and operating information of the Customer reasonably requested

by GBRA in connection with the issuance of Bonds to be provided to rating agencies, municipal bond insurance companies, potential purchasers of the Bonds (including the Texas Water Development Board), or other third parties.

- 7.15 Applicable Law and Venue. This Agreement shall be construed and enforced in accordance with the laws of the State of Texas. The obligations contained within this Agreement are performable in Hays County, Caldwell County, Comal County or Guadalupe County, Texas. Any action in law or equity brought to enforce or interpret any provision of this Agreement shall be brought in a court of competent jurisdiction with venue in Hays County, Caldwell County, Comal County or Guadalupe County, Texas.
- 7.16 <u>Negotiation by Counsel</u>. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement, and agree that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.
- 7.17 Counterparts and Electronic Transmissions. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart. A telecopied or emailed electronically transmitted facsimile of an executed counterpart of this Agreement shall be sufficient to evidence the binding agreement of each Party to the terms hereof. However, each Party agrees to promptly deliver to the other Party an original, duly executed counterpart of this Agreement.
- 7.18 <u>Legal Construction</u>. Whenever context requires, the singular will include the plural and the neuter will include the masculine or feminine gender, and vice versa.
- 7.19 Notices. Any notice or payment required or permitted hereunder shall be in writing and shall be deemed to be delivered on the date received if delivered by hand to the address shown hereinafter for the Customer or GBRA, as appropriate, or such notice shall, if deposited in the mail, be deemed to be delivered, whether actually received or not, on the first business day after having been deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the Customer or GBRA, as appropriate, at the address shown hereinafter. For purposes of notice, the addresses of and the designated representative for receipt of notice for each of the parties shall be as follows:

#### For GBRA:

Guadalupe-Blanco River Authority Attention: General Manager/CEO 933 E. Court Street Seguin, Texas 78155

#### For the Customer:

Goforth Special Utility District Attention: General Manager 8900 Niederwald Strasse Niederwald, Texas 78640

The Parties hereto shall have the right from time to time to change their respective addresses, and each shall have the right to specify as its address any other address within the United States of America by at least five (5) days' written notice to the other Party.

7.20 <u>Business Days</u>. In the event that any date or any period provided for in this Agreement shall end on a Saturday, Sunday or legal holiday, the applicable period shall be extended to the first business day following such Saturday, Sunday or legal holiday. As used herein, the term "legal holiday" means any state or federal holiday for which financial institutions or post offices are generally closed in the State of Texas.

#### **GUADALUPE-BLANCO RIVER AUTHORITY**

		By: Kevin Patteson, General Manager	
		Date: 2 21 18	
<b>L a m</b>	10		

STATE OF TEXAS

COUNTY OF GUADALUPE

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared Kevin Patteson, General Manager and CEO of the GUADALUPE-BLANCO RIVER AUTHORITY, known to me to be the persons whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision, and that he executed the same as the act of such entity for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 21st day of Tebruary, 2018.



Notary Public
The State of Texas

Notary Seal

& 13093864-5

#### **GOFORTH SPECIAL UTILITY DISTRICT**

By:

Debbie Sandoyal, President

Date

STATE OF TEXAS

8

COUNTY OF HAYS

8

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared Debbie Sandoval, President of GOFORTH SPECIAL UTILITY DISTRICT, known to me to be the persons whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the GOFORTH SPECIAL UTILITY DISTRICT, a conservation district and political subdivision, and that she executed the same as the act of such entity for the purposes and consideration therein expressed, and in the capacity therein stated..

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the **16** OFFICE this the **16** OFFICE this the

day o

Notary Public

The State of Texas

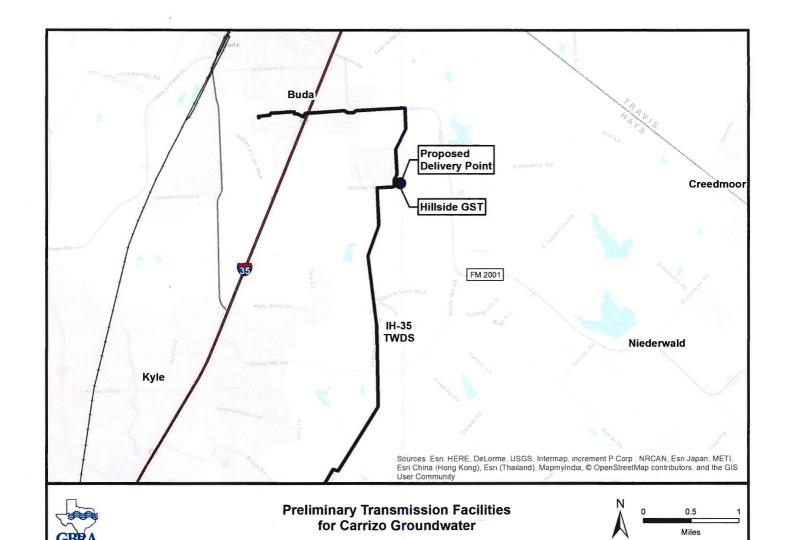
Notary Seal & I.D. No.



STEPHANIE ANN STEPHENS
My Commission Expires
April 18 7318

### EXHIBIT A

### POINT OF DELIVERY



### **Project Description**

Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.): GBRA's Mid-Basin Water Supply Project (MBWSP) is needed to expand capacity to meet projected needs for additional municipal water supply within the GBRA statutory district. Phase 1 of the MBWSP (aka. Carrizo Groundwater Supply Project) is needed to expand capacity to meet projected needs for additional municipal water supply within the service areas of New Braunfels Utilities, Goforth SUD, and the City of Lockhart.

Provide a detailed description of the proposed project. The description should include a discussion of the current service area, existing system facilities; and an adequate description of all proposed project elements (include a bulleted list of new project elements/components).: GBRA's Mid-Basin Water Supply Project (MBWSP) is a multi-phased and multi-sourced project intended to meet the immediate and projected needs of GBRA's existing customers and other entities within its statutory district.

Phase 1 of the MBWSP will produce 15,000 acft/yr of firm groundwater supply from the Carrizo Aquifer in Gonzales and Caldwell Counties using planned wells operating under current leases owned by GBRA and current permits from the Gonzales County Underground Water Conservation District held by GBRA. This groundwater will be treated in a planned water treatment plant near the well field and delivered through planned and improved existing transmission systems to make water available to contracted customers, including the cities of New Braunfels and Lockhart and the Goforth Special Utility District.

Phase 2 of the MBWSP is planned to deliver an additional firm supply of 27,000 acft/yr based on surface water diversions from the Guadalupe Rivernear Gonzales under Water Use Permit #12378 pending before the Texas Commission on Environmental Quality. Interruptible run-of-river diversions under this permit will be made firm using aquifer storage &recovery (ASR) and/or off channel reservoir storage. Major project components planned for this phase of the MBWSP include river intake & pump station, raw water transmission, off-channel reservoir storage, treatment, aquifer storage &recovery (ASR), and treated water transmission facilities. These new supplies are expected to meet projected needs within Caldwell, Comal, Gonzales, Guadalupe, and Hays

Counties.

### Water Made Available

New Supply: 15,000 (acre-feet/year)/\$165,574,999 (capital cost)

New Conservation Savings: 0 (acre-feet/year)/\$0 (capital cost)

New Reuse Supply: 0 (acre-feet/year)/\$0 (capital cost)

Maintenance of Current Supply: 0 (acre-feet/year)/\$0 (capital cost)

### **SWIFT**

SWIFT Funding Type Deferred: \$12035000.00

Low Interest Loan: \$36905000.00 Board Participation: \$116635000.00

Is this request for multi-year funding or phased commitments?: Y

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.: Y

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.: Y

### **Projected GBRA SWIRFT Closing Dates and Amounts\***

	Projected Closing  Date*	Deferred*	Low Interest*	Board Participation*	Projected Total*
2018	November 2018	\$ 12,035,000	\$ 11,625,000	\$ 34,270,000	\$ 57,930,000
2020	November 2020**	\$ -	\$ 10,470,000	\$ 33,345,000	\$ 43,815,000
2021	November 2021**	\$ -	\$ 14,810,000	\$ 49,020,000	\$ 63,830,000
Total		\$ 12,035,000	\$ 36,905,000	\$ 116,635,000	\$ 165,575,000

<sup>\*</sup> Preliminary, subject to change.

<sup>\*\*</sup> Should the TWDB do spring bond sales for the SWIRFT in the future, GBRA would be interested in having the opportunity to potentially participate.

RESOLUTION AUTHORIZING THE ISSUANCE OF \$ AGGREGATE PRINCIPAL AMOUNT OF GUADALUPE-BLANCO RIVER AUTHORITY CONTRACT REVENUE BONDS, SERIES 2018A AND SERIES 2018B (GONZALES CARRIZO WATER SUPPLY PROJECT); AUTHORIZING THE SALE THEREOF TO THE TEXAS WATER DEVELOPMENT BOARD THROUGH ITS STATE WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM (SWIFT); AUTHORIZING THE GENERAL MANAGER/CEO THE EXECUTIVE MANAGER OF FINANCE AND ADMINISTRATION/CFO TO APPROVE ALL FINAL TERMS OF THE BONDS; APPROVING AND AUTHORIZING THE EXECUTION OF (I) A PAYING AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT FOR EACH SERIES OF BONDS, (II) A MASTER AGREEMENT WITH THE TEXAS WATER DEVELOPMENT BOARD (TWDB) RELATING TO THE TWDB (A) PROVIDING \$\_ ADDITIONAL FINANCIAL ASSISTANCE THROUGH THE TWDB'S BOARD PARTICIPATION LOAN PROGRAM UNDER THE SWIFT AND (B) RECEIVING AN OWNERSHIP INTEREST IN GBRA'S INTEREST IN THE GONZALES CARRIZO WATER SUPPLY PROJECT FOR A PERIOD OF TIME, AND (III) CONTINUING DISCLOSURE AGREEMENTS WITH CITY OF LOCKHART, NEW BRAUNFELS UTILITIES, AND GOFORTH SPECIAL UTILITY DISTRICT; APPROVING AND AUTHORIZING ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO; AND PROVIDING FOR AN IMMEDIATE EFFECTIVE DATE

DATE OF APPROVAL: SEPTEMBER 19, 2018

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New Braunfels Utilities and Goforth Special Utility District	. Exhibits G-1 - G-3

RESOLUTION AUTHORIZING THE ISSUANCE OF \$ AGGREGATE PRINCIPAL AMOUNT OF GUADALUPE-BLANCO RIVER AUTHORITY CONTRACT REVENUE BONDS, SERIES 2018A AND SERIES 2018B (GONZALES CARRIZO WATER SUPPLY PROJECT); AUTHORIZING THE SALE THEREOF TO THE TEXAS WATER DEVELOPMENT BOARD THROUGH ITS STATE WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM (SWIFT); AUTHORIZING THE GENERAL MANAGER/CEO THE EXECUTIVE MANAGER OF FINANCE AND ADMINISTRATION/CFO TO APPROVE ALL FINAL TERMS OF THE BONDS; APPROVING AND AUTHORIZING THE EXECUTION OF (I) A PAYING AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT FOR EACH SERIES OF BONDS, (II) A MASTER AGREEMENT WITH THE TEXAS WATER DEVELOPMENT BOARD (TWDB) RELATING TO THE TWDB (A) PROVIDING \$\_ ADDITIONAL FINANCIAL ASSISTANCE THROUGH THE TWDB'S BOARD PARTICIPATION LOAN PROGRAM UNDER THE SWIFT AND (B) RECEIVING AN OWNERSHIP INTEREST IN GBRA'S INTEREST IN THE GONZALES CARRIZO WATER SUPPLY PROJECT FOR A PERIOD OF TIME, AND (III) CONTINUING DISCLOSURE AGREEMENTS WITH CITY OF LOCKHART, NEW BRAUNFELS UTILITIES, AND GOFORTH SPECIAL UTILITY DISTRICT; APPROVING AND AUTHORIZING ALL OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO; AND PROVIDING FOR AN IMMEDIATE EFFECTIVE DATE

STATE OF TEXAS : GUADALUPE-BLANCO RIVER AUTHORITY :

WHEREAS, the GUADALUPE-BLANCO RIVER AUTHORITY ("GBRA") is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to the provisions of Chapter 75, Acts of the 43rd Legislature, First Called Session, 1933, as amended (the "GBRA Act"); and

WHEREAS, Section 1 of the GBRA Act provides that "the creation of the District is hereby determined to be essential to the accomplishment of the purposes of Section 59 of Article 16 of the Constitution of the State of Texas, including (to the extent hereinafter authorized) the control, storing, preservation and distribution of storm and flood waters, the waters of rivers and streams, including the Guadalupe and Blanco Rivers and their tributaries for irrigation, power, and all other useful purposes, the reclamation and irrigation of arid, semiarid and other lands needing irrigation, the reclamation and drainage of overflowed lands, and other lands needing drainage (but not to reclaim or drain coastal wetlands or inland marshes), the conservation and development of the forests, water and hydro-electric power of the State of Texas and the navigation of inland waters, and the preservation and conservation of all such natural resources of the State are hereby declared public rights and duties of the District" (emphasis added); and

- (i) Section 2(a) thereof authorizes GBRA to "control, store and preserve, within or adjoining the boundaries of the District, the waters of any rivers and streams, including the waters of the Guadalupe and Blanco Rivers and their tributaries, for all useful purposes, and to use, distribute and sell the same, within the boundaries of the District, for any such purposes";
- (ii) Section 2(c) thereof authorizes GBRA to "acquire water, water supply facilities and conservation storage capacity within or without the District from any person, including the State or any of its agencies and subdivisions and the United States of America and any of its agencies and subdivisions";
- (iii) Section 2(1) thereof authorizes GBRA to "acquire by purchase, lease, gift or in any other manner (otherwise than by condemnation)<sup>1</sup> and to maintain, use and operate any and all property of any kind, real, personal, or mixed, or any interest therein, within or without the boundaries of the District, necessary or convenient to the exercise of the powers, rights, privileges and functions conferred upon it by this Act";
- (iv) Section 2(p) thereof authorizes GBRA to "construct, extend, improve, maintain, and reconstruct, to cause to be constructed, extended, improved, maintained, and reconstructed, and to use and operate, any and all facilities of any kind necessary or convenient to the exercise of such powers, rights, privileges and functions";
- (iv) Section 2(v) thereof authorizes GBRA to "make contracts and to execute instruments necessary or convenient to the exercise of the powers, rights, privileges, and functions conferred upon it by this Act or General Law for such term and with such provisions as the Board hereinafter referred to may determine to be in the best interest of the District, including, without in any way limiting the generality of the foregoing, contracts with persons, including the State of Texas, the United States of America and any corporation or agency thereof and districts, cities, towns, persons, organizations, associations, firms, corporations, entities or others, as such Board may deem necessary or proper for, or in connection with, any corporate purpose to provide for the construction, acquisition, ownership, financing, operation, maintenance, sale, leasing to or from, or other use or disposition of any facilities authorized to be developed, preserved, conserved, acquired, or constructed under this Act or General Law, including any improvements, structures, facilities, equipment and all other property of any kind in connection therewith and any lands, leaseholds, easements and any interest in any of the foregoing"; and
- (v) Section 2(x) thereof authorizes GBRA to "borrow money for its corporate purposes and, without limitation of the generality of the foregoing, to borrow money and accept grants from persons, including the State of Texas, the United States of America, or from any corporation or agency created or designated by the State of Texas or the United States of America, and, in connection with any such loan or

<sup>&</sup>lt;sup>1</sup>The power to condemn property is granted by Section 2(m) of the GBRA and other applicable state law.

grant, to enter into such agreements as the State of Texas or the United States of America or such corporations or agency may require; and to make and issue its negotiable bonds or notes for moneys borrowed, in the manner and to the extent provided in this Act, and to refund or refinance any outstanding bonds or notes and to make and issue its negotiable bonds or notes thereof in the manner and to the extent provided in this Act. Nothing in this Act shall authorize the issuance of any bonds, notes, or other evidences of indebtedness of the District, except as specifically provided in this Act, and no issuance of bonds, notes, or other evidences of indebtedness of the District shall ever be authorized except by this Act or General Law; and

WHEREAS, the Board of Directors previously has found, and hereby confirms, that there is an urgent need to plan, design, acquire, construct and equip a new groundwater supply project, known generally as the "Gonzales Carrizo Water Supply Project," which primarily consists of the acquisition of groundwater leases for the Carrizo Aquifer water in Gonzales and Caldwell counties, and the construction and equipping of facilities to pump, treat, and convey groundwater in and from Gonzales and Caldwell counties, including but not limited to water treatment plant(s) and associated facilities, and facilities to convey treated water through and to Gonzales, Guadalupe, Caldwell, Hays, and Comal counties, as well as storage and blending facilities, and other facilities necessary or desirable for the supply of treated water to GBRA customers (the "Gonzales Carrizo Water Supply Project"); and

**WHEREAS**, on November 15, 2017, GBRA issued and delivered \$31,140,000 in principal amount of its *General Improvement Subordinate Lien Revenue Bonds*, *Series 2017*, the proceeds of which were used to provide interim financing to acquire certain water rights and other assets related to the development of the Gonzales Carrizo Water Supply Project; and

WHEREAS, GBRA and the Alliance Regional Water Authority ["Alliance," which was formerly known as the Hays Caldwell Public Utility Agency and is comprised of the cities of San Marcos, Kyle, and Buda, and the Canyon Regional Water Authority (which represents County Line Special Utility District, Crystal Clear Water Supply Corporation, Green Valley Special Utility District, and Martindale Water Supply Corporation)] have entered into a Regional Water Treatment and Distribution Agreement, dated as of \_\_\_\_\_\_\_\_\_\_, 2018 (the "Regional Agreement") pursuant to which, among other things:

- (i) Alliance will own the property interests in the "Project Facilities" (generally defined and described in the Regional Agreement as the water treatment plant and those water transmission lines, pump stations, metering equipment, piping, control devices, systems and appurtenances at delivery points, and other associated improvements to be used for the purpose of (a) receiving untreated groundwater from both parties in a volume, rate, and quality set forth in the Regional Agreement, and (b) delivering treated water to each party at the locations, volume, rate, and quality set forth in the Regional Agreement);
- (ii) Alliance will own the property interests in the Project Facilities and any improvements to the Project Facilities;

- (iii) GBRA will own capacity in the Project Facilities in the amount set forth in the Regional Agreement (which will be reflected in an easement in the pipeline);
- (iv) GBRA and Alliance will have an undivided joint ownership in the real property interests and in any and all easements and sites in, over, under, and upon which all Project Facilities are or may be located; and
- (v) GBRA and Alliance each will issue bonds to fund their proportional costs of the Project Facilities based on each party's ownership capacity; and

**WHEREAS**, as of the date of passage of this Resolution, GBRA has entered into water supply agreements with three public entities for the purpose of selling and delivering annually up to 15,000 acre feet of treated water through the Gonzales Carrizo Water Supply Project, which agreements are further described as follows:

Gonzales Carrizo Treated Water Supply Agreement By and Between the Guadalupe-Blanco River Authority and New Braunfels Utilities, effective as of February 6, 2018;

Gonzales Carrizo Treated Water Supply Agreement By and Between the Guadalupe-Blanco River Authority and City of Lockhart, effective as of February 13, 2018; and

Gonzales Carrizo Treated Water Supply Agreement By and Between the Guadalupe-Blanco River Authority and Goforth Special Utility District, effective as of February 21, 2018; and

WHEREAS, the water supply agreements described above, together with similar agreements that may be entered into after the date of passage of this Resolution by GBRA with other public or private entities for the purpose of supplying treated water from the Gonzales Carrizo Water Supply Project on a wholesale basis, are collectively referred to herein as the "Water Supply Agreements"; and

**WHEREAS**, the three public entities with whom GBRA has entered into the Water Supply Agreements described above, together with any other entity with whom GBRA may enter into a similar Water Supply Agreement to receive treated water from the Gonzales Carrizo Water Supply Project, are referred to herein, and defined in Section 7 hereof, as the "**Participants**"; and

WHEREAS, on April 18, 2018, the Board of Directors of GBRA authorized the submission of an application (the "Application") to the TEXAS WATER DEVELOPMENT BOARD (the "Texas Water Development Board" or the "TWDB"), pursuant to which GBRA requested financial assistance in the aggregate amount of up to \$\_\_\_\_\_\_ from the TWDB's State Water Implementation Fund for Texas ("SWIFT") program to finance GBRA's portion of the costs to plan, design, acquire, construct and equip the Gonzales Carrizo Water Supply Project, which has been identified by the TWDB as Project No. \_\_\_\_\_; and

WHEREAS, the TWDB reviewed the Application and, pursuant to Resolution No. 18—adopted on July \_\_\_, 2018 (the "TWDB Resolution"), approved a commitment to provide financial assistance to GBRA for GBRA's portion of the costs of the Gonzales Carrizo Water Supply Project by committing to (i) purchase up to (a) \$\_\_\_\_\_\_\_ in aggregate principal amount of GBRA's Contract Revenue Bonds, Series 2018A (Gonzales Carrizo Water Supply Project) (herein referred to, and defined in Section 7 hereof, as the "Series 2018A Bonds"), and (b) \$\_\_\_\_\_\_\_ in aggregate principal amount of GBRA's Contract Revenue Bonds, Series 2018B (Gonzales Carrizo Water Supply Project) (herein referred to, and defined in Section 7 hereof, as the "Series 2018B Bonds"), and (ii) enter into a Board Participation Master Agreement with GBRA (the "2018 Board Participation Master Agreement") to provide up to \$\_\_\_\_\_\_ of additional funds as "Board participation" under the SWIFT to finance excess future capacity through the SWIFT program and pursuant to which the TWDB will take a temporary ownership interest in GBRA's capacity in the Gonzales Carrizo Water Supply Project; and

*WHEREAS*, the Series 2018A Bonds will be purchased by the TWDB and will constitute a "deferred loan" provided by the TWDB through the SWIFT program and pursuant to which the TWDB will defer the payment of principal and interest for a period of time; and

**WHEREAS**, the Series 2018B Bonds will be purchased by the TWDB and will constitute a "low-interest loan" being provided by the TWDB and pursuant to which the TWDB will provide interest rate subsidies; and

**WHEREAS**, in order to fund GBRA's portion of the Gonzales Carrizo Water Supply Project, the Board of Directors of GBRA finds and declares a public purpose and deems it advisable and in the best interests of GBRA to issue the Series 2018A Bonds and the Series 2018B Bonds (defined collectively in Sections 2 and 7 herein as the "**Series 2018 Bonds**") payable from and secured by a lien on and pledge of certain revenues received by GBRA from the Participants (as further described and defined herein as the "**Pledged Revenues**"), and to enter into the Board Participation Master Agreement to be equally and ratably secured with a pledge of the Pledged Revenues; and

**WHEREAS**, the Water Supply Agreements with the various Participants require the Participants to pay, among other charges, generally on a pro rata basis, all operation, maintenance and administrative expenses related to the Gonzales Carrizo Water Supply Project and all debt service related to bonds and other obligations issued or entered into by GBRA to finance the acquisition, construction and equipping of the Gonzales Carrizo Water Supply Project; and

WHEREAS, Section 10 of the GBRA Act provides that "[a]ny and every indebtedness, liability or obligation of the District, for the payment of money, however entered into or incurred, and whether arising from contract, implied contract or otherwise, shall be payable (1) out of the revenues received by the District in respect to its properties, subject to any prior lien thereon conferred by any resolution or resolutions theretofore adopted as in this Act provided, authorizing the issuance of bonds or (2), if the Board shall so determine, out of the proceeds of sale by the District of bonds payable solely from such revenues"; and

WHEREAS, GBRA is authorized by Section 11(c) of the GBRA Act to pledge to the payment of the principal of and the interest on bonds "all or any part of the gross or net revenues thereafter received by the District in respect of the property, real, personal or mixed, to be acquired and/or constructed with such bonds or the proceeds thereof, or all or any part of the gross or net revenues thereafter, received by the District from whatever source derived"; and

*WHEREAS*, in order to provide for the payment of debt service expenses in the manner, and for the period of time, described above, the Board of Directors deems it necessary to pledge (i) certain revenues derived from the Water Supply Agreements with the Participants; and

*WHEREAS*, the bonds hereinafter authorized and designated are to be issued and delivered pursuant to the GBRA Act, Chapter 1371, Texas Government Code, as amended, and other applicable laws, and the 2018 Board Participation Master Agreement is to be executed and delivered pursuant to the GBRA Act and other applicable laws; and

**WHEREAS**, it is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code;

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GUADALUPE-BLANCO RIVER AUTHORITY, THAT:

# SECTION 1. AMOUNT AND PURPOSE OF THE SERIES 2018 BONDS; DELEGATION OF FINAL TERMS TO A DESIGNATED OFFICER.

(a) Amount and Purpose. The bond or bonds of GBRA, which are to be purchased by the Texas Water Development Board pursuant to its SWIFT program and which are further described in this Resolution, are hereby authorized to be issued and delivered in the aggregate principal amount as designated by the General Manager/CEO and/or the Executive Manager of Finance and Administration/CFO of GBRA (each a "Designated Officer") pursuant to the provisions of Section 1(b) of this Resolution FOR THE PURPOSE OF (I) PLANNING, DESIGNING, ACQUIRING, CONSTRUCTING AND EQUIPPING A NEW GROUNDWATER SUPPLY PROJECT, KNOWN GENERALLY AS THE "GONZALES CARRIZO WATER SUPPLY PROJECT" (WHICH PRIMARILY CONSISTS OF THE ACQUISITION OF GROUNDWATER LEASES FOR THE CARRIZO AQUIFER WATER IN GONZALES AND CALDWELL COUNTIES, AND THE CONSTRUCTION AND EQUIPPING OF FACILITIES TO PUMP, TREAT, AND CONVEY GROUNDWATER IN AND FROM GONZALES AND CALDWELL COUNTIES, INCLUDING BUT NOT LIMITED TO WATER TREATMENT PLANT(S) AND ASSOCIATED FACILITIES, AND FACILITIES TO CONVEY TREATED WATER THROUGH AND TO GONZALES, GUADALUPE, CALDWELL, HAYS, AND COMAL COUNTIES, AS WELLAS STORAGE AND BLENDING FACILITIES, AND OTHER FACILITIES NECESSARY OR DESIRABLE FOR THE SUPPLY OF TREATED WATER TO GBRA CUSTOMERS) AND PERMANENTLY FINANCING CERTAIN WATER RIGHTS AND OTHER ASSETS RELATING TO SUCH PROJECT ACQUIRED WITH INTERIM FINANCING; (II) PAYING THE LEGAL, FISCAL AND ENGINEERING FEES IN CONNECTION WITH SUCH PROJECT; (III) FUNDING A DEBT SERVICE RESERVE FUND; (IV) PROVIDING FUNDS TO PAY CAPITALIZED

# INTEREST AND CERTAIN OPERATING COSTS DURING THE CONSTRUCTION PERIOD; AND (V) PAYING COSTS OF ISSUANCE.

(b) <u>Delegation of Final Terms</u> . As authorized by Section 1371.053(c)(2), Texas Government
Code, each Designated Officer, acting individually or in combination with another Designated
Officer, is hereby authorized, appointed, and designated as an officer of GBRA authorized to act on
behalf of GBRA to effect the sale of the Series 2018 Bonds and to establish the terms and details
related to the issuance and sale of the Series 2018 Bonds including the total aggregate principal
amount of Series 2018 Bonds to be issued (but in no event to exceed an aggregate of \$),
the price at which the Series 2018 Bonds will be sold (but in no event shall the Series 2018 Bonds
be sold at a price less than 100% of the principal amount of the Series 2018 Bonds), the date of the
Series 2018 Bonds, the aggregate principal amount of each maturity thereof, the due date of each
maturity (but in no event later than, 20), the rate of interest to be borne on the
principal amount of each such maturity (but in no event to exceed a net effective interest rate for all
of the Series 2018A Bonds and all of the Series 2018B Bonds of% and%, respectively,
per annum), the interest payment periods, the dates, price and terms upon and at which the Series
2018 Bonds shall be subject to any optional or mandatory sinking fund redemption provisions for
any maturity, and all other matters relating to the issuance, sale and delivery of the Series 2018
Bonds. Each Designated Officer, acting individually or in combination with another Designated
Officer for and on behalf of GBRA, is further authorized to (i) complete and attach <i>Exhibit A</i> of this
Resolution, and (ii) revise and complete the FORM OF SERIES 2018 BOND set forth in Section
6 of this Resolution with the final terms of the Series 2018 Bonds approved pursuant to the authority
granted herein.

- (c) <u>Determination Required by Section 1201.022(a)(3)</u>, <u>Texas Government Code</u>. In satisfaction of Section 1201.022(a)(3), Texas Government Code, the Board of Directors hereby determines that the delegation of the authority to each Designated Officer to approve the final terms of the Series 2018 Bonds set forth in this Resolution is, and the decisions made by a Designated Officer pursuant to such delegated authority and incorporated in <u>Exhibit A</u> will be, in GBRA's best interests, and each Designated Officer is hereby authorized to make and include in <u>Exhibit A</u> an appropriate finding to that effect.
- (d) <u>Expiration of Delegation Authority</u>. The authority delegated to a Designated Officer pursuant to Sections 1(b) and (c) above shall expire on November 30, 2018.

SECTION 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, AND MATURITIES OF THE SERIES 2018 BONDS. Each Series 2018A Bond issued pursuant to this Resolution shall be designated GUADALUPE-BLANCO RIVER AUTHORITY CONTRACT REVENUE BONDS, SERIES 2018A (GONZALES CARRIZO WATER SUPPLY PROJECT), and each Series 2018B Bond issued pursuant to this Resolution shall be designated GUADALUPE-BLANCO RIVER AUTHORITY CONTRACT REVENUE BONDS, SERIES 2018B (GONZALES CARRIZO WATER SUPPLY PROJECT), and initially there shall be issued, sold, and delivered hereunder one fully registered bond for each Series, without interest coupons, dated as of the date approved by the Designated Officer and set forth in *Exhibit A* attached hereto, in the respective denominations and principal amounts and on the respective dates approved by the Designated Officer and as set forth in *Exhibit A* attached

hereto, numbered T-1 (individually, the "*Initial Bond*" and collectively, the "*Initial Bonds*"), with the bonds issued in replacement thereof being in denominations of \$5,000 or any integral multiple thereof and numbered consecutively from R-1 upward, and payable to the respective initial registered owner thereof (with the Initial Bond for each Series payable to the *Texas Water Development Board*), or to the registered assignee or assignees of said bonds or any portion or portions thereof (in each case, the "*Registered Owner*"). The terms "*Series 2018A Bonds*" and "*Series 2018B Bonds*" as used in this Resolution shall mean and include, collectively, the Initial Bond for such respective Series initially issued and delivered pursuant to this Resolution and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the terms "*Series 2018A Bond*" and "*Series 2018B Bonds*" shall mean any of the Series 2018A Bonds are substituted to Series 2018B Bonds, respectively. The term "*Series 2018 Bonds*" as used in this Resolution shall collectively mean and include the Series 2018A Bonds and the Series 2018B Bonds, and the term "*Series 2018 Bond*" shall mean any of the Series 2018 Bonds.

**SECTION 3. INTEREST.** The Series 2018 Bonds scheduled to mature during the years set forth in *Exhibit A* shall bear interest calculated on the basis of a 360 day year composed of twelve 30-day months from the date specified in *Exhibit A* to their respective dates of maturity or redemption prior to maturity at the rates set forth in *Exhibit A*. Said interest shall be payable in the manner provided and on the dates stated in *Exhibit A*.

**SECTION 4. REDEMPTION.** The Series 2018 Bonds are subject to redemption as set forth in *Exhibit A* hereof.

SECTION 5. CHARACTERISTICS OF THE SERIES 2018 BONDS. (a) Registration, Transfer, and Exchange; Authentication. GBRA shall keep or cause to be kept at the designated corporate trust or commercial banking office (initially located in Austin, Texas) of BOKF, NA (the "Paying Agent/Registrar") books or records for the registration of the transfer and exchange of the Series 2018 Bonds (the "Registration Books"), and GBRA hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as GBRA and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. Attached hereto as Exhibit B-1 and Exhibit B-2 are a copy of the Paying Agent/Registrar Agreement between GBRA and the Paying Agent/Registrar relating to the Series 2018A Bonds and the Series 2018B Bonds, respectively, which are hereby approved in substantially final form, and the Chair, Vice Chair and Secretary/Treasurer of the Board of Directors of GBRA are hereby authorized to execute the Paying Agent/Registrar Agreements and approve any changes in the final form thereof.

The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of each Series 2018 Bond to which payments with respect to the Series 2018 Bonds shall be mailed, as herein provided; but it shall be the duty of each Registered Owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Series 2018 Bonds shall be made within three business days after request and presentation thereof. GBRA shall have the right to

inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, exchange and delivery of a substitute Series 2018 Bond or Series 2018 Bonds shall be paid as provided in the FORM OF SERIES 2018 BOND set forth in this Resolution. Registration of assignments, transfers and exchanges of Series 2018 Bonds shall be made in the manner provided and with the effect stated in the FORM OF SERIES 2018 BOND set forth in this Resolution. Each substitute Series 2018 Bond shall bear a letter and/or number to distinguish it from each other Series 2018 Bond.

Except as provided in (c) below, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Series 2018 Bond, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Series 2018 Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Series 2018 Bonds and Series 2018 Bonds surrendered for transfer and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of GBRA or any other body or person so as to accomplish the foregoing transfer and exchange of any Series 2018 Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Series 2018 Bonds in the manner prescribed herein, and said Series 2018 Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Chapter 1201, Texas Government Code, and particularly Subchapter D and Section 1201.067 thereof, the duty of transfer and exchange of the Series 2018 Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the transferred and exchanged Series 2018 Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Series 2018 Bonds which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

- (b) <u>Payment of Series 2018 Bonds and Interest</u>. GBRA hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Series 2018 Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by GBRA and the Paying Agent/Registrar with respect to the Series 2018 Bonds.
- (c) In General. The Series 2018 Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Series 2018 Bonds to be payable only to the Registered Owners thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by GBRA at least 50 days prior to any such redemption date), (iii) may be transferred and assigned, (iv) may be exchanged for other Series 2018 Bonds, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Series 2018 Bonds shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and GBRA shall have certain duties and responsibilities with respect to the Series 2018 Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF SERIES 2018 BOND set forth in this Resolution. The Initial

Bond is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Series 2018 Bond issued in exchange for the Initial Bond issued under this Resolution the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF SERIES 2018 BOND. In lieu of the executed Paying Agent/Registrar's Authentication Certificate described above, the Initial Bond delivered on the closing date (as further described in subparagraph (i) below) shall have attached thereto the Comptroller's Registration Certificate substantially in the form set forth in the FORM OF SERIES 2018 BOND below, manually executed by the Comptroller of Public Accounts of the State of Texas or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of GBRA, and has been registered by the Comptroller.

- (d) Substitute Paying Agent/Registrar. GBRA covenants with the Registered Owners of the Series 2018 Bonds that at all times while the Series 2018 Bonds are outstanding GBRA will provide a competent and legally qualified bank, trust company, financial institution, or other agency with trust powers to act as and perform the services of Paying Agent/Registrar for the Series 2018 Bonds under this Resolution, and that the Paying Agent/Registrar will be one entity and shall be an entity registered with the Securities and Exchange Commission. GBRA reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, GBRA covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Series 2018 Bonds, to the new Paying Agent/Registrar designated and appointed by GBRA. Upon any change in the Paying Agent/Registrar, GBRA promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Registered Owner of the Series 2018 Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.
- (e) <u>Book-Entry Only System for Series 2018 Bonds</u>. Upon initial issuance, the ownership of each Series 2018 Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("*DTC*"), and except as provided in subsection (i) hereof, all of the outstanding Series 2018 Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Series 2018 Bonds registered in the name of Cede & Co., as nominee of DTC, the GBRA and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("*DTC Participant*") to hold securities to facilitate

the clearance and settlement of securities transaction among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Series 2018 Bonds. Without limiting the immediately preceding sentence, the GBRA and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Series 2018 Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner of the Series 2018 Bonds, as shown on the Registration Books, of any notice with respect to the Series 2018 Bonds, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner of Series 2018 Bonds, as shown in the Registration Books of any amount with respect to principal of or interest on the Series 2018 Bonds. Notwithstanding any other provision of this Resolution to the contrary, the GBRA and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Series 2018 Bond is registered in the Registration Books as the absolute owner of such Series 2018 Bond for the purpose of payment of principal and interest with respect to such Series 2018 Bond, for the purpose of registering transfers with respect to such Series 2018 Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Series 2018 Bonds only to or upon the Resolution of the Registered Owners, as shown in the Registration Books as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the GBRA's obligations with respect to payment of principal of and interest on the Series 2018 Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Series 2018 Bond certificate evidencing the obligation of the GBRA to make payments of principal and interest pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks being mailed to the Registered Owner at the close of business on the Record Date, the words "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

(f) Successor Securities Depository; Transfers Outside Book-Entry Only Systems. In the event that the GBRA determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the GBRA to DTC or that it is in the best interest of the beneficial owners of the Series 2018 Bonds that they be able to obtain certificated Series 2018 Bonds, the GBRA shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Series 2018 Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Series 2018 Bonds and transfer one or more separate Series 2018 Bonds to DTC Participants having Series 2018 Bonds credited to their DTC accounts; provided, however, in no event shall GBRA discontinue the use of DTC as the securities depository for the Series 2018 Bonds and appoint a successor securities depository in accordance with the preceding provisions without prior notice and consent of the Texas Water Development Board for so long as the Texas Water Development Board is the holder of any of the Series 2018 Bonds. In such event, the Series 2018 Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Series 2018 Bonds shall designate, in accordance with the provisions of this Resolution. Notwithstanding the foregoing, so long as the Texas Water Development Board is the registered owner of any of the Series 2018 Bonds, GBRA shall not discontinue the book-entry-only system with DTC without written notice to and consent from the Texas Water Development Board or its authorized representative.

- (g) <u>Payments to Cede & Co.</u> Notwithstanding any other provision of this Resolution to the contrary, so long as any Series 2018 Bond is registered in the name of Cede & Co., as nominee for DTC, all payments with respect to principal of and interest on such Series 2018 Bond and all notices with respect to such Series 2018 Bond shall be made and given, respectively, in the manner provided in the representation letter of the GBRA to DTC.
- (h) <u>DTC Letter of Representation</u>. The officers of the GBRA are herein authorized for and on behalf of the GBRA and as officers of the GBRA to enter into one or more Letters of Representation with DTC establishing the book-entry only system with respect to the Series 2018 Bonds.
- (i) <u>Delivery of Initial Bonds</u>. On the closing date, one Initial Bond for the Series 2018A Bonds (the "*Initial Series 2018A Bond*") and one Initial Bond for the Series 2018B Bonds (the "*Initial Series 2018B Bond*") representing the entire principal amount for each respective series, payable in stated installments to the initial Registered Owner (i.e., the *Texas Water Development Board*), executed by manual or facsimile signature of the Chair and Secretary/Treasurer of GBRA, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the initial purchaser or its designee. The Initial Series 2018A Bond and the Initial Series 2018B Bond shall be referred hereto collectively as the "Initial Bonds." Upon payment for the Initial Series 2018A Bond and the Initial Series 2018B Bond, the Paying Agent/Registrar shall cancel such Initial Bonds and deliver to the initial Registered Owner or its designee (i) one registered definitive Series 2018A Bond for each year of maturity of the Series 2018A Bonds, in the aggregate principal amount of all of the Series 2018B Bonds for such maturity, and (ii) one registered definitive Series 2018B Bond for each year of maturity of the Series 2018B Bonds, in the aggregate principal amount of all of the Series 2018B Bonds for such maturity.

**SECTION 6. FORM OF SERIES 2018 BONDS.** The form of the Series 2018 Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas (to be attached only to the Initial Series 2018A Bond and the Initial Series 2018B Bond initially issued and delivered pursuant to this Resolution to the initial purchaser named in the executed Purchase Contract), shall be, respectively, substantially as follows, with such appropriate variations, omissions, insertions, or completions as are permitted or required by this Resolution.

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### **FORM OF SERIES 2018 BONDS**

R-		PRINCIPAL
		<b>AMOUNT</b>
	UNITED STATES OF AMERICA	<b>\$</b>

## STATE OF TEXAS **GUADALUPE-BLANCO RIVER AUTHORITY** CONTRACT REVENUE BONDS, [SERIES 2018A] [SERIES 2018B]

(GONZALES CARRIZO WATER SUPPLY PROJECT) **INTEREST RATE MATURITY DATE** DATE OF SERIES **CUSIP NO.** % November 1, 2018\_ **REGISTERED OWNER: PRINCIPAL AMOUNT: DOLLARS** ON THE MATURITY DATE SPECIFIED ABOVE, the GUADALUPE-BLANCO RIVER AUTHORITY (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the \_\_\_\_, 2018] OR [the date of delivery of this Bond to the initial purchaser (as such date is

"Registered Owner") the principal amount set forth above, and to pay interest thereon from shown on the "Registration Books" maintained by the "Paying Agent/Registrar", which terms are hereinafter defined)] until the earlier of the Maturity Date specified above or the date of redemption prior to maturity, at the Interest Rate per annum specified above, with interest being payable on each \_\_\_\_\_, and \_\_\_\_, thereafter; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON THIS BOND are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity, or upon the date fixed for its redemption prior to maturity, at the designated offices of \_\_\_\_\_, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the [15<sup>th</sup>] [last business] day of the month next preceding such date (the "*Record Date*") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar (unless the redemption date is a regular semi-annual interest payment date in which case interest shall be paid in the normal course). The Issuer covenants with the Registered Owner of this Bond that on or before each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

**NOTWITHSTANDING THE FOREGOING**, as long as the Texas Water Development Board is the owner of this Bond, payment of principal on this Bond shall be made by wire transfer to the Texas Water Development Board and at no cost to the Texas Water Development Board.

IF THE DATE FOR THE PAYMENT of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND IS ONE OF A SERIES OF BONDS dated as of November 1, 2018, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$\_\_\_\_\_\_\_ FOR THE PURPOSE OF (I) PLANNING, DESIGNING, ACQUIRING, CONSTRUCTING AND EQUIPPING A NEW GROUNDWATER SUPPLY PROJECT, KNOWN GENERALLY AS THE "GONZALES CARRIZO WATER SUPPLY PROJECT" (WHICH PRIMARILY CONSISTS OF THE ACQUISITION OF GROUNDWATER LEASES FOR THE CARRIZO AQUIFER WATER IN GONZALES AND CALDWELL COUNTIES, AND THE CONSTRUCTION AND EQUIPPING OF FACILITIES TO PUMP, TREAT, AND CONVEY GROUNDWATER IN AND FROM GONZALES AND CALDWELL COUNTIES, INCLUDING

BUT NOT LIMITED TO WATER TREATMENT PLANT(S) AND ASSOCIATED FACILITIES, AND FACILITIES TO CONVEY TREATED WATER THROUGH AND TO GONZALES, GUADALUPE, CALDWELL, HAYS, AND COMAL COUNTIES, AS WELLAS STORAGE AND BLENDING FACILITIES, AND OTHER FACILITIES NECESSARY OR DESIRABLE FOR THE SUPPLY OF TREATED WATER TO CUSTOMERS OF THE ISSUER) AND PERMANENTLY FINANCING CERTAIN WATER RIGHTS AND OTHER ASSETS RELATING TO SUCH PROJECT ACQUIRED WITH INTERIM FINANCING; (II) PAYING THE LEGAL, FISCAL AND ENGINEERING FEES IN CONNECTION WITH SUCH PROJECT; (III) FUNDING A DEBT SERVICE RESERVE FUND; (IV) PROVIDING FUNDS TO PAY CAPITALIZED INTEREST AND CERTAIN OPERATING COSTS DURING THE CONSTRUCTION PERIOD; AND (V) PAYING COSTS OF ISSUANCE.

[The following two paragraphs will be completed and may be modified to conform to the final terms of the Series 2018A Bonds and the Series 2018B Bonds set forth in <a href="Exhibit A"><u>Exhibit A</u></a>]

ON \_\_\_\_\_\_, 20\_\_\_, OR ON ANY DATE THEREAFTER, the Bonds of this Series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part (and, if in part, the Bonds shall be redeemed in inverse order of maturity, and if less than all the Bonds of a particular maturity are to be redeemed, the Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot, provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price equal to par plus accrued interest to the date fixed for redemption.

AT LEAST 30 DAYS PRIOR to the date fixed for redemption of Bonds prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date. The notice with respect to an optional redemption may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the Issuer retains the right to rescind such notice at any time prior to the scheduled redemption date if the Issuer delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is so rescinded. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is mailed and if due provision for such payment is made, all as provided above, the Bonds which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price plus accrued interest from the Paying Agent/Registrar out of the funds provided for such payment.

THIS BOND MAY BE ASSIGNED and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond to the assignee in whose name this Bond is to be transferred and registered. The form of Assignment printed on this Bond shall be executed by the Registered Owner, or its duly authorized attorney or representative, to evidence the assignment hereof. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond called for redemption prior to maturity, within 45 days prior to its redemption date. The Registered Owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/ Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

IN THE EVENT ANY PAYING AGENT/REGISTRAR for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY CERTIFIED, RECITED, AND COVENANTED that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation of the Issuer, and that the interest on and principal of this Bond, together with all "Parity Obligations" and any "Additional Parity Obligations" (as such terms are defined and described in the Resolution) currently or hereafter issued by the Issuer (including specifically the payment obligations of the Issuer set forth in the "2018 Board Participation Master Agreement" as defined in the Resolution), as such interest comes due, and as such principal matures, are payable from and secured by a first and prior lien on and pledge of the "Pledged Revenues" (as defined and described in the Resolution), which primarily consists of the "Gross Contract Revenues" (as defined in the Resolution) derived by the Issuer from various entities (defined in the Resolution, and referred to herein, as the "Participants") pursuant to the "Water Supply Agreements" (as defined in the Resolution) related to the Gonzales Carrizo Water Supply Project, as such Water Supply Agreements may be amended pursuant to their respective terms.

**THE REGISTERED OWNER HEREOF** shall never have the right to demand payment of this Bond out of any funds raised or to be raised by taxation.

**THE ISSUER HAS RESERVED THE RIGHT**, subject to the restrictions stated in the Resolution, to issue "Additional Parity Obligations" which also may be secured by and payable from a first lien on and pledge of the Pledged Revenues on a parity and of equal dignity in all respects with this Bond.

THE ISSUER ALSO HAS RESERVED THE RIGHT to amend the Resolution with the approval of the registered owners of at least a majority in principal amount of all outstanding "Parity Obligations" (which term is defined in the Resolution and includes the Bonds and all Additional Parity Obligations issued on a parity therewith), subject to the restrictions stated in the Resolution, or without the consent of the registered owners of the Parity Obligations if each rating agency then maintaining a rating on the Parity Obligations at the request of the Issuer confirms in writing that such amendment would not cause such rating agency to withdraw or reduce its then current rating on the Parity Obligations.

BY BECOMING THE REGISTERED OWNER OF THIS BOND, the Registered Owner thereby acknowledges all of the terms and provisions of the Resolution, agrees to be bound by such terms and provisions, acknowledges that the Resolution is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Resolution constitute a contract between the Registered Owner hereof and the Issuer.

*IN WITNESS WHEREOF*, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the Chair of the Board of Directors of the Issuer and countersigned with the manual or facsimile signature of the Secretary/Treasurer of the Board of Directors of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

(signature)	(signature)	
Secretary/Treasurer, Board of Directors	Chair, Board of Directors	
(ISSUER'S SEAL)		

# \*FORM OF REGISTRATION CERTIFICATE OF THE COMPTROLLER OF PUBLIC ACCOUNTS:

### COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

(COMPTROLLER'S SEAL)

XXXXXXX

Comptroller of Public Accounts of the State of Texas

\*NOTE:

The Comptroller's Registration shall appear only on, or be attached

only to, the Bonds originally issued under this Resolution.

### FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

### PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Bond is not accompanied by an executed Registration Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Bond has been issued under the provisions of the Resolution described in the text of this Bond; and that this Bond has been issued in exchange for a Bond which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated	
	as Paying Agent/Registrar
	By
	Authorized Representative

### **FORM OF ASSIGNMENT**

### **ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Please insert Social Security or Taxpayer Identification Number of Transferee	(Please print or typewrite name and address, including zip code of Transferee)			
the within Bond and all rights thereunder,	and hereby irrevocably constitutes and appoints , attorney to			
register the transfer of the within Bond on the of substitution in the premises.	books kept for registration thereof, with full power			
Dated:				
Signature Guaranteed:				
NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.	NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.			
INITIAL BO	ND INSERTIONS			
The Initial Bond shall be in the form s	et forth above except that:			
"MATURITY DATE" shall be	Immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall be completed with the words "As shown below" and "CUSIP NO" shall be deleted.			
(B) The first paragraph shall be del	The first paragraph shall be deleted and the following shall be inserted:			
hereby promises to pay to the Registered Own called the " <i>Registered Owner</i> "), the respective interest thereon (calculated on the basis of a 36 [	TY DATES specified below, the GUADALUPE- "), being a political subdivision of the State of Texas, er specified above, or registered assigns (hereinafter e Principal Installments specified below, and to pay 0-day year composed of twelve 30-day months) from of this Bond to the initial purchaser (as such date is d by the "Paying Agent/Registrar", which terms are			

hereinafter defined)] at the respective Interest Rates per annum specified below, payable on, 2019, and on each and thereafter to the respective Maturity Dates specified below, or the date of redemption prior to maturity. The respective Maturity Dates, Principal Installments and Interest Rates for this Bond are set forth in the following schedule:					
	Maturity Date 	Principal Installment (\$)	Interest Rate (%)		
[Insert mo	aturity and interest dates	and principal and inter	rest information from <u>Exhibit A</u> ]"		
(C)	The Initial Bond shall l	be numbered "T-1."			
<b>SECTION 7. DEFINITIONS.</b> In addition to the capitalized terms which are defined in the recitals or in Section 1 through Section 5 of this Resolution, the following words and terms used in this Resolution shall have the following meanings unless the context or use indicates another meaning or intent.					
"2018 Board Participation Master Agreement" means the Board Participation Master Agreement, dated as of					
"Additional Parity Obligations" means the additional bonds, notes and other obligations which GBRA reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Sections 22 and 23 of this Resolution.					
	d Counsel" means an at selected by GBRA.	torney or firm of attor	neys nationally recognized as bond		
"Business Day" means any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in the City of New York, New York or in the city where the designated payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close.					

"Code" means the Internal Revenue Code of 1986, and any amendments thereto.

#### "Debt" means all:

- (i) indebtedness incurred or assumed by GBRA for borrowed money (including indebtedness arising under Credit Agreements) and all other financing obligations of GBRA that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet:
- (ii) other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by GBRA, or that is in effect guaranteed, directly or indirectly, by GBRA through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and
- (iii) indebtedness secured by any mortgage, lien, charge, encumbrance, pledge or other security interest upon property owned by GBRA whether or not GBRA has assumed or become liable for the payment thereof.

For the purpose of determining the "Debt" of GBRA, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements prepared by or for the benefit of GBRA in prior Fiscal Years.

"Designated Financial Officer" means the chief financial officer of GBRA, which is, at the time of adoption of this Resolution, the Executive Manager of Finance and Administration/CFO of GBRA, or such other financial or accounting official of GBRA so designated by the General Manager/CEO of GBRA.

"*Fiscal Year*" means the twelve-month period commencing on September 1 and ending on the next August 31, or such other period commencing on the date designated by GBRA and ending one year later.

"Government Obligations" means direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury Obligations such as its State and Local Government Series, which may be in book-entry form.

"Gross Contract Revenues" means, for any period, all revenues derived by GBRA from each Participant pursuant to their respective Water Supply Agreements which constitute payments relating to the payment of the following components:

- (i) the "Gonzales Carrizo Debt Service Charge" (as defined and further described in the Water Supply Agreement, which Charge relates to the payment of the principal and interest requirements on all outstanding Parity Obligations due during each Fiscal Year, plus a coverage factor not to exceed 10% of such requirements);
- (ii) the "Gonzales Carrizo Water Charge" [as defined and further described in the Water Supply Agreements, which Charge relates to the rate per acre-foot of treated water determined by the Board of Directors of GBRA to then be in effect for the commitment of capacity in the Gonzales Carrizo Water Supply Project and which shall be sufficient to cover "Groundwater Lease Payments," the "District Fees," and the fixed "Operation, Maintenance, and Administrative Expenses" of the Gonzales Carrizo Water Supply Project (as such capitalized terms are defined in the Water Supply Agreement)], as those payments, fees, and expenses are incurred; and
- (iii) the "Gonzales Carrizo Delivery Charge" [as defined and further described in the Water Supply Agreement, which Charge relates to rate per 1000 gallons of water determined by the GBRA Board of Directors to then be in effect for the delivery of water through the Gonzales Carrizo Water Supply Project and which shall be sufficient to cover variable Operation, Maintenance, and Administrative Expenses related to the delivery of water through the Gonzales Carrizo Water Supply Project (as such capitalized term is defined in the Water Supply Agreements) that are not otherwise included in the Gonzales Carrizo Water Rate or the Gonzales Carrizo Debt Service Charge)].

"Holder", "Bondholder" and "Registered Owner" or words of similar import each means the registered owner of any Parity Obligation as shown on the Registration Books maintained by the Paying Agent/Registrar.

"*Operation, Maintenance and Administrative Expenses*" means, for any period, all costs and expenses of operation, maintenance and administration of the Gonzales Carrizo Water Supply Project, including (for greater certainty but without limiting the generality of the foregoing):

- (i) wages and salaries, employee benefits, chemicals, the purchase and carrying of stores, materials, and supplies, power, supervision, engineering, testing, auditing, franchises, waste disposal charges and assessments, claims, insurance, contract operators and all other items and expenses of a like or different nature reasonably required for the efficient maintenance and operation of the Gozales Carrizo Water Supply Project and the performance of the Water Supply Agreements;
- (ii) repairs and replacements of damaged, worn-out or obsolete parts or facilities of the Gonzales Carrizo Water Supply Project, and any relocations of pipelines, or replacements of wells;

- (iii) improvements and betterments to keep the Gonzales Carrizo Water Supply Project in operation to render adequate service to the Participants and other customers of the Gonzales Carrizo Water Supply Project and to comply with the requirements of any rule, regulations, or permit issued by any regulatory body having jurisdiction; and
- (iv) the reasonable and necessary costs of GBRA's administration of the Gonzales Carrizo Water Supply Project, which shall be based upon a formula, to be set by the Board of Directors of GBRA in the annual budget of GBRA, that fairly apportions GBRA's administration costs.

"*Outstanding*" means, when used with respect to Parity Obligations, as of the date of determination, all Parity Obligations theretofore delivered under this Resolution and any resolution authorizing Additional Parity Obligations, except:

- (i) Parity Obligations theretofore canceled and delivered to GBRA or delivered to the Paying Agent/Registrar for cancellation;
- (ii) Parity Obligations deemed paid pursuant to the provisions of Section 25 of this Resolution or any comparable section of any resolution authorizing Additional Parity Obligations;
- (iii) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to this Resolution and any resolution authorizing Additional Parity Obligations; and
- (iv) Parity Obligations under which the obligations of GBRA have been released, discharged or extinguished in accordance with the terms thereof.

"*Parity Obligations*" means, collectively, the Series 2018 Bonds, the 2018 Board Participation Master Agreement, and any Additional Parity Obligations.

"*Participants*" means, collectively, all of the public and private entities that have entered into, or after the date of passage of this Resolution will enter into, a Water Supply Agreement for the purpose of receiving [raw or] treated water from the Gonzales Carrizo Water Supply Project on a wholesale basis, and the term "*Participant*" means any one of such Participants. As of the date of passage of this Resolution, the Participants are as follows:

City of Lockhart, Texas
New Braunfels Utilities
(a municipal utility system created by the City of New Braunfels
under Texas Government Code § 1502.070(2)(A))
Goforth Special Utility District

"Paying Agent/Registrar" means the respective bank, trust company, financial institution or other entity named in the resolution authorizing the issuance of each issue of Parity Obligations to provide paying agency and registrar services in connection with such issue of Parity Obligations.

"*Pledged Revenues*" means, collectively, the Gross Contract Revenues plus the interest income from funds on deposit in the Revenue Fund, the Interest and Sinking Fund, and the Reserve Fund.

"Principal and Interest Requirements" means for any Fiscal Year the amount required to pay the interest on and principal of (whether pursuant to a stated maturity or redemption requirements applicable thereto) all outstanding Parity Obligations becoming due in such Fiscal Year. In calculating Principal and Interest Requirements the principal and interest coming due in any Fiscal Year on any Parity Obligations which bear interest at a variable rate which cannot be predetermined shall be assumed to be that which would come due if (i) the interest rate on such Parity Obligations for the applicable period was the interest rate that was in effect on the last day of the immediately preceding Fiscal Year (or, if such Parity Obligations were issued during the current Fiscal Year, then the first interest rate in effect for such Parity Obligations) and (ii) the principal amortization schedule would be that which would result in substantially level debt service throughout the remaining term of such Parity Obligations assuming such interest rate. In calculating Principal and Interest Requirements, if any such outstanding Parity Obligations do not pay current interest during the term to maturity thereof, but rather accrete in value according to a schedule, the principal and interest coming due on any such Parity Obligation shall be calculated as equal to the accreted value at maturity.

"*Rating Agency*" means one or more nationally recognized credit rating agencies then maintaining a rating on the Parity Obligations at the request of GBRA.

"Reserve Fund Credit Facility" means a surety bond or insurance policy which (i) may not be terminated by the entity providing such surety bond or insurance policy prior to the final maturity date of the series of Parity Obligations in connection with which such surety bond or insurance policy was issued, and (ii) may be drawn upon demand by GBRA to provide funds to pay principal and/or interest on such related series of Parity Obligations in the event moneys on deposit in the Interest and Sinking Fund are insufficient to make such payment.

**SECTION 8. PLEDGE; RATE COVENANTS; SECURITY INTEREST.** (a) <u>Pledge</u>. The Parity Obligations, and the interest thereon, are and shall be payable from and secured by a first lien on and pledge of the Pledged Revenues which consist of the following sources of revenues:

- (i) a first lien on and pledge of the Gross Contract Revenues; and
- (ii) a first lien on and pledge of the interest income from funds on deposit in the Revenue Fund, the Interest and Sinking Fund, the Reserve Fund, and the Rate Stabilization Fund.

The Pledged Revenues, are further pledged irrevocably to the establishment and maintenance of the Interest and Sinking Fund, the Reserve Fund, and the Rate Stabilization Fund hereinafter created.

- (b) <u>Covenants Relating to Rates and Charges</u>. GBRA covenants and agrees with the holders of the Parity Obligations as follows:
  - (i) GBRA will at all times fix, revise, maintain, charge and collect for services rendered by the Gonzales Carrizo Water Supply Project rates and charges which will produce Gross Contract Revenues that will be at least sufficient (A) to pay the Principal and Interest Requirements on the Parity Obligations, (B) to pay all Operation, Maintenance and Administrative Expenses, and (C) to make all deposits now or hereafter required to be made into the Funds created, established, or maintained by this Resolution;
  - (ii) If the Gonzales Carrizo Water Supply Project should become legally liable for any other obligations or indebtedness in addition to the Parity Obligations, GBRA shall fix, maintain, charge and collect additional rates and charges for services rendered by the Gonzales Carrizo Water Supply Project sufficient to establish and maintain funds for the payment thereof;
  - (iii) If the Gonzales Carrizo Water Supply Project should become legally liable for any other obligations or indebtedness in addition to the Parity Obligations, GBRA shall fix, maintain, charge and collect additional rates and charges for services rendered by the Gonzales Carrizo Water Supply Project sufficient to establish and maintain funds for the payment thereof; and
  - (iv) GBRA will at all times also include, in connection with rates established by GBRA relating to the Gonzales Carrizo Water Supply Project for all Participants, a debt service coverage factor equal to up to 10% of the Principal and Interest Requirements for the applicable period covered by each Participant's debt service component of its total payment obligation under the respective Water Supply Agreement.
- (c) Security Interest. Chapter 1208, Texas Government Code, applies to the issuance of the Series 2018 Bonds, the execution of the 2018 Board Participation Master Agreement, and the pledge of Pledged Revenues by GBRA under this Resolution, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Series 2018 Bonds or the 2018 Board Participation Master Agreement are outstanding and unpaid such that the pledge of the Pledged Revenues by GBRA under this Resolution is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the Registered Owners of the Series 2018 Bonds and to the Texas Water Development Board in connection with the 2018 Board Participation Master Agreement the perfection of the security interest in said pledge, GBRA agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

### SECTION 9. FUNDS.

- (a) <u>Creation of Revenue Fund</u>. There is hereby created and maintained on the financial records of GBRA (or at an official depository of GBRA), for the pro rata benefit of all Parity Obligations, the GUADALUPE-BLANCO RIVER AUTHORITY GONZALES CARRIZO WATER SUPPLY PROJECT CONTRACT REVENUE BONDS REVENUE FUND, hereinafter called the "Revenue Fund."
- (b) <u>Creation of Interest and Sinking Fund</u>. There is hereby created and maintained on the financial records of GBRA (or at an official depository of GBRA), for the pro rata benefit of all Parity Obligations, the GUADALUPE-BLANCO RIVER AUTHORITY GONZALES CARRIZO WATER SUPPLY PROJECT CONTRACT REVENUE BONDS INTEREST AND SINKING FUND, hereinafter called the "Interest and Sinking Fund."
- (c) <u>Creation of Reserve Fund</u>. There is hereby created for the benefit only of the Registered Owners of a particular series of Parity Obligations for which an account is created in the resolution authorizing such series of Parity Obligations, and shall be maintained on the financial records of GBRA (or at an official depository of GBRA), for the pro rata benefit of all Parity Obligations of such series for which an account is created, the GUADALUPE-BLANCO RIVER AUTHORITY -GONZALES CARRIZO WATER SUPPLY PROJECT CONTRACT REVENUE BONDS RESERVE FUND. hereinafter called the "Reserve Fund." GBRA may create and establish accounts in the Reserve Fund pursuant to the provisions of any resolution authorizing the issuance of Parity Obligations for the purpose of securing that particular issue or series of Parity Obligations or any specific group of issues or series of Parity Obligations and the amounts once deposited or credited to said account shall no longer constitute Gross Revenues and shall be held solely for the benefit of the Registered Owners of the particular Parity Obligations for which such account in the Reserve Fund was established. Each such account in the Reserve Fund shall be designated in such manner as is necessary to identify the Parity Obligations it secures and to distinguish such account from all other accounts in the Reserve Fund created for the benefit of a particular series of Parity Obligations. All terms relating to the requirements to establish, fund and maintain required balances in an account of the Reserve Fund, including but not limited to the use of any Reserve Fund Credit Facility therein, shall be set forth in the resolution authorizing the issuance of the particular series of Parity Obligations for which such account is established.
- (d) <u>Creation of Construction Fund</u>. There is hereby further created, established and shall be maintained on the financial records of GBRA (or at an official depository of GBRA) a fund to be called the **GUADALUPE-BLANCO RIVER AUTHORITY GONZALES CARRIZO WATER SUPPLY PROJECT REVENUE BONDS CONSTRUCTION FUND** (herein called the "*Construction Fund*"). Proceeds from the sale and delivery of a series of Parity Obligations which are issued to finance construction of and improvements to the Gonzales Carrizo Water Supply Project (other than (i) proceeds representing accrued interest on such Parity Obligations or used to fund capitalized interest and any premium on such Parity Obligations that is not used by GBRA to pay costs of issuance in accordance with the provisions of Section 1201.042(d), Texas Government Code, as amended, which shall be deposited in the Interest and Sinking Fund, and (ii) proceeds used to fund all or a portion of an account established in the Reserve Fund for such series of Parity Obligations, including the purchase of a Reserve Fund Credit Facility related thereto, which shall be deposited in such

account of the Reserve Fund) shall be deposited in an account of the Construction Fund established by resolution of the Board of Directors, or by the Designated Financial Officer of GBRA, in connection with the issuance of such series of Parity Obligations. Money in the Construction Fund shall be subject to disbursements by GBRA for payment of all costs incurred in carrying out the purpose for which such series of Parity Obligations are issued, including but not limited to costs for construction, engineering, architecture, financing, financial consultants and legal services related to the project being financed with proceeds of such series of Parity Obligations, and to pay related costs of issuance. All funds remaining on deposit in an account of the Construction Fund upon completion of the projects being financed with the proceeds the related series of Parity Obligations, if any, shall be transferred to the Interest and Sinking Fund.

**SECTION 10. REVENUE FUND.** All Gross Contract Revenues collected by GBRA shall be deposited upon receipt to the credit of the Revenue Fund. The funds on deposit in the Revenue Fund shall be used by GBRA, first, to make the deposit into the Interest and Sinking Fund at the times and in the amounts required by Section 11 hereof, second, to pay all Operation, Maintenance and Administrative Expenses when due, and third, to satisfy any insufficiency in the Reserve Fund, and to satisfy any Reimbursement Obligation, in the manner and amounts hereinafter provided, and each of such Funds and the payment of such Reimbursement Obligation shall have priority as to such deposits in the order in which they are treated in the following sections.

**SECTION 11. INTEREST AND SINKING FUND.** (a) <u>Use of Funds</u>. The Interest and Sinking Fund shall be used solely to pay the principal of and interest on the Parity Obligations when due, and the General Manager/CEO and the Designated Financial Officer of GBRA are hereby authorized to cause funds to be transferred from the Interest and Sinking Fund to the Paying Agent/Registrar at the times and in the amounts to pay Principal and Interest Requirements.

- (b) <u>Deposit of Accrued Interest and Capitalized Interest</u>. Immediately after the delivery of any series of Parity Obligations, all moneys representing accrued interest, if any, received by GBRA upon the sale and delivery of such Parity Obligations to the initial purchaser thereof, together with all capitalized interest being financed with proceeds of such Parity Obligations, if any (but in no event in excess of the amount permitted by Section 1201.042(a)(1), Texas Government Code, as amended, or other applicable law), shall be deposited to the credit of the Interest and Sinking Fund.
- (c) <u>Monthly Deposits</u>. In addition, there shall be transferred from the Revenue Fund and deposited into the Interest and Sinking Fund the following:
  - (a) on or before the 25th day of each month, commencing with the month immediately following the issuance of any series of Parity Obligations, there shall be deposited into the Interest and Sinking Fund in approximately equal installments an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the interest scheduled to come due on all Outstanding Parity Obligations on the next interest payment date.
  - (b) on or before the 25th day of each month, commencing with the twelfth (12th) month preceding the first principal payment date for a series of Parity

Obligations, or commencing with the month immediately following the issuance of any series of Parity Obligations if delivery of such series of Parity Obligations is made less than twelve months preceding the first principal payment date for such series of Parity Obligations, there shall be deposited into the Interest and Sinking Fund in approximately equal installments an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the principal scheduled to come due (either at stated maturity or due to mandatory sinking fund redemption) on all Outstanding Parity Obligations on the next principal payment date.

(c) on or before any optional redemption date set by GBRA for any Parity Obligations, there shall be deposited into the Interest and Sinking Fund an amount as will be sufficient to pay the principal of, premium, if any, and interest on the Parity Obligations scheduled to be redeemed on such optional redemption date.

**SECTION 12. RESERVE FUND.** (a) <u>Use of Funds</u>. Funds on deposit in an account of the Reserve Fund established for the benefit of a particular series of Parity Obligations shall be used to (i) pay the principal of and interest on such series of Parity Obligations for which such account was created at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose, (ii) pay the principal of or interest on the last maturing Parity Obligations of such series, or (iii) pay Reimbursement Obligations to restore the amount available to be drawn under a Reserve Fund Credit Facility related to such series of Parity Obligations to its original amount. If the amount on deposit in an account of the Reserve Fund for a particular series of Parity Obligations consists of cash and investments and a Reserve Fund Credit Facility, all cash and investments in such account shall be liquidated and withdrawn prior to drawing on the Reserve Fund Credit Facility. If more than one Reserve Fund Credit Facility is maintained in an account of the Reserve Fund, any withdrawals on such Reserve Fund Credit Facilities shall be pro rata.

- (b) Series 2018 Bonds Not Secured with Account in the Reserve Fund. No Account shall be established initially in the Reserve Fund to provide further security for the benefit of the holders of the Series 2018 Bonds; consequently, no proceeds of the Series 2018 Bonds shall deposited into the Reserve Fund, no other funds of GBRA shall be deposited into the Reserve Fund for the benefit of the Holders of the Series 2018 Bonds (unless otherwise provided by GBRA in a subsequent resolution), and the Holders of the Series 2018 Bonds shall not be entitled to any funds which may be on deposit in the Reserve Fund (unless otherwise provided by GBRA in a subsequent resolution).
- (c) <u>Additional Reserve Fund Account Requirements to be Set Forth in Additional Parity Obligations Resolution</u>. In the event GBRA establishes an account in the Reserve Fund for the benefit of the Holders of a particular series of Additional Parity Obligations, all provisions with respect to the funding requirements and other details shall be set forth in the resolution authorizing such series of Parity Obligations.

(d) <u>Computation of Reserve Fund</u>. For the purpose of determining the amount on deposit to the credit of an Account in the Reserve Fund, investments in which money in such account shall have been invested shall be computed at cost, and any Reserve Fund Credit Facility shall be computed at the maximum amount available to be drawn thereunder. The amount on deposit to the credit of each Account in the Reserve Fund, if any, shall be computed by GBRA at least annually, and shall be computed immediately upon any withdrawal from the Reserve Fund.

**SECTION 13. EXCESS REVENUES.** Subject to making the deposits into the Interest and Sinking Fund and the Reserve Fund when and as required by this Resolution in connection with the Parity Obligations, and after satisfying any Reimbursement Obligation in connection with a draw on any Reserve Fund Credit Facility and paying all Operation, Maintenance and Administrative Expenses then due, GBRA may utilize the remaining funds on deposit in the Revenue Fund for any lawful purpose.

**SECTION 14. DEFICIENCIES IN FUNDS.** If by the 25th day of any month GBRA shall fail to deposit the full amounts required by this Resolution into the Interest and Sinking Fund, or the Reserve Fund, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated funds on deposit in the Revenue Fund for the following month or months, if necessary and whichever is the earliest, and such payments shall be in addition to the amounts otherwise required to be paid into said Funds on the 25th day of each month.

SECTION 15. INVESTMENTS. (a) In General. Funds on deposit in the Revenue Fund, the Interest and Sinking Fund, the Reserve Fund, and the Construction Fund shall be secured by the depository bank of GBRA in the manner and to the extent required by law to secure other public funds of GBRA and may be invested from time to time in any investment authorized in the Public Funds Investment Act (Chapter 2256, Texas Government Code) and in accordance with GBRA's Investment Policy; provided, however, that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times when expected to be needed. Interest and income derived from such deposits and investments shall be credited to the Revenue Fund, except for interest and income derived from the Construction Fund which may remain in such Fund or be transferred to the Revenue Fund, at the discretion of the Designated Financial Officer (but in no event shall such earnings in the Construction Fund be used to pay Operation, Maintenance and Administrative Expenses). Such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Obligations.

(b) <u>Transfer of Certain Investment Earnings to Rebate Fund</u>. Notwithstanding the provisions of the preceding paragraph, interest and income derived from any investment of money on deposit in the Construction Fund, the Interest and Sinking Fund and the Reserve Fund shall first be transferred to the Rebate Fund established by Section 28(b) of this Resolution at the times and in the amounts required to pay (or provide for the payment of) "Excess Earnings" as defined in Section 148(f) of the Internal Revenue Code of 1986, as amended.

**SECTION 16. SECURITY FOR FUNDS.** All Funds created by this Resolution shall be secured in the manner and to the fullest extent permitted or required by law, and such Funds shall be used only for the purposes and in the manner permitted or required by this Resolution.

SECTION 17. INSURANCE. GBRA shall cause the Gonzales Carrizo Water Supply Project to be insured as would usually be insured by entities operating similar facilities, with a responsible insurance company or companies or other risk management fund, against risks, accidents, or casualties against which and to the extent insurance is usually carried by entities operating similar facilities, including, to the extent reasonably obtainable, fire and extended coverage insurance, but excluding insurance against damage by floods. Public liability and property damage insurance also shall be carried. At any time while any contractor engaged in construction work shall be fully responsible therefor, GBRA shall not be required to cause insurance on the work being constructed to be carried if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, GBRA shall cause to be made due proof of loss and shall do all things necessary or desirable to cause the insuring companies or other risk management fund to make payment in full directly to GBRA or in accordance with the provisions of the Regional Agreement. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by GBRA (or by Alliance in accordance with the provisions of the Regional Agreement) for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then GBRA's portion of said insurance proceeds pertaining to the Gonzales Carrizo Water Supply Project shall, at the option of GBRA, be (i) deposited in a special and separate fund, at an official depository of GBRA, to be designated the Insurance Account or (ii) deposited in the Interest and Sinking Fund and used to redeem the Outstanding Parity Obligations, but only if such insurance proceeds, together with all funds then on deposit in the Interest and Sinking Fund and in the Reserve Fund, are sufficient to immediately redeem all Outstanding Parity Obligations. The Insurance Account shall be held until such time as other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required.

**SECTION 18. OPERATION AND MAINTENANCE.** While any of the Parity Obligations are Outstanding, GBRA covenants and agrees to insure that the Gonzales Carrizo Water Supply Project is kept in good condition, repair, and working order and is operated and maintained in an efficient manner.

**SECTION 19. ACCOUNTS AND RECORDS.** GBRA shall keep or cause to be kept proper books of records and accounts in which complete and correct entries shall be made of all transactions relating to the Pledged Revenues and the Funds created pursuant to this Resolution, and all books, documents and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any Holder.

**SECTION 20. AUDITS.** After the close of each Fiscal Year while any of the Parity Obligations are Outstanding, an audit will be made of the books and accounts of GBRA by an independent certified public accountant. As soon as practicable after the close of each such Fiscal

Year, and when said audit has been completed and made available to GBRA, a copy of such audit for the preceding year shall be mailed to the Paying Agent/Registrar and to any Holders who shall so request in writing. The annual audit reports shall be open to the inspection of the Holders and their agents and representatives at all reasonable times.

### **SECTION 21. SPECIAL COVENANTS.** GBRA further covenants and agrees that:

- (a) <u>Encumbrance and Sale</u>. (i) Other than with respect to the Parity Obligations and except as provided in this Resolution, the Pledged Revenues have not been pledged in any manner to the payment of any Debt of GBRA, or otherwise, and while any of the Parity Obligations are Outstanding, GBRA will not incur additional Debt secured by the Pledged Revenues in any manner, except as permitted by this Resolution in connection with Additional Parity Obligations, unless said Debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Resolution and any resolution authorizing the issuance of Parity Obligations.
- (ii) So long as the Parity Obligations are Outstanding, and except as hereinafter specifically permitted in subparagraph (iii) below, GBRA shall not mortgage, encumber, sell, lease, or otherwise dispose of its interest in the Gonzales Carrizo Water Supply Project or any significant or substantial part thereof.
- (iii) Notwithstanding the provisions in subparagraph (ii) hereof prohibiting the sale of any substantial part of its interest in the Gonzales Carrizo Water Supply Project, GBRA shall be authorized from time to time to sell, or permit the sale, of any personal property contained in the Gonzales Carrizo Water Supply Project if such personal property is no longer needed or is no longer useful, and the sale thereof will not adversely affect the Gonzales Carrizo Water Supply Project or the operation and maintenance thereof. The proceeds from the sale of any personal property shall be used to replace or provide substitutes for the property sold, if, and to the extent, deemed necessary by GBRA or Alliance, and GBRA's portion of the proceeds which are not so used shall be deposited into the Interest and Sinking Fund.
- (b) <u>Title</u>. GBRA represents that it lawfully owns or will lawfully own, and has or will have an undivided joint ownership in the real property interests and in any and all easements and sites in, over, under, and upon which all "Project Facilities" (as defined in the Regional Agreement) of the Gonzales Carrizo Water Supply Project are or may be located, that the Gonzales Carrizo Water Supply Project will be constructed and completed in accordance with the plans to be approved and adopted by GBRA, that it warrants that it has or will obtain and will defend the title or easement rights to the aforesaid land for the benefit of the owners of the Parity Obligations against the claims and demands of all persons whomsoever, and that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations, in the manner prescribed herein, and has lawfully exercised such rights.
- (c) <u>Liens</u>. GBRA will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or on the Gonzales Carrizo Water Supply Project, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon

the Gonzales Carrizo Water Supply Project, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by GBRA.

- (d) <u>Performance</u>. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Parity Obligations, and in each and every Parity Obligation and pay from the Pledged Revenues the principal of and interest on every Parity Obligation on the dates and in the places and manner prescribed in this Resolution; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited into the Interest and Sinking Fund, the Reserve Fund and the Rate Stabilization Fund; and the owner of the Parity Obligations may require GBRA, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution, including, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against GBRA, its officials, agents, and employees.
- (e) <u>Legal Authority</u>. GBRA is duly authorized under the laws of the State of Texas to create and issue the Parity Obligations; that all action on its part for the creation and issuance of the Parity Obligations has been duly and effectively taken, and that the Parity Obligations in the hands of the owners thereof are and will be valid and enforceable special obligations of GBRA in accordance with their terms.
- (f) <u>Permits</u>. GBRA will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the Gonzales Carrizo Water Supply Project, and which have been obtained from any governmental agency; and GBRA has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the Gonzales Carrizo Water Supply Project.
- (g) Comply with Water Supply Agreements. GBRA will comply with the terms and conditions of the Water Supply Agreements and will cause the parties to such Water Supply Agreements, their officials, and employees to comply with all of their obligations under the respective Water Supply Agreements by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction; and the Water Supply Agreements will not be rescinded, modified, or amended in any way which would have a materially adverse effect on the rights of the owners of the Parity Obligations. If GBRA obtains (i) written confirmation from each Rating Agency that any rescission, modification or amendment to one or more Water Supply Agreements would not cause such Rating Agency to reduce or withdraw such Rating Agency's then current rating on the Parity Obligations, or (ii) a written opinion of Bond Counsel that any rescission, modification or amendment to one or

more Water Supply Agreements would not have a materially adverse effect on the rights of the owners of the Parity Obligations, then such written confirmation or opinion will serve as conclusive evidence that such rescission, modification or amendment would not have a materially adverse effect on the rights of the owners of the Parity Obligations for purposes of this subsection. Notwithstanding anything in the preceding sentence to the contrary, any modification or amendment to a Participant's Water Supply Agreement for the purpose of increasing such Participant's purchase of water thereunder shall not be considered materially adverse to the rights of the owners of the Parity Obligations and shall not require the confirmation of then current ratings on the Parity Obligations from any Rating Agency or an opinion of Bond Counsel.

(h) Comply with Regional Agreement. GBRA will comply with the terms and conditions of the Regional Agreement and will cause the other party to the Regional Agreement, its officials, and employees to comply with all of its obligations under the Regional Agreement by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction; and the Regional Agreement will not be rescinded, modified, or amended in any way which would have a materially adverse effect on the rights of the owners of the Parity Obligations. If GBRA obtains (i) written confirmation from each Rating Agency that any rescission, modification or amendment to the Regional Agreement would not cause such Rating Agency to reduce or withdraw such Rating Agency's then current rating on the Parity Obligations, or (ii) a written opinion of Bond Counsel that any rescission, modification or amendment to the Regional Agreement would not have a materially adverse effect on the rights of the owners of the Parity Obligations, then such written confirmation or opinion will serve as conclusive evidence that such rescission, modification or amendment would not have a materially adverse effect on the rights of the owners of the Parity Obligations for purposes of this subsection.

SECTION 22. ADDITIONAL PARITY OBLIGATIONS. (a) Authority to Issue. GBRA shall have the right and power at any time and from time to time, and in one or more series or issues, to authorize, issue, and deliver additional parity revenue bonds or other obligations (herein called "Additional Parity Obligations"), in accordance with law, in any amounts, for the purpose of constructing extensions and improvements to, and acquiring equipment for, the Gonzales Carrizo Water Supply Project, or for the purpose of refunding any Parity Obligations and/or the interest thereon. Such Additional Parity Obligations, if and when authorized, issued, and delivered in accordance with the provisions hereof, shall be secured by and made payable equally and ratably on a parity with the Parity Obligations, from a first lien on and pledge of the Pledged Revenues that are then pledged to secure outstanding Parity Obligations.

(b) Provisions Related to Interest and Sinking Fund and Reserve Fund. The Interest and Sinking Fund and the Reserve Fund established pursuant to this Resolution shall secure and be used to pay all Additional Parity Obligations as well as the Parity Obligations, all on a parity. However, each resolution under which Additional Parity Obligations are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of each resolution authorizing Additional Parity Obligations to be deposited to the credit of the Interest and Sinking Fund, GBRA shall deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Parity Obligations then being issued, as the same come due; and that the aggregate amount to be

accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount and in the manner set forth in Section 12 of this Resolution.

SECTION 23. FURTHER REQUIREMENTS FOR ADDITIONAL PARITY OBLIGATIONS. Additional Parity Obligations shall be issued only in accordance with the provisions hereof, but notwithstanding any provisions hereof to the contrary, no installment, series, or issue of Additional Parity Obligations shall be issued or delivered unless the Chair of the Board of Directors of GBRA, the General Manager/CEO of GBRA, or the Designated Financial Officer of GBRA signs a written certificate to the effect that (i) GBRA is not in default as to any covenant, condition, or obligation in connection with all Outstanding Parity Obligations and the resolutions authorizing such Parity Obligations, (ii) the Interest and Sinking Fund and the Reserve Fund each contain the amount then required to be therein, and (iii) the Water Supply Agreements and the Regional Agreement are in full force and effect.

SECTION 24. RESOLUTION A CONTRACT; AMENDMENTS. (a) Resolution a Contract. This Resolution shall constitute a contract with the Registered Owners of the Parity Obligations, binding on GBRA and its successors and assigns, and shall not be amended or repealed by GBRA as long as any Parity Obligation remains Outstanding except as permitted in this Section.

- (b) Amendments Without Notice to or Consent of Registered Owners. GBRA may, with notice to the provider of each Reserve Fund Credit Facility but without the consent of or notice to any Registered Owners, amend, change, or modify this Resolution (i) as may be required by the provisions hereof, (ii) as may be required for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change (other than any change described in clauses (i) through (iv) of the first sentence in subsection (c) below) with respect to which GBRA receives written confirmation from each Rating Agency that such amendment would not cause such Rating Agency to withdraw or reduce its then current rating on the Parity Obligations.
- (c) Amendments With Notice to and Consent of Registered Owners. In addition, GBRA may, with the written consent of the provider of each Reserve Fund Credit Facility and the Registered Owners of at least a majority in aggregate principal amount of the Parity Obligations then Outstanding affected thereby, amend, change, modify, or rescind any provisions of this Resolution; provided that without the consent of all of the Registered Owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Parity Obligations, reduce the principal amount thereof or the rate of interest thereof, (ii) give any preference to any Parity Obligation over any other Parity Obligation, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Parity Obligations required for consent to any such amendment, change, modification, or rescission.
- (d) <u>Notice of Amendment</u>. Whenever GBRA shall desire to make any amendment or addition to or rescission of this Resolution requiring consent of the provider of each Reserve Fund Credit Facility and/or the Registered Owners of the Parity Obligations, GBRA shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to (i) the

provider of each Reserve Fund Credit Facility, and (ii) the Registered Owners (if the Registered Owners of all Parity Obligations or least a majority in aggregate principal amount of the Parity Obligations are required to consent) at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, GBRA shall receive an instrument or instruments in writing executed by the provider of each Reserve Fund Credit Facility and the Registered Owners of all or a majority (as the case may be) in aggregate principal amount of the Parity Obligations then Outstanding affected by any such amendment, addition, or rescission requiring the consent of the Registered Owners, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, GBRA may adopt such amendment, addition, or rescission in substantially such form, except as herein provided.

(e) <u>Effect of Amendment on Registered Owners</u>. No Registered Owner may thereafter object to the adoption of any amendment, addition, or rescission which is accomplished pursuant to and in accordance with the provisions of this Section, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

SECTION 25. DEFEASANCE OF SERIES 2018 BONDS. (a) <u>Defeased Series 2018 Bonds</u>. Any Series 2018 Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding (a "Defeased Series 2018 Bond"), except to the extent provided in subsection (d) of this Section, when payment of the principal of such Series 2018 Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar (or another entity permitted by Section 1207.061, Texas Government Code, as amended, or other applicable law, which entity, together with the Paying Agent/Registrar, is referred to collectively in this Section as the "Defeasance Agent"), in accordance with the requirements of Chapter 1207, Texas Government Code, as amended, or other applicable law (which may include the use of an escrow agreement or other similar instrument - the "Future Escrow Agreement"): (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by GBRA with the Defeasance Agent for the payment of its services until all Defeased Series 2018 Bonds shall have become due and payable. At such time as a Series 2018 Bond shall be deemed to be a Defeased Series 2018 Bond hereunder, as aforesaid, such Series 2018 Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) <u>Investment in Defeasance Securities</u>. Any moneys so deposited with the Defeasance Agent may at the written direction of GBRA be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Defeasance Agent that is not required for the payment of the Series 2018 Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to

GBRA, or deposited as directed in writing by GBRA. Any account or Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Series 2018 Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsections (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Defeasance Agent which is not required for the payment of the Defeased Series 2018 Bonds, with respect to which such money has been so deposited, shall be remitted to GBRA or deposited as directed in writing by GBRA.

- (c) <u>Definition of Defeasance Securities</u>. The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of GBRA adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.
- (d) <u>Paying Agent/Registrar Services</u>. Until all Defeased Series 2018 Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Series 2018 Bonds the same as if they had not been defeased, and GBRA shall make proper arrangements to provide and pay for such services as required by this Resolution.
- (e) <u>Selection of Series 2018 Bonds for Defeasance</u>. In the event that GBRA elects to defease less than all of the principal amount of Series 2018 Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2018 Bonds by such random method as it deems fair and appropriate.
- (f) <u>Notice to Texas Water Development Board</u>. So long as the Texas Water Development Board is the registered owner of any of the Series 2018 Bonds, GBRA shall provide written notice to the Texas Water Development Board of a defeasance of the Series 2018 Bonds pursuant to subsection (a)(ii) of this Section.

**SECTION 26. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED SERIES 2018 BONDS.** (a) <u>Replacement Bonds.</u> In the event any Outstanding Series 2018 Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Series 2018 Bond, in replacement for such Series 2018 Bond in the manner hereinafter provided.

- (b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Series 2018 Bonds shall be made by the Registered Owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Series 2018 Bond, the Registered Owner applying for a replacement bond shall furnish to GBRA and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Series 2018 Bond, the Registered Owner shall furnish to GBRA and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Series 2018 Bond, as the case may be. In every case of damage or mutilation of a Series 2018 Bond, the Registered Owner shall surrender to the Paying Agent/Registrar for cancellation the Series 2018 Bond so damaged or mutilated.
- (c) <u>No Default Occurred.</u> Notwithstanding the foregoing provisions of this Section, in the event any such Series 2018 Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Series 2018 Bond, GBRA may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Series 2018 Bond) instead of issuing a replacement Series 2018 Bond, provided security or indemnity is furnished as above provided in this Section.
- (d) <u>Charge for Issuing Replacement Bonds.</u> Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the Registered Owner of such Series 2018 Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Series 2018 Bond is lost, stolen, or destroyed shall constitute a contractual obligation of GBRA whether or not the lost, stolen, or destroyed Series 2018 Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Series 2018 Bonds duly issued under this Resolution.
- (e) <u>Authority for Issuing Replacement Bonds.</u> This Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of GBRA or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Series 2018 Bonds in the form and manner and with the effect, as provided in this Resolution for Series 2018 Bonds issued in conversion and exchange for other Series 2018 Bonds.

SECTION 27. CUSTODY, APPROVAL, AND REGISTRATION OF SERIES 2018 BONDS; BOND COUNSEL'S OPINION; CUSIP NUMBERS. The Chair of the Board of Directors of GBRA is hereby authorized to have control of the Series 2018 Bonds issued hereunder and all necessary records and proceedings pertaining to the Series 2018 Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Series 2018 Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on the Series 2018 Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on

the Series 2018 Bonds. The approving legal opinion of GBRA's Bond Counsel, and the assigned CUSIP numbers may, at the option of GBRA, be printed on the Series 2018 Bonds issued and delivered under this Resolution, but neither shall have any legal effect, and shall be solely for the convenience and information of the Registered Owners of the Series 2018 Bonds.

# SECTION 28. COVENANTS REGARDING TAX-EXEMPTION OF INTEREST ON THE SERIES 2018 BONDS.

- (a) <u>Covenants</u>. GBRA covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Series 2018 Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, GBRA covenants as follows:
  - (1) to take any action to assure that no more than 10 percent of the proceeds of the Series 2018 Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by GBRA, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Series 2018 Bonds, in contravention of section 141(b)(2) of the Code;
  - (2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Series 2018 Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;
  - (3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Series 2018 Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;
  - (4) to refrain from taking any action which would otherwise result in the Series 2018 Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;
  - (5) to refrain from taking any action that would result in the Series 2018 Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;
  - (6) to refrain from using any portion of the proceeds of the Series 2018 Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces

a materially higher yield over the term of the Series 2018 Bonds, other than investment property acquired with --

- (A) proceeds of the Series 2018 Bonds invested for a reasonable temporary period of three years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the Series 2018 Bonds are issued,
- (B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and
- (C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Series 2018 Bonds:
- (7) to otherwise restrict the use of the proceeds of the Series 2018 Bonds or amounts treated as proceeds of the Series 2018 Bonds, as may be necessary, so that the Series 2018 Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);
- (8) to refrain from using the proceeds of the Series 2018 Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Series 2018 Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and
- (9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Series 2018 Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Series 2018 Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.
- (b) <u>Rebate Fund</u>. In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by GBRA for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.
- (c) <u>Proceeds</u>. GBRA understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Series 2018 Bonds. It is the understanding of GBRA that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Series 2018 Bonds, GBRA will

not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Series 2018 Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Series 2018 Bonds, GBRA agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Series 2018 Bonds under section 103 of the Code. In furtherance of such intention, GBRA hereby authorizes and directs the President or Vice President of the Board of Trustees, or the Superintendent or Director of Business of GBRA to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of GBRA, which may be permitted by the Code as are consistent with the purpose for the issuance of the Series 2018 Bonds.

- (d) Allocation Of, and Limitation On, Expenditures for the Project. GBRA covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Resolution (referred to herein as the "Project") on its books and records in accordance with the requirements of the Internal Revenue Code. GBRA recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, GBRA recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Series 2018 Bonds, or (2) the date the Series 2018 Bonds are retired. GBRA agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Series 2018 Bonds. For purposes hereof, GBRA shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.
- (e) <u>Written Procedures</u>. Unless superseded by another action of GBRA, to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the Board of Trustees hereby adopts and establishes the instructions attached hereto as *Exhibit B* as GBRA's written procedures.
- (f) <u>Disposition of Project</u>. GBRA covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by GBRA of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Series 2018 Bonds. For purpose of the foregoing, GBRA may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Series 2018 Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, GBRA shall not be obligated to comply with this covenant if

it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest thereon.

(g) <u>Reimbursement</u>. This Resolution is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

**SECTION 29. SALE AND DELIVERY OF SERIES 2018 BONDS. APPROVAL OF PRIVATE PLACEMENT MEMORANDUM.** The Series 2018 Bonds are hereby authorized to be sold to the Texas Water Development Board for the price of par and no accrued interest. The Series 2018 Bonds are being purchased by the Texas Water Development Board pursuant to the TWDB Approving Resolution. The Series 2018 Bonds initially delivered shall be registered in the name of the **Texas Water Development Board**. The Private Placement Memorandum prepared in connection with the sale of the Series 2018 Bonds to the Texas Water Development Board in substantially the form attached to this Resolution as *Exhibit D* is approved.

SECTION 30. APPROVAL OF ESCROW AGREEMENTS; DEPOSIT OF PROCEEDS.

Concurrently with the initial delivery of the Series 2018 Bonds, GBRA shall deposit all proceeds of the Series 2018A Bonds and the Series 2018 Bonds into two separate escrow funds established with BOKF, NA (the "Escrow Agent") pursuant to a separate Escrow Agreement for each such Series of Series 2018 Bonds between GBRA and the Escrow Agent, in substantially the forms attached hereto as *Exhibit E-1* and *Exhibit E-2*. The Escrow Agent qualifies as a designated state depository or other properly chartered and authorized institution in accordance with Chapter 2256, Texas Government Code, and Chapter 2257, Texas Government Code. The Escrow Agreements, which will govern the periodic disbursement of proceeds of the Series 2018 Bonds upon approval of the Texas Water Development Board, are hereby approved in substantially final form, and the Chair, Vice Chair, Secretary/Treasurer, General Manager/CEO, and Executive Manager for Finance and Administration/CFO each are hereby authorized, for and on behalf of GBRA, to approve any changes in the Escrow Agreements from the forms attached hereto and to execute the Escrow Agreements in final form. All funds on deposit in the Escrow Fund created by each Escrow Agreement which are approved by the Texas Water Development Board to be transferred to GBRA in order to pay eligible project costs (instead of the Escrow Agent paying such project costs directly from the escrow fund to the appropriate vendor or service provider) shall be deposited by GBRA into a related Account in the Construction Fund created pursuant to Section 9(d) hereof. Funds on deposit in the Construction Fund (i) may be invested from time to time in the manner provided by Section 15 of this Resolution, and (ii) shall be continuously secured by a valid pledge of direct obligations of the United States of America or other collateral meeting the requirements of the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended. In satisfaction of the condition imposed in paragraph \_\_ of the TWDB Resolution, all funds remaining on deposit in the Escrow Funds and the related Accounts in the Construction Fund upon completion of the Project being financed with the proceeds from the Series 2018 Bonds, if any, shall be used for either of the following purposes as approved by GBRA and the Executive Administrator of the Texas Water Development Board: (i) deposit into the Interest and Sinking Fund for the payment of interest

or principal on the Series 2018 Bonds owned by the Texas Water Development Board; or (ii) pay

eligible project costs as authorized by the Executive Administrator.

#### SECTION 31. APPROVAL OF BOARD PARTICIPATION MASTER AGREEMENT.

Concurrently with the initial delivery of the Series 2018 Bonds, GBRA shall enter into a Board Participation Master Agreement with the TWDB in substantially the form attached hereto as *Exhibit E*. The Board Participation Master Agreement will provide \$\_\_\_\_\_\_ of additional financing to GBRA for the Gonzales Carrizo Water Supply Project as a "Board participation loan" under the TWDB's SWIFT program and will entitle the TWDB to an interest in GBRA's interest in the Gonzales Carrizo Water Supply Project. The Board Participation Agreement is hereby approved in substantially final form, and the Chair, Vice Chair, Secretary/Treasurer, General Manager/CEO, and Executive Manager for Finance and Administration/CFO each are hereby authorized, for and on behalf of GBRA, to approve any changes in the Board Participation Master Agreement from the form attached hereto and to execute such Agreement in final form.

**SECTION 32. AUTHORITY FOR OFFICERS TO EXECUTE DOCUMENTS AND APPROVE CHANGES.** The Chair, Vice Chair and the Secretary/Treasurer of the Board of Directors of GBRA and the General Manager/CEO, the Senior Deputy General Manager, the Designated Financial Officer of GBRA, and all other officers, employees, and agents of GBRA, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to approve, execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of GBRA all such instruments, whether or not herein mentioned as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Series 2018 Bonds and the Paying Agent/Registrar Agreements.

Furthermore, at any time prior to the delivery of the Series 2018 Bonds, the Chair or Vice Chair of the Board of Directors and the General Manager/CEO of GBRA each are hereby individually authorized and directed to approve any changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transaction contemplated and approved by this Resolution, (ii) satisfy requirements of the Texas Water Development Board, or (iii) obtain the approval of the Series 2018 Bonds by the Texas Attorney General's office.

SECTION 33. CONTINUING DISCLOSURE OF INFORMATION. On the basis of the private placement exception to the continuing disclosure requirements set forth in SEC Rule 15c2-12 (the "Rule"), 17 CFR 240.15c2-12, GBRA has not and does not undertake to provide continuing information about its financial condition, results of operation or other data subsequent to the issuance of the Series 2018 Bonds. Notwithstanding the foregoing, GBRA covenants to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Rule and determined as if the Texas Water Development Board was a "participating underwriter" with the meaning of the Rule, such continuing disclosure undertaking being for the benefit of the Texas Water Development Board and the beneficial owner of the Series 2018 Bonds if the Texas Water Development Board sells or otherwise transfers any of the Series 2018 Bonds and the beneficial owners of the Texas Water Development Board's bonds if GBRA is an obligated person with respect to the Texas Water Development Board's bonds under the Rule. On that basis, GBRA hereby agrees to provide continuing disclosure as set forth below:

(a) <u>Definitions</u>. As used in this Section, the following terms have the meanings ascribed to such terms below:

"*EMMA*" means the Electronic Municipal Market Access system being established by the MSRB.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

(b) <u>Continuing Disclosure Agreements</u>. Pursuant to separate Continuing Disclosure Agreements by and between GBRA and (i) the City of Lockhart, Texas ("**Lockhart**"), (ii) the New Braunfels Utilities ("**NBU**"), and (iii) the Goforth Special Utility District ("**Goforth**"), GBRA, Lockhart, NBU and Goforth have undertaken for the benefit of the beneficial owners of the Parity Obligations, to the extent set forth therein, to provide continuing disclosure of financial information and operating data with respect to GBRA, Lockhart, NBU and Goforth, respectively, in accordance with the Rule as promulgated by the SEC. The Board of Directors hereby approves each Continuing Disclosure Agreement in the substantially the form attached to this Resolution as *Exhibits G-1*, *G2* and *G-3*. The Chairman of the Board of Directors is hereby authorized to approve all changes to such Agreements deemed necessary, and the Chairman and Secretary/Treasurer of the Board of Directors are hereby authorized to execute such Agreements on behalf of GBRA.

### (c) Event Notices.

- (i) GBRA shall notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Series 2018 Bonds, if such event is material within the meaning of the federal securities laws:
  - 1. Non-payment related defaults;
  - 2. Modifications to rights of Bondholders;
  - 3. Series 2018 Bond calls;
  - 4. Release, substitution, or sale of property securing repayment of the Series 2018 Bonds;
  - 5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its

terms; and

- 6. Appointment of a successor or additional trustee or the change of name of a trustee.
- (ii) GBRA shall notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Series 2018 Bonds, without regard to whether such event is considered material within the meaning of the federal securities laws:
  - 1. Principal and interest payment delinquencies;
  - 2. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - 3. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - 4. Substitution of credit or liquidity providers, or their failure to perform;
  - 5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB) or other material notices or determinations with respect to the tax-exempt status of the Series 2018 Bonds, or other events affecting the tax-exempt status of the Series 2018 Bonds;
  - 6. Tender offers:
  - 7. Defeasances;
  - 8. Rating changes; and
  - 9. Bankruptcy, insolvency, receivership or similar event of an obligated person.
- (iii) GBRA shall notify the MSRB through EMMA, in a timely manner, of any failure by GBRA to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.
- (d) <u>Limitations, Disclaimers, and Amendments</u>. GBRA shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, GBRA remains an "obligated person" with respect to the Series 2018 Bonds within the meaning of the Rule, except that GBRA in any event will give notice of any deposit made in accordance with Section 25 of this Resolution that causes Series 2018 Bonds no longer to be outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Series 2018 Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. GBRA undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of GBRA's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. GBRA does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2018 Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL GBRA BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY SERIES 2018 BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY GBRA, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by GBRA in observing or performing its obligations under this Section shall comprise a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of GBRA under federal and state securities laws.

The provisions of this Section may be amended by GBRA from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of GBRA, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Series 2018 Bonds in the primary offering of the Series 2018 Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Series 2018 Bonds consent to such amendment or (b) a person that is unaffiliated with GBRA (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Series 2018 Bonds. GBRA may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2018 Bonds in the primary offering of the Series 2018 Bonds. If GBRA so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

**SECTION 34. FINAL ACCOUNTING.** GBRA shall render a final accounting to the Texas Water Development Board in reference to the total cost incurred by GBRA for the Project being financed by GBRA with proceeds of the Series 2018 Bonds together with a copy of "as built" plans of the Project, if applicable. If the Project as finally completed is built or completed at a total cost less than the amount of available funds for building or completing the Project, or if the Executive Administrator of the Texas Water Development Board disapproves construction or completion of any portion of the Project as not being in accordance with the plans and specifications, GBRA agrees to immediately, with filing of the final accounting, return to the Texas Water Development Board the amount of any such excess and/or the cost determined by the Executive Administrator of the Texas Water Development Board relating to the parts of the Project not built or completed in accordance with the plans and specifications, to the nearest multiple of the authorized denominations for the Series 2018 Bonds, upon the surrender and cancellation of a like amount of such Series 2018 Bonds held by the Texas Water Development Board in inverse order of their stated maturities. In determining the amount of available funds for building or completing the Project, GBRA agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the Texas Water Development Board, if any, all other funds available for the Project as described in the project engineer's or fiscal representative's sufficiency of funds statement, and all interest earned by GBRA on money in the Construction Fund.

## SECTION 35. COMPLIANCE WITH THE RULES AND REGULATIONS OF, AND WITH SPECIFIC COVENANTS REQUIRED BY, THE TEXAS WATER DEVELOPMENT BOARD.

[Note: The provisions in this Section are subject to change and will be revised to conform to the requirements in the TWDB Resolution when approved.]

- (a) <u>Compliance with Applicable Laws, Rules and Regulations</u>. In compliance with 31 TAC §363.42(a)(2)H), GBRA covenants to comply with all applicable federal laws, rules, and regulations as well as the laws of the State of Texas (including but not limited to Chapters 15, 16, and 17 of the Texas Water Code, as applicable) and the rules and regulations of the Texas Water Development Board.
- (b) <u>Exercise of Remedies</u>. In satisfaction of the condition imposed in paragraph \_\_ of the TWDB Resolution, the TWDB may exercise all remedies available to it in law or equity, and any provision of the Series 2018 Bonds that restricts or limits the TWDB's full exercise of such remedies shall be of no force and effect.
- (c) <u>Proceeds to Series 2018 Bonds to be Held at a Designated State Depository</u>. In satisfaction of the condition imposed in paragraph \_\_ of the TWDB Resolution, and notwithstanding anything to the contrary set forth in this Resolution, the proceeds of the Series 2018 Bonds shall be held at a designated state depository institution or other properly chartered and authorized institution

in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

- (d) <u>Prohibition on Use of Proceeds Related to Contaminated Soil; Indemnification</u>. In satisfaction of the condition imposed in paragraph \_\_ of the TWDB Resolution, no proceeds of the Series 2018 Bonds shall be used by GBRA for the purpose of paying for sampling, testing, removing or disposing of contaminated soils and/or media at the project site. To the extent permitted by law, GBRA hereby agrees to indemnify, hold harmless and protect the Texas Water Development Board from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by GBRA, its contractors, consultants, agents, officials and employees as a result of activities relating to the project.
- (e) <u>Report on Use of Project Funds to Compensate Historically Underutilized Businesses</u>. In satisfaction of the condition imposed in paragraph \_\_ of the TWDB Resolution, GBRA shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.
- (f) <u>No Acquisition of Source Series Bonds</u>. In satisfaction of the condition imposed in paragraph \_\_ of the TWDB Resolution, neither GBRA nor a related party thereto will acquire any of the Texas Water Development Board's "Source Series Bonds" in an amount related to the amount of the Series 2018 Bonds to be acquired from GBRA by the Texas Water Development Board.
- (g) <u>Submission of Quarterly Reports</u>. In satisfaction of condition number 33 set forth in the TWDB Resolution, GBRA agrees that it shall submit quarterly status reports on the progress of the project financed with proceeds of the Series 2018 Bonds that details information requested by the Executive Administrator of the Texas Water Development Board. GBRA acknowledges that the Executive Administrator may withhold authorization to release funds from the Escrow Funds established pursuant to the Escrow Agreements or adjust the amount of funds to be released from the Escrow Funds based on the receipt of the quarterly status reports and the projected quarterly needs for the project.
- (h) <u>Records and Accounts; Annual Audit</u>. In compliance with 31 TAC §363.42(a)(2)(D) and (G), GBRA covenants that (i) it will keep current, accurate and complete records and accounts in accordance with generally accepted accounting principles necessary to demonstrate compliance with financial assistance-related legal and contractual provisions, and (ii) following the close of each fiscal year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants in accordance with generally accepted auditing standards, and will furnish a copy thereof, within 180 days of the end of such fiscal year, to the Texas Water Development Board, Attention: Executive Administrator.

- (i) <u>Maintenance of Insurance</u>. In compliance with 31 TAC 363.42(a)(2)(L), GBRA covenants and agrees that while the Series 2018 Bonds remain outstanding it will maintain, or will cause to be maintained, casualty and other insurance on the Gonzales Carrizo Water Supply Project of a kind and in such amounts sufficient to protect the TWDB's interest in such Project. The payment of premiums for all insurance policies required under the provisions hereof shall be considered an Operation, Maintenance and Administrative Expense.
- (j) <u>Compliance with Federal Contracting Law</u>. GBRA acknowledges that it has a legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises.
- (k) <u>Compliance with State Contracting Law</u>. GBRA acknowledges that it has a legal obligation to comply with any applicable requirements of State law relating to contracting with historically underutilized businesses.

**SECTION 36. INCORPORATION OF RECITALS.** GBRA hereby finds that the statements set forth in the recitals of this Resolution are true and correct, and GBRA hereby incorporates such recitals as a part of this Resolution.

**SECTION 37. EFFECTIVE DATE.** This Resolution shall become effective immediately after its adoption.

[The remainder of this page intentionally left blank]

# ADOPTED BY THE BOARD OF DIRECTORS OF THE GUADALUPE-BLANCO RIVER AUTHORITY AT A REGULAR MEETING HELD ON THE $19^{TH}$ DAY OF SEPTEMBER, 2018.

	APPROVED:
ATTEST:	Chair, Board of Directors
Secretary/Treasurer, Board of Directors	

#### **EXHIBIT A**

#### FINAL TERMS OF THE SERIES 2018 BONDS

[Note: All capitalized terms used in this Certificate which are not otherwise defined herein shall have the same meanings as set forth in the Resolution approved on September 19, 2018 (the "Bond Resolution") by the Board of Directors of the Guadalupe-Blanco River Authority ("GBRA") which authorized the issuance of the Series 2018 Bonds defined in paragraph 1 immediately below.]

#### 1. GENERAL

This Certificate is given in connection with the issuance by GBRA of the GUADALUPE-BLANCO RIVER AUTHORITY CONTRACT REVENUE BONDS, SERIES 2018A and SERIES 2018B (GONZALES CARRIZO WATER SUPPLY PROJECT) (respectively, the "Series 2018A Bonds" and the "Series 2018B Bonds," and collectively, the "Series 2018 Bonds"), which, pursuant to the Bond Resolution, have been authorized by the Board of Directors.

#### 2. **DEFINITIONS**

All capitalized terms used in this Certificate which are not otherwise defined herein shall have the same meanings as set forth in the Bond Resolution.

#### 3. DATED DATE AND AGGREGATE PRINCIPAL AMOUNTS

<b>3.</b>	DATED DATE AND AGGREGATE PRINCIPAL AMOUNTS
aggreg	The Series 2018A Bonds shall be dated November 1, 2018, and shall be issued in the ate principal amount of \$
aggreg	The Series 2018B Bonds shall be dated November 1, 2018, and shall be issued in the ate principal amount of \$
4.	MATURITY SCHEDULES AND INTEREST RATES
	The Series 2018 Bonds shall (i) mature on in each of the years and in the respective pal amounts, and (ii) bear interest from, to their respective date of any and at the respective interest rates, all as set forth in the following tables:
	[The remainder of this page intentionally left blank]

A-1

#### GUADALUPE-BLANCO RIVER AUTHORITY CONTRACT REVENUE BONDS, SERIES 2018A (GONZALES CARRIZO WATER SUPPLY PROJECT)

MATURITY	PRINCIPAL	Interest	<b>MATURITY</b>	PRINCIPAL	INTEREST
<b>D</b> ATE ( / )	AMOUNT (\$)	<b>RATE</b> (%)	<b>DATE</b> ( / )	AMOUNT (\$)	<b>RATE</b> (%)

### GUADALUPE-BLANCO RIVER AUTHORITY CONTRACT REVENUE BONDS, SERIES 2018B

MATURITY DATE (/)	PRINCIPAL AMOUNT (\$)	INTEREST RATE (%)	MATURITY DATE (/)	PRINCIPAL AMOUNT (\$)	INTEREST RATE (%)
Interest	PAYMENT DATI	E <u>S</u>			
	the Series 2018				and
NET EFFE	CTIVE INTEREST	TRATES			
The net ef	fective interest ra	ate for the Seri	ies 2018A Bonds	s is	6 per annun

The net effective interest rate for the Series 2018B Bonds is \_\_\_\_\_\_% per annum.

#### 7. OPTIONAL REDEMPTION PROVISIONS

	The Series 2018A Bonds maturing on and after
at the redem	redemption price equal to plus accrued interest to the date fixed for ption.
	The Series 2018B Bonds maturing on and after
8.	PURCHASE PRICE.
amour	The Series 2018A Bonds shall be purchased at a price equal to \$ (which it is equal to par and no accrued interest).
amour	The Series 2018B Bonds shall be purchased at a price equal to \$ (which it is equal to par and no accrued interest).
9.	<u>DETERMINATION REQUIRED BY SECTION 1201.022(A)(3), TEXAS GOVERNMENT CODE.</u>
hereby	In satisfaction of Section 1201.022(a)(3), Texas Government Code, as authorized by Section the Bond Resolution, and upon consultation with GBRA's Financial Advisor, the undersigned determines that the final terms of the Series 2018 Bonds as set forth in this Certificate are RA's best interests.

[The remainder of this page intentionally left blank]

APPROVED BY THE		_ <i>OF THE GUADALUPE-</i>	BLANCO RIVER
AUTHORITY ON THE	_DAY OF OCTOBER,	2018 IN ACCORDANCE	WITH SECTION
1(b) OF THE RESOLUTION	<i>I</i> .		
	_		
	-	Guadalupe-Blanco River A	uthority
		=	-

Signature Page to the Approval Certificate Relating to the Issuance of Guadalupe-Blanco River Authority Contract Revenue Bonds, Series 2018A and Series 2018B (Gonzales Carrizo Water Supply Project)

#### **EXHIBITS B-1 and B-2**

#### FORMS OF PAYING AGENT/REGISTRAR AGREEMENTS

The Paying Agent/Registrar Agreements are omitted at this point as they appears elsewhere in this Transcript of Proceedings

#### **EXHIBIT C**

## WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

- A. <u>Arbitrage</u>. With respect to the investment and expenditure of the proceeds of the Series 2018 Bonds, GBRA's chief financial officer (the "*Responsible Person*"), which currently is the Executive Manager for Finance and Administration/CFO of GBRA, will:
  - (i) instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Series 2018 Bonds will be entered into within six (6) months of the date of delivery of the Series 2018 Bonds (the "Issue Date");
  - (ii) monitor that at least 85% of the proceeds of the Series 2018 Bonds to be used for the construction, renovation or acquisition of any facilities are expended within three (3) years of the Issue Date;
  - (iii) restrict the yield of the investments to the yield on the Series 2018 Bonds after three (3) years of the Issue Date;
  - (iv) monitor all amounts deposited into a sinking fund or funds (e.g., the Interest and Sinking Fund), to assure that the maximum amount invested at a yield higher than the yield on the Series 2018 Bonds does not exceed an amount equal to the debt service on the Series 2018 Bonds in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Series 2018 Bonds for the immediately preceding 12-month period;
  - (v) ensure that no more than 50% of the proceeds of the Series 2018 Bonds are invested in an investment with a guaranteed yield for 4 years or more;
  - (vi) maintain any official action of GBRA (such as a reimbursement resolution) stating its intent to reimburse with the proceeds of the Series 2018 Bonds any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
  - (vii) ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and
  - (viii) assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (A) at least every 5 years after the Issue Date and (B) within 30 days after the date the Series 2018 Bonds are retired.

- B. <u>Private Business Use</u>. With respect to the use of the facilities financed or refinanced with the proceeds of the Series 2018 Bonds the Responsible Person will:
  - (i) monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;
  - (ii) monitor whether, at any time the Series 2018 Bonds are outstanding, any person, other than GBRA, the employees of GBRA, the agents of GBRA or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
  - (iii) monitor whether, at any time the Series 2018 Bonds are outstanding, any person, other than GBRA, the employees of GBRA, the agents of GBRA or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);
  - (iv) monitor whether, at any time the Series 2018 Bonds are outstanding, any person, other than GBRA, the employees of GBRA, the agents of GBRA or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
  - (v) determine whether, at any time the Series 2018 Bonds are outstanding, any person, other than GBRA, has a naming right for the facilities or any other contractual right granting an intangible benefit;
  - (vi) determine whether, at any time the Series 2018 Bonds are outstanding, the facilities are sold or otherwise disposed of; and
  - (vii) take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in this Resolution related to the public use of the facilities.
- C. Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Series 2018 Bonds and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Series 2018 Bonds. If any portion of the Series 2018 Bonds is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the three (3) years after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.
- D. <u>Responsible Person</u>. The Responsible Person shall receive appropriate training regarding GBRA's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed or refinanced with the proceeds of the Series 2018 Bonds. The foregoing notwithstanding, the Responsible Person is authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions.

#### **EXHIBIT D**

#### FORM OF PRIVATE PLACEMENT MEMORANDUM

The Private Placement Memorandum is omitted at this point as it appears elsewhere in this Transcript of Proceedings.

#### **EXHIBITS E-1 and E-2**

#### FORMS OF ESCROW AGREEMENTS

The Escrow Agreements are omitted at this point as the appears elsewhere in this Transcript of Proceedings.

#### **EXHIBIT F**

#### FORM OF BOARD PARTICIPATION MASTER AGREEMENT

The Board Participation Master Agreement is omitted at this point as it appears elsewhere in this Transcript of Proceedings.

#### **EXHIBITS G-1 THROUGH G-3**

# FORMS OF CONTINUING DISCLOSURE AGREEMENTS WITH CITY OF LOCKHART, NEW BRAUNFELS UTILITIES AND GOFORTH SPECIAL UTILITY DISTRICT

The Continuing Disclosure Agreements are omitted at this point as they appear elsewhere in this Transcript of Proceedings.

#### PRIVATE PLACEMENT MEMORANDUM DRAFT DATED MAY 3, 2018

#### NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Bonds (defined below), Issuer Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

#### \$57,930,000\*

GUADALUPE-BLANCO RIVER AUTHORITY
TEXAS WATER DEVELOPMENT BOARD
CONTRACT REVENUE BONDS, SERIES 2018A AND SERIES 2018B, AND
MASTER REPURCHASE AGREEMENT
(GONZALES CARRIZO WATER SUPPLY PROJECT)
\$12,035,000 SERIES 2018A (DEFERRED)
\$11,750,000 SERIES 2018B (LOW INTEREST)

\$11,750,000 SERIES 2018B (LOW INTEREST) \$34,145,000 MASTER REPURCHASE AGREEMENT (the "Bonds")

**Dated:** November 1, 2018

Interest accrues from Delivery Date

Due: August 15, as shown in "Appendix A – MATURITY SCHEDULE"

Interest Date: Interest on the Bonds will be payable on February 15 and August 15 each year,

commencing August 15, 2019 (each an "Interest Payment Date"). The Bonds will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY

SCHEDULE."

Record Date: The record date ("Record Date") for the interest payable on the Bonds on any interest

payment date means the close of business on the last business day of the preceding

month.

Date Interest Accrues: The Bonds shall bear interest from the Delivery Date thereof or the most recent Interest

Payment Date to which interest has been paid or provided for at the rate set forth, such interest payable semiannually on February 15 and August 15 of each year until the

earliest of maturity or prior redemption, commencing on August 15, 2019.

Redemption: The Bonds are subject to redemption prior to maturity as provided herein. See "THE

BONDS - Redemption Provisions" herein.

Authorized Denominations: The Bonds are being issued as fully registered bonds in denominations of \$5,000, or

any integral multiple thereof.

Paying Agent/Registrar/Registrar: The paying agent ("Paying Agent/Registrar/Registrar") for the Bonds is \_\_\_\_\_

\_\_\_\_\_, Texas.

Book-Entry-Only System Upon initial issuance, the ownership of the Bonds will be registered in the registration

books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Bonds will be made. The purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Bonds will be payable at the designated office of the Paying Agent/Registrar in Austin, Texas as the same

become due and payable.

Issuer: Guadalupe-Blanco River Authority

Official Action: Bond Resolution to be considered in August of 2018\*.

Purpose: See "APPENDIX B - OFFICIAL ACTION."

Security for the Bonds: See "APPENDIX B - OFFICIAL ACTION."

Ratings and Bond Insurance: See "OTHER INFORMATION - Ratings"

Delivery Date: On or about November 13, 2018\*

See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers

<sup>\*</sup> Preliminary, subject to change.

#### **GUADALUPE-BLANCO RIVER AUTHORITY**

#### **Board of Directors**

Rusty Brockman Chair
Dennis Patillo Vice-Chair

Don Meador Secretary / Treasurer

William Carbonara Director
Oscar H. Fogle Director
Ronald J. Hermes Director
Thomas Mathews II Director
Kenneth A. Motl, DVM Director
Vacant Director

#### **Management Staff**

Kevin Patteson, J.D.General Manager / CEODarrell NicholsSr. Deputy General ManagerJonathan StinsonDeputy General Manager

Alvin Schuerg, CPA Senior Advisor to the General Manager Darel Ball Executive Manager of Operations and

Water Quality

Cindy Demers, CPA Executive Manager of Finance and

Administration / CFO

Sandra Terry Deputy CFO

Todd Votteler, Ph.D. Executive Manager of Resource Policy and

Stewardship

LaMarriol Smith Executive Manager for Strategic Communications

and Education

George "Tom" Bohl, J.D. General Counsel

Thomas Hill, P.E. Executive Manager of Project Engineering and

Development / Chief Engineer

Charles Hickman, P.E. Manager of Project Engineer

Mike Urrutia Deputy Executive Manager of Operations and Water

Quality

McCall,	Parkhurst	& Horton	L.L.P.,	Bond	Counse

Hilltop Securities Inc., Financial Advisor

\_\_\_\_\_, Paying Agent/Registrar

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APPENDIX C FORM OF OPINIONS OF BOND COUNSEL

## DRAFT Private Placement Memorandum relating to

\$57,930,000\*
GUADALUPE-BLANCO RIVER AUTHORITY
TEXAS WATER DEVELOPMENT BOARD
CONTRACT REVENUE BONDS, SERIES 2018A AND SERIES 2018B, AND
MASTER REPURCHASE AGREEMENT
(GONZALES CARRIZO WATER SUPPLY PROJECT)
\$12,035,000 SERIES 2018A (DEFERRED)
\$11,750,000 SERIES 2018B (LOW INTEREST)
\$34,145,000 MASTER REPURCHASE AGREEMENT
(the "Bonds")

#### INTRODUCTION

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the "Bonds" pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See "APPENDIX B – "FORM OF OFFICIAL ACTION" attached hereto.

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Bonds. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Bonds. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

#### THE BONDS

#### **General Description**

The Bonds are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Interest on the Bonds is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Bonds will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

#### Purpose

See "APPENDIX B - FORM OF OFFICIAL ACTION."

#### **Authority for Issuance**

The Bonds are issued pursuant to the GBRA Act, Chapter 1371, Government Code, as amended, and other applicable laws, and the Official Action adopted by the Issuer.

#### **Security for the Bonds**

See "APPENDIX B - FORM OF OFFICIAL ACTION."

<sup>\*</sup> Preliminary, subject to change

#### **Redemption Provisions**

On August 15, 2029, the Issuer reserves the right, at its option, to redeem the Bonds having stated maturities on and after August 15, 2030, in whole, or in part, and, if in part, the Issuer shall, in inverse order of maturity, select and designate the maturity or maturities and the amount that is to be redeemed, and if less than a whole maturity is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount thereof, plus accrued interest to the date fixed for redemption.

#### Notice of Redemption; Selection of Bonds to Be Redeemed

See "APPENDIX B - FORM OF OFFICIAL ACTION."

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of the Bonds, notice of proposed amendment to the Official Action or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC.

#### **Book-Entry-Only System**

The information in this caption concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity and series of the Bonds, as set forth on the inside of the cover page hereof, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose Trust Company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

#### TAX MATTERS

#### **Opinions**

Bond Counsel will deliver its opinions on the date of delivery of the Bonds substantially in the form as attached in "APPENDIX C - FORM OF OPINIONS OF BOND COUNSEL."

#### OTHER INFORMATION

#### Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including

statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Bonds have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

#### **Ratings and Bond Insurance**

No application has been made to any ratings agency or municipal bond insurance company for qualification of the Bonds for ratings or municipal bond insurance, respectively.

#### LITIGATION

#### General

On the date of delivery of the Bonds to the initial purchasers thereof, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Bonds.

#### The Issuer

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Issuer, threatened) that adversely affects the power, authority or obligation of the Issuer to deliver the Bonds, the security for, or the validity of, the Bonds or the financial condition of the Issuer.

#### CONTINUING DISCLOSURE OF INFORMATION

The Issuer has entered into continuing disclosure agreements with 3 public entities that are obligated to acquire at least 10% of the water provide by the project meeting finance with the Bonds as such agreements as described in the Official Action for the benefit of the holders and beneficial owners of the Bonds. The Issuer and the 2018 disclosure parties are required to observe the agreements as they remain obligated to advance funds to pay the Bonds. Under the agreement, the Issuer and 2018 disclosure parties will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. SEE APPENDIX B - "FORM OF OFFICIAL ACTION."

#### **Compliance with Prior Undertakings**

Consistent with its prior continuing disclosure undertakings relating to its outstanding bonds, the Authority assumed certain responsibilities to provide certain annual financial and statistical and notice of certain events, and all contracting parties who assumed a financial obligation to pay at least 10% of debt service requirements on such bonds (the "Initial Disclosure Parties") assumed certain responsibilities for filing certain annual financial and statistical information. The Authority is responsible for making its filings in connection with the Rule but does not provide continuing disclosure filings for the Initial Disclosure Parties.

**Authority.** During the last five years, the Authority has complied in all material respects with all continuing disclosure undertakings made by it in accordance with the Rule.

#### **Initial Disclosure Parties.**

City of Kyle

During the last five years, the City of Kyle has complied in all material respects with all continuing disclosure agreements made by the City of Kyle in accordance with the Rule, except as follows: the City of Kyle entered into a continuing disclosure undertaking with the Authority in connection with the Authority's issuance of its \$15,660,000 Combination Contract Revenue, Subordinate Water Resources Division Revenue, and Surplus Water Project Revenue Bonds, Series 2004A (IH 35). In connection with that agreement, the City of Kyle failed to make timely filings of certain financial information for fiscal years ended 2010-2013. All documents have since been filed along with notices of late filing, and the City of Kyle has instituted procedures to ensure future compliance with that undertaking on a timely basis.

The filings of audited financial statements above are also applicable to the City of Kyle's undertakings unrelated to the Authority's debt. In addition, on March 11, 2014, S&P Global Ratings upgraded the City of Kyle's underlying rating from "A+" to "AA-". On March 18, 20 14, Standard & Poor's upgraded certain issues of the City of Kyle's bonds insured by Assured

Guaranty Municipal Corp. from "AA-" to "AA". Due to administrative oversight by the City of Kyle's Dissemination Agent, notices of these upgrades were posted late on April 11, 2014 and June 9, 2014, respectively. The City of Kyle has established procedures with its Dissemination Agent to monitor and timely report rating changes and instituted procedures to ensure future compliance with its undertaking on a timely basis.

#### City of Buda

The City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule I 5c2-I 2 in the last five years except as follows: the City's Fiscal Year 2011 and Fiscal Year 2012 annual financial statements and annual disclosure reports were filed late. Additionally, for fiscal years 2012 and 2013 certain quantitative financial information and operating data related to the City of Buda's waterworks and sewer system under its continuing disclosure undertaking with the Guadalupe-Blanco River Authority were not specifically filed with the MSRB as separate tables but were either contained in the City's audits, which were filed with the MSRB, or were otherwise publicly available on the City's website or derivable from such sources. These documents have been filed along with a notice of late filing.

The late filings described above were generally the result of a series of personnel and staffing changes in the Finance Department and administrative timing issues relating to the audits that have been addressed by the City. In order to ensure compliance with its continuing disclosure agreements in a timely manner, the City has implemented a computer based tickler system that provides periodic notices to City staff and the City's independent auditors in order to promote timely repoliting and compliance.

#### Sunfield MUD No. 1

Prior to 2013, Sunfield MUD No. 1 was obligated only to provide audited financial statements in connection with a continuing disclosure obligation relating to certain Series 2004 Contract Revenue Bonds issued by the Authority which are no longer outstanding. Sunfield MUD and Sunfield MUD No. 1 entered into an agreement with the Authority in connection with the Authority's issuance of its \$19,470,000 Guadalupe-Blanco River Authority Contract Revenue Refunding Bonds, Series 2013 (IH 35 Treated Water Delivery System Project) (the "Authority's Series 2013 Bonds"), obligating Sunfield MUD No. 1 to file with the MSRB on a timely basis updated Annual Audit Reports and Annual Financial Operating Data identified as Tables E-7 through E-10. However, the description of the continuing disclosure undertaking contained in the Official Statement for the Authority's Series 2013 Bonds required Sunfield MUD No. 1 to provide Annual Financial Operating Data identified as Tables E-1 through E-4 in addition to its Annual Audit Reports. This discrepancy thus excluded Tables E-5 and E-7 through E-10. In order to resolve this discrepancy, the Authority is in the process of amending the continuing disclosure agreement related to the Authority's Series 2013 Bonds to require Sunfield MUD No. 1 to only file Tables E-1 through E-5 in addition to its Annual Audit Reports.

During the last five years, Sunfield MUD No. 1 has comp lied in all material respects with all continuing disclosure undertakings made by it in accordance with the Rule, except as follows: Sunfield MUD No. 1's Annual Audit Reports for the fiscal years ending 2011-2015 and Annual Financial Operating Data for the fiscal years ending in 2013-2015 were not linked to all of the applicable Authority revenue bonds. These filings have been linked to all of the applicable Authority revenue bonds.

The filings of audited financial statements above are also applicable to Sunfield MUD No. 1's undertakings unrelated to the Authority's debt. In addition, due to an oversight, Sunfield MUD No. 1 did not timely file its Debt and Tax Data for the fiscal year ended September 30, 2013. Sunfield MUD No. 1 filed the required information and a notice of late filing on October 23, 2015. To date, all required information has been filed. Sunfield MUD No. 1 has implemented procedures to ensure the timely filing of all required information.

#### Goforth SUD

During the last five years, Goforth SUD has failed to timely file its Annual Audit Reports for the fiscal years ending in 2011, 2012, 2013, 2014 and 2015 and has failed to timely file its Annual Financial Operating Data for the fiscal years ending in 2011, 2012, 2013, and 2015. Goforth SUD's Annual Audit Reports for the fiscal years ending in 2011 - 2015 have been filed and the quantitative financial infom1ation and operating data with respect to Goforth SUD is substantially included in each Annual Audit Report and is therefore incorporated by reference. Notice of late filings have been filed. The Authority is implementing a computer-based tickler system that provides periodic notices to Goforth SUD staff in order to promote timely reporting and compliance.

The information in the preceding paragraphs with respect to the Initial Disclosure Parties has been included based upon publicly filed information available on EMMA and the MAC.

#### **MISCELLANEOUS**

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, as a whole or in part, for any other purpose.

#### ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Bonds and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

### APPENDIX A

MATURITY SCHEDULE

CUSIP No. Prefix (1): 400524

#### PROPOSED LOW INTEREST MATURITY SCHEDULE\*

Principal Amount*	Maturity (August 15)	Interest Rate	CUSIP No. Suffix (1)	Principal Amount*	Maturity (August 15)	Interest Rate	CUSIP No. Suffix (1)
\$305,000	2023			\$435,000	2036		
310,000	2024			450,000	2037		
315,000	2025			465,000	2038		
325,000	2026			480,000	2039		
330,000	2027			500,000	2040		
340,000	2028			515,000	2041		
350,000	2029			535,000	2042		
360,000	2030			555,000	2043		
370,000	2031			570,000	2044		
380,000	2032			595,000	2045		
395,000	2033			615,000	2046		
405,000	2034			640,000	2047		
425,000	2035			660,000	2048		

<sup>\*</sup> Preliminary, subject to change.

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provide by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the Issuer nor the Financial Advisors take any responsibility for the accuracy of CUSIP numbers.

## APPENDIX B FORM OF OFFICIAL ACTION

RESOLUTION REQUESTING FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD FOR THE GONZALES CARRIZO WATER SUPPLY PROJECT; AUTHORIZING THE FILING OF AN APPLICATION FOR FINANCIAL ASSISTANCE; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

## THE STATE OF TEXAS GUADALUPE-BLANCO RIVER AUTHORITY

8

WHEREAS, the GUADALUPE-BLANCO RIVER AUTHORITY ("GBRA") is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to the provisions of Chapter 75, Acts of the 43rd Legislature, First Called Session, 1933, as amended; and

WHEREAS, the Board of Directors hereby finds and determines that there is an urgent need to plan, design, acquire, construct and equip a new groundwater supply project, known generally as the "Gonzales Carrizo Water Supply Project," which primarily consists of the acquisition of groundwater leases for the Carrizo Aquifer water in Gonzales and Caldwell counties, and the construction and equipping of facilities to pump, treat, and convey groundwater in and from Gonzales and Caldwell counties, including but not limited to water treatment plant(s) and associated facilities, and facilities to convey treated water through and to Gonzales, Guadalupe, Caldwell, Hays, and Comal counties, as well as storage and blending facilities, and other facilities necessary or desirable for the supply of treated water to GBRA customers (the "Project"); and

WHEREAS, the Board of Directors has further determined that it is necessary to request financial assistance through the State Water Implementation Revenue Fund for Texas created pursuant to Subchapter G of Chapter 15, Texas Water Code (and more commonly known as the "SWIFT Program") in the amount not to exceed \$211,780,000 to plan, design, acquire, construct, and equip the Project and to finance costs of issuance and capitalized interest and certain operating costs during the construction period; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Resolution was passed was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code;

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GUADALUPE-BLANCO RIVER AUTHORITY:

SECTION 1. REQUEST FOR FINANCIAL ASSISTANCE; APPROVAL OF APPLICATION. The Texas Water Development Board is hereby requested to grant financial assistance, through its SWIFT Program, in an amount not to exceed \$211,780,000 to provide funds to pay a portion of the costs to plan, design, acquire, construct, and equip the Project and to finance costs of issuance and capitalized interest and certain operating costs during the construction period, all as further described in the application for financial assistance related to the Project (the "Application").

SECTION 2. AUTHORIZED REPRESENTATIVES OF GBRA. The General Manager/CEO and the Senior Deputy General Manager of GBRA are hereby designated as authorized representatives of GBRA for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of the Application for financial assistance and the rules of the Texas Water Development Board. The General Manager/CEO, the Senior Deputy General Manager, the Executive Manager for Finance and Administration, the Executive Manager of Project Engineering and Development/Chief Engineer, and the Manager of Project Engineering of GBRA, together with bond counsel, financial advisor, and consulting engineers named in Section 3 below, are hereby authorized to appear before the Texas Water Development Board in support of such Application and the Project. The General Manager/CEO and the Senior Deputy General Manager are each further specifically authorized, individually or collectively, to make the required assurances to the Texas Water Development Board in accordance with the rules, regulations, and policies of the Texas Water Development Board.

SECTION 3. APPROVAL OF PROFESSIONALS. The following firms and individuals are hereby authorized and directed to aid and assist in the preparation and submission of the Application and appear on behalf of and represent GBRA before any hearing held by the Texas Water Development Board on the Application, to-wit:

Financial Advisor	Bond Counsel
Anne Burger Entrekin Hilltop Securities 70 NE Loop 410, Suite 710 San Antonio, Texas 78216	Thomas K. Spurgeon Orlando "Jay" Juarez McCall, Parkhurst & Horton L.L.P. 700 N. St. Mary's, Suite 1525 San Antonio, Texas 78205

#### Engineer

Peter Newell, P.E.
Samuel K. Vaugh, P.E.
HDR, Inc.
4401 West Gate Blvd., Suite 400
Austin, Texas 78745

**SECTION 4.** <u>INCLUSION OF RESOLUTION</u>. A certified copy of this Resolution shall be included with the Application herein authorized to be prepared in final form and submitted to the Texas Water Development Board.

SECTION 5. <u>INCORPORATION OF RECITALS</u>. GBRA hereby finds that the statements set forth in the recitals of this Resolution are true and correct, and GBRA hereby incorporates such recitals as a part of this Resolution.

**SECTION 6. EFFECTIVE DATE.** This Resolution shall become effective immediately after its adoption.

PASSED AND APPROVED BY THE BOARD OF DIRECTORS OF THE GUADALUPE-BLANCO RIVER AUTHORITY DURING A REGULAR MEETING HELD ON THE  $18^{\mathrm{TH}}$  Day of April, 2018.

**GUALALUPE-BLANCO RIVER AUTHORITY** 

har, Board of Directors

ATTEST:

Secretary/Treasurer, Board of Directors

(SEAL)

## APPENDIX C FORM OF OPINIONS OF BOND COUNSEL



November \_\_\_, 2018

# GUADALUPE-BLANCO RIVER AUTHORITY CONTRACT REVENUE BONDS, SERIES 2018A (GONZALES CARRIZO WATER SUPPLY PROJECT) DATED AS OF NOVEMBER 1, 2018 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$

AS BOND COUNSEL FOR THE GUADALUPE-BLANCO RIVER AUTHORITY (the "Issuer") in connection with the issuance of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Bonds, and which are subject to redemption, all in accordance with the terms and conditions stated in the text of the Bonds.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the resolution authorizing the issuance of the Bonds (the "**Resolution**"), (ii) one of the executed Bonds (Bond No. T-1), and (iii) the Issuer's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding special obligations of the Issuer in accordance with their terms except as the enforceability thereof may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the Issuer has the legal authority to issue the Bonds and to repay the Bonds; and that the Bonds, together with any other "Parity Obligations" (as such term is defined in the Resolution), are secured by and payable from an irrevocable lien on and pledge of the "Pledged Revenues", which primarily consists of the "Gross Contract Revenues" derived by the Issuer from various "Participants," pursuant to the "Water Supply Agreements" (as such capitalized terms are defined in the Resolution) related to the Gonzales Carrizo Water Supply Project, as such Water Supply Agreements may be amended pursuant to their respective terms.

**THE OWNERS OF THE BONDS** shall never have the right to demand payment of the Bonds from money raised or to be raised by taxation or from any source whatsoever other than the Pledged Revenues described in the Resolution.



IT IS FURTHER OUR OPINION, except as discussed below, that under the statutes, regulations, published rulings and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not treated as a "preference item" in calculating the alternative minimum tax imposed on individuals under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, and assumed compliance by the Issuer with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the Issuer to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

IN EXPRESSING THE AFOREMENTIONED OPINIONS as to the exclusion of interest from federal income taxes, we have relied on certain representations, the accuracy of which we have not independently verified, and we have assumed compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

**THE ISSUER HAS RESERVED THE RIGHT**, subject to the restrictions stated in the Resolution, to issue Additional Parity Obligations (as defined in the Resolution) which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues on a parity with the Bonds.

THE ISSUER ALSO HAS RESERVED THE RIGHT, subject to the restrictions stated in the Resolution, to amend the Resolution with the consent of at least a majority in aggregate principal amount principal amount of all outstanding Parity Obligations (including the Bonds).

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date



hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and we have relied solely on certificates executed by officials of the Issuer as to the Issuer's historical and projected Pledged Revenues. Our role in connection with the Issuer's Private Placement Memorandum prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,



November \_\_\_, 2018

# GUADALUPE-BLANCO RIVER AUTHORITY CONTRACT REVENUE BONDS, SERIES 2018B (GONZALES CARRIZO WATER SUPPLY PROJECT) DATED AS OF NOVEMBER 1, 2018 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$

AS BOND COUNSEL FOR THE GUADALUPE-BLANCO RIVER AUTHORITY (the "Issuer") in connection with the issuance of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Bonds, and which are subject to redemption, all in accordance with the terms and conditions stated in the text of the Bonds.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the resolution authorizing the issuance of the Bonds (the "**Resolution**"), (ii) one of the executed Bonds (Bond No. T-1), and (iii) the Issuer's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding special obligations of the Issuer in accordance with their terms except as the enforceability thereof may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the Issuer has the legal authority to issue the Bonds and to repay the Bonds; and that the Bonds, together with any other "Parity Obligations" (as such term is defined in the Resolution), are secured by and payable from an irrevocable lien on and pledge of the "Pledged Revenues", which primarily consists of the "Gross Contract Revenues" derived by the Issuer from various "Participants," pursuant to the "Water Supply Agreements" (as such capitalized terms are defined in the Resolution) related to the Gonzales Carrizo Water Supply Project, as such Water Supply Agreements may be amended pursuant to their respective terms.

**THE OWNERS OF THE BONDS** shall never have the right to demand payment of the Bonds from money raised or to be raised by taxation or from any source whatsoever other than the Pledged Revenues described in the Resolution.



IT IS FURTHER OUR OPINION, except as discussed below, that under the statutes, regulations, published rulings and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not treated as a "preference item" in calculating the alternative minimum tax imposed on individuals under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, and assumed compliance by the Issuer with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the Issuer to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

IN EXPRESSING THE AFOREMENTIONED OPINIONS as to the exclusion of interest from federal income taxes, we have relied on certain representations, the accuracy of which we have not independently verified, and we have assumed compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

**THE ISSUER HAS RESERVED THE RIGHT**, subject to the restrictions stated in the Resolution, to issue Additional Parity Obligations (as defined in the Resolution) which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues on a parity with the Bonds.

THE ISSUER ALSO HAS RESERVED THE RIGHT, subject to the restrictions stated in the Resolution, to amend the Resolution with the consent of at least a majority in aggregate principal amount principal amount of all outstanding Parity Obligations (including the Bonds).

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date



hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and we have relied solely on certificates executed by officials of the Issuer as to the Issuer's historical and projected Pledged Revenues. Our role in connection with the Issuer's Private Placement Memorandum prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

# **Project Location**

County: Comal Primary: N

County: Guadalupe

Primary: N

County: Hays Primary: N

County: Caldwell

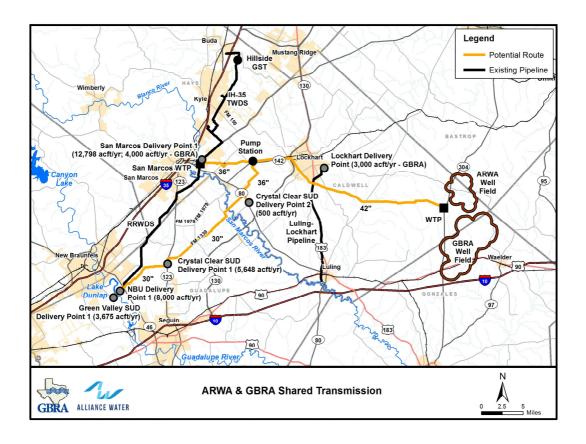
Primary: N

County: Gonzales

Primary: Y

Can you locate your project to a specific address?: N

Project Latitude: 29.74
Project Longitude: -97.38



# **Project Schedule**

- a) Requested loan closing date: 11-13-2018
- b) Estimated date to submit environmental planning documents.: 09-01-2018
- c) Estimated date to submit engineering planning documents.: 05-04-2018
- d) Estimated date for completion of design.: 08-31-2021
- e) Estimated Construction start date for first contract.: 06-01-2019
- f) Estimated Construction end date for last contract: 12-31-2023

Figure 1. Total Population

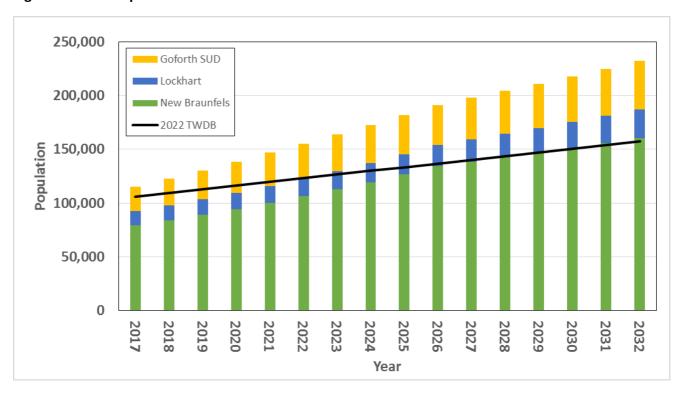


Figure 2. Total Demands

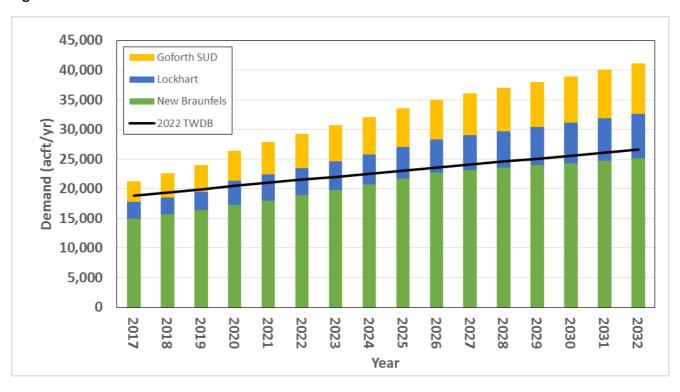


Table 1. Population and Demand Projections Provided by the Participants

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
New Braunfels Utilities	Projection															
Population	79,391	84,154	89,204	94,556	100,229	106,243	112,618	119,375	126,537	134,129	138,153	142,298	146,567	150,964	155,493	160,158
Demand (acft/yr)	14,940	15,662	16,417	17,206	18,031	18,892	19,793	20,733	21,715	22,739	23,135	23,535	23,937	24,342	24,750	25,161
City of Lockhart Projecti	on															
Population	13,250	13,714	14,194	14,903	15,649	16,431	17,253	18,115	19,021	19,972	20,971	22,019	23,120	24,276	25,490	26,764
Demand (acft/yr)	2,800	2,898	2,999	4,167	4,376	4,594	4,824	5,065	5,319	5,584	5,864	6,157	6,465	6,788	7,127	7,484
Goforth SUD Projection	,															
Population	22,533	24,786	27,018	29,178	31,221	32,781	34,092	35,115	36,171	37,254	38,745	39,906	41,103	42,336	44,028	45,348
Demand (acft/yr)	3,555	4.040	4,520	4,984	5,424	5,759	6,041	6,261	6,488	6,721	7,042	7,292	7,549	7,814	8,178	8,462
Total Population	115,174	122,654	130,415	138,637	147,099	155,455	163,962	172,605	181,729	191,355	197,869	204,223	210,790	217,576	225,011	232,270
Total Demand (acft/yr)	ŕ	22,600	23,936	26,358	27,830	29,246	30,658	32,059	33,521	35,045	36,041	36,983	37,951	38,944	40,056	41,106

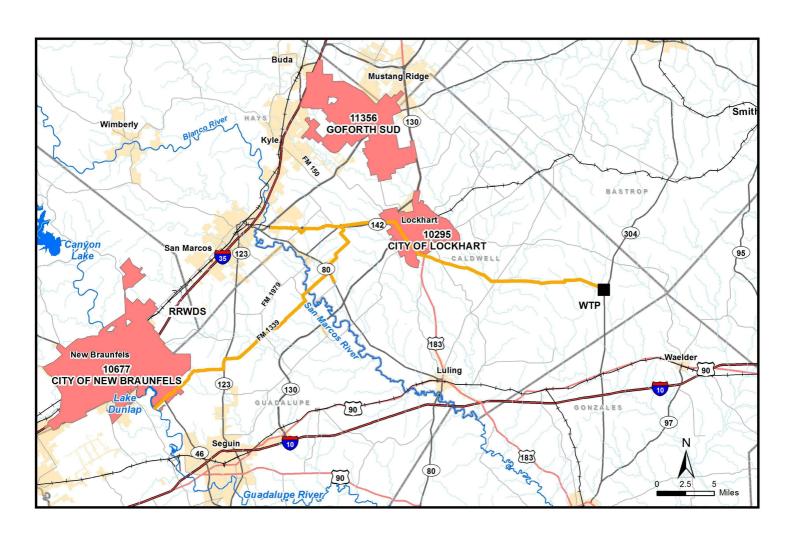
Table 2. TWDB Projections for 2021 Region L Water Plan

Item	2020	2030	2040
New Braunfels Utilities			
Population	75,462	93,398	112,241
Demand (acft/yr)	15,412	18,749	22,323
City of Lockhart			
Population	15,726	19,254	22,734
Demand (acft/yr)	2,258	2,683	3,114
Goforth SUD			
Population	25,116	37,944	50,868
Demand (acft/yr)	2,831	4,122	5,444
Total Population	116,304	150,596	185,843
Total Demand (acft/yr)	20,483	25,554	30,881

# **Cost Estimates**

		PROJECT	T BUDGET - E	ntity Name	GBRA			
	TWDB Funds	1110020	TWDB Funds	TWDB Funds	TWDB Funds			
	Series 2018	TWDB Funds	Series 2018	Series 2020	Series 2021	Total TWDB		
Uses	Defer	Series 2018 LI	BP	LI/BP	LI/BP	Cost	Other Funds	Total Cost
Construction								
San Marcos HSPS		\$756,010	\$2,530,990			\$3,287,000		
Wellfield		1,127,863	3,775,888	\$2,312,100	\$3,468,150	\$10,684,000		
WTP Maxwell PS		-	-	\$8,858,800 \$2,398,400	\$13,288,200 \$3,597,600	\$22,147,000 \$5,996,000		
Integration Facilities		-	-	\$800,000	\$1,200,000	\$2,000,000		
Transmission		_	-	\$17,384,000	\$26,076,000	\$43,460,000		
Subtotal Construction	\$0	\$1,883,873	\$6,306,878	\$31,753,300	\$47,629,950	\$87,574,000	\$0	\$0
Basic Engineering Fees								
Planning +	\$1,015,100	\$0	\$0	\$0	\$0	\$1,015,100	\$0	\$1,015,100
Design	\$8,521,517	\$0	\$0	\$0	\$0	\$8,521,517	\$0	\$8,521,517
Construction Engineering	\$0	51,174	171,322	\$1,183,713	\$1,775,570	\$3,181,779	\$0	\$3,181,779
Basic Engineering Other	\$0	*0	¢0	\$0	0.0	¢0	\$0	ФО.
Subtotal Basic Engineering	20	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fees	\$9,536,617	\$51,174	\$171,322	\$1,183,713	\$1,775,570	\$12,718,396	\$0	\$12,718,396
Special Services								
Application	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$1,066,000	\$0	\$0	\$0	\$0	\$1,066,000	\$0	\$1,066,000
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer Evaluation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$291,000	\$0	\$0	\$0	\$0	\$291,000	\$0	\$291,000
Geotechnical	\$291,000	\$0 \$0	\$0 \$0	\$0	\$0	\$291,000	\$0 \$0	\$291,000
Testing Permits	\$0 \$230,000	\$0 \$0	\$0 \$0	\$0 \$0	\$0 \$0	\$0 \$230,000	\$0 \$0	\$0 \$230,000
Inspection	\$230,000	\$0 \$0	\$0	\$0	\$0	\$230,000	\$0	\$230,000
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by		7.7		, ,	, ,		7.7	7.2
engineer)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution Modeling Special Services Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
**	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Special Services	\$1,878,000	\$0	\$0	\$0	\$0	\$1,878,000	\$0	\$1,878,000
Other								
Administration	\$0	\$0 700 740	\$0	\$0	\$0	\$0	\$0	\$0
Land/Easements Acquisition Water Rights Purchase (If	\$500,000	790,740	2,647,260	\$0	\$0	\$3,938,000	\$0	\$3,938,000
Applicable)	\$0	\$6,580,122	\$22,029,104	\$0	\$0	\$28,609,225	\$0	\$28,609,225
Capacity Buy-In (If								
Applicable)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lease Payments District Fees	\$0 \$0	\$ 409,117 \$ 19,209	\$1,369,651 \$64,307	\$ 750,000 \$ 221,752	\$0 \$0	\$2,528,768 \$305,268	\$0 \$0	\$2,528,768 \$305,268
			. ,					
Subtotal Other Services	\$500,000	\$7,799,187	\$26,110,322	\$971,752	\$0	\$35,381,261	\$0	\$35,381,261
Fiscal Services								
Financial Advisor	\$48,000	\$46,000	\$87,000	\$130,000	\$175,000	\$486,000	\$ 173,724.00	\$659,724
Bond Counsel	\$50,500	\$48,500	\$101,000	\$137,000	\$205,000	\$542,000	\$0	\$542,000
Issuance Cost Bond Insurance/Surety	\$12,383 \$0	\$10,431 \$0	\$31,732 \$0	\$58,705 \$0	\$133,434 \$0	\$246,685 \$0	\$0 \$0	\$246,685 \$0
Attorney General's Fee	\$9,500	\$9,500	\$0	\$9,500	\$9,500	\$38,000	\$0	\$38,000
Capitalized Interest	\$0	\$1,502,047	\$0	\$943,918	\$960,879	\$3,406,844	\$0	\$3,406,844
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other **	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Fiscal Services	\$120,383	\$1,616,478	\$219,732	\$1,279,123	\$1,483,813	\$4,719,529	\$173,724	\$4,893,253
Contingency								
Contingency	\$0	\$399,288	\$1,336,746	\$8,627,112	\$12,940,667	\$23,303,813	\$0	\$23,303,813
Subtotal Contingency	\$0	\$399,288	\$1,336,746	\$8,627,112	\$12,940,667	\$23,303,813	\$0	\$23,303,813
TOTAL COSTS	\$12,035,000	\$11,750,000	\$34,145,000	\$43,815,000	\$63,830,000	\$165,574,999	\$173,724	\$78,174,723
Other ** description must be ente	ared			-	-			
Carer Geocription must be ente		m nlegee breek	down Planning	costs as follows	<u>.</u>			
+ For Planning applications under t				cosis as itilities				
+ For Planning applications under t	ne EDAP Progra	im, picase break						
+ For Planning applications under t Category A	ne EDAP Progra	пп, рісазе вісак						0
0 11	ne EDAP Progra	im, picase break	- uammy					0
Category A Category B	ne EDAP Progra	in, please break	. uom mammy					0
Category A	ne EDAP Progra	ini, picase break						
Category A Category B	ne EDAP Progra	in, picase break						0

Texas Water Development Board Water Project Information											
A. Project Name		B. Projec	B. Project No.				C. County				
					(	Com	nal, Guadalupe	, Hays, Caldv	vell, Gonzales		
D. Program(s)		E. Date				F. R	Regional Planning	Group (A-P)			
G. Water Project Description: (Multi	phase proje	ct, new or ex	pansion;	plant, well, sto	orage, pump s	statio	on, distribution sy	stem, etc)			
	Attach map	of service	area affe	cted by Proje	ct or other d	docu	mentation.				
H. Is an Inter Basin Transfer potenti		?					strict (If yes, iden		,		
Yes □ No □	<u> </u>		Yes ■	Gonzales C	ounty Underg	groun	nd Water Conserv	ation District	No 🗆		
J. Service Area Projected Population for at least a 20 year	Current	Population	ı	ı	Pr	rojec	ted Population		1		
period:	Year:	2017		2020	2025		2030	2035	2040		
(if different from Planning Area, discuss in separate attachment)	Population	. 115,174	4 13	88,637	181,729		217,576	N/A	N/A		
aloudo in ocparato attaorimenty	· opulation										
Project Design Year:		20 32	Design Population:			000 070					
(Year for which project will be sized)				(Populatio			on the design year	232,270			
K. Is the proposed project included in a current Regional Water Plan? Yes ■ No □ Don't Know □ Substitution Addendum pp. 5.1-8,9 (If <b>Yes</b> , please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: RWP pp. 5.2.32-1-15						n pp. 5.1-8,9					
L. What type of water source is ass	ociated dire	ctly with th	e propos	ed project?	Surface Wat	ter 🗆	] Groundwate	r ■ Reuse			
M. Will the project increase the volu	me of water	supply?	Yes ■	No □							
N. What volume of water is the project	ect anticipate	ed to deliver	treat per	year? 15,000	)		Acre-Feet/Yea	ar			
O. Current Water Supply Informatio	n		·								
Surface Water Supply Source / Pro	vider Names					Source County			Annual Volume and Unit		
see attached table		see at				ee attached table			see attached table		
Groundwater Supply Aquifer						Source County Annual Volume and Ur					
see attached table						ee attached table see attached table					
Reuse Water see attached table			Certificate No.  Annual Amount Used see attached table see attached table								
P. Proposed Water Supply Associate	ted Directly v				1000 a		100 10010				
Surface Water Supply Source / Pro	•			,001	Source C	Coun	ity		ume and Unit		
N/A r					N/A			N/A	N/A		
11,7,1						Source County  Annual Volume and Unit					
Reuse Water Gonza				well Countie		Gonzales & Caldwell 15,000 acft/yr					
N/A Certification N/A			ile INO.		N/A	Annual Amount Used and Unit N/A					
Q. Consulting Engineer Name			Telepho	ne No.		E	-mail address				
Sam Vaugh, HDR Engine	ering, Ind	<b>C</b> .		12-5142			Sam.Vaugh@	hdrinc.com	1		
R. Applicant Contact Name, Title	roject Fra	nincarina	Telepho			E-mail address					
Charles Hickman, Mngr Project Engineering 830-379-5822 chickman@gbra.org											



# **Property Rights**

- a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?: Y
- b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Water Right the right must be or full ownership acquisition date Right ID No. acquired
--

STATI	E OF TI	EXAS		§		
				§		
COUN	TY OF	GUADALUPE		§		
		GRO	OUND WATE	R AFFIDAV	IT	
	Nichols	,	, a person	whose identity	day personally is known to me	appeared e. After I
1.		-		-	making this affidavit nd are true and corre	
2.	entity Develo		application for	financial assis	tance with the Telephonent of a new gr	
3.	Does t	he applicant own the	e proposed well	site(s)?		
			Yes	No 🔳		
	(a)	Attach a copy of the legal instrument do project site(s).			other	
		Item attached:	Yes	No 🔳		
	(b)	Were the groundw transferred by a pro acquisition of the p	edecessor in title	•	licant's	
4.	Does ti	he applicant intend	to acquire title to	the proposed w	ell site(s)?	
			Yes	No 🔳		

	agreen that th	h a copy of a notice oment, an option to purne applicant is in the point to be located.	rchase p	ropert	y or other do	cui	-
		Item attached:	Yes		N	Vо	
5.	Does	the applicant lease the	e propo	sed we	ll site(s)?		
			Yes		N	Ю	
	arrang	h a copy of the execut gement documenting to d produce groundwat	that the	applica	ant has the ri		
		Item attached:	Yes		N	10	
6.	Does	the applicant intend to	o lease t	the pro	posed well s	ite(	(s)?
			Yes		N	lo	
	arrang acquir	h a copy of the draft legement documenting tring the contractual riproject site(s).	hat the	applica	ant is in the p	pro	cess of
		Item attached:	Yes		N	lo	
7.		project located within rvation district?	n the bo	undari	es of a groun	ıdw	vater vater
			Yes		N	lo	
	(a)	Attach all groundwa authorizing groun groundwater well(s)	ıdwater	-		by om	
		Item attached:	Yes		N	lo	
	(b)	Attach copies of conservation district groundwater well(s)	t for a				
		Item attached:	Yes		N	lo	

Signed the 3rd day of May	20 <u>18</u> .
	Danil Authoris
	Senior Deputy General Manager Title
Sworn to and subscribed before me by Tric	ia L. Ramirez
on May 3, 20 18.	
TRICIA L RAMIREZ  Notary Public, State of Texas  Comm. Expires 12-20-2020  Notary ID 13093864-5	Trian L. Ramirez Notary Public in and for the State of Texas
[SEAL]	

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#### **EXHIBIT D**

## **MEMORANDUM OF LEASE**

# 245419

This Memorandum of Lease is made effective the 7 day of **May** 2009, by and between **Carolyn Jo Goodwin** ("Lessor") and TEXAS WATER ALLIANCE LIMITED ("Lessee").

#### WITNESSETH:

- 1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Groundwater (the "Lease"), of the right to withdraw and beneficially use the Carrizo Aquifer water pertaining to the real property described on **Exhibit "A"** attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.
- 2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.
- 3. Under the terms of the Lease, Lessor has leased the Water Rights to Lessee and Lessee has leased the Water Rights from Lessor upon and in accordance with the terms of the Lease.

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4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

	LESSOR:	
	Carolyn Jo Goodwin	
/	arshmDo Hoodiin Man 8 2009	
_	Signature - Date Signature - Date	
	By: Its:	
	STATE OF TEXAS §	
	COUNTY OF GONZALES §	
	This instrument was acknowledged before me on the day of the state of	f
	[SEAL]  Notary Public, State of 1 CCS	
10	RHONDA L. PENN Notary Public, State of Texas My Commission Expires	

# VOL 1 0 2 5 PAGE 3 3 0

Lessee:	
	TEXAS WATER ALLIANCE LIMITED
	Name: Mark Janay Title: Vice President
STATE OF TEXAS	§
COUNTY OF GONZALES	§
2009, by Mark Scale ALLIANCE LIMITED, on behalf	
AFTER RECORDING,	
RETURN TO:	
Texas Water Alliance Limited Crockett Camp 925-B S. Capital of Texas Highv Austin, Texas 78746	vay

# EXHIBIT "A" TO MEMORANDUM OF LEASE

## Parcel 1:

150 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

## Parcel 2:

64.6 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

FILED this 3 day of June 20 10 at 11: 45 the LEE RIEDEL COUNTY CLERK, GONZALES COUNTY, TEXAS BY Rach Salleon Deputy

STATE OF TEXAS COUNTY OF GOMZALES I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Records of Gonzales County, Texas in volume and page as stamped hereon by me.

JUN 24 2010

#### WATER LEASE

This Water Lease (the "Lease") is entered into May 8, 2009 ("Signing Date") between Carolyn Jo Goodwin ("Lessor") and Texas Water Alliance Limited, a Texas corporation ("Lessee"). Lessor and Lessee are each individually referred to herein as a "Party" and, collectively, as the "Parties."

#### RECITALS

- 1. Lessee is engaged primarily in the acquisition, development, treatment and delivery of water.
- 2. Lessor desires to lease to Lessee and Lessee desires to lease from Lessor, certain real property rights for the development, production, transportation and use of groundwater in and under the Property from the Carrizo formation.

#### **AGREEMENT**

In consideration of the mutual promises, obligations and benefits to be derived by the Parties pursuant to this Lease, the receipt and sufficiency of which are hereby acknowledged, each Party, intending to bind itself and its heirs, successors, assigns, and representatives as of the Signing Date, agrees as follows:

I.

#### **Grant of Lease**

#### Section 1.1 Certain Definitions.

- (a) "Effective Date" of the Lease shall be January 1, 2010.
- (b) "Lease Year" shall mean every twelve (12) month period beginning with the Effective Date during the Term of the Lease.
- (c) "Lessor's Uses" means all (i) Lessor's use of the Property for any domestic, livestock, poultry, irrigation, other agriculture, wildlife and/or recreational purposes on the Property (and on land contiguous to Property owned by Lessor used in connection with the

Property) and shall include Lessor's use of groundwater to fill a livestock tank and otherwise to provide water for livestock and poultry, provided such uses are exempt from the requirement to obtain a production permit under the rules and regulations of the Gonzales County Underground Water Conservation District (the "**District**"); (ii) use of the Property for or in connection with developing, exploring, drilling, producing and transporting oil, gas and other minerals in and under (and/or that may be saved and produced from) the Property and/or land contiguous to Property owned by Lessor, but subject to Lessee's rights under Section 1.8; and (iii) groundwater reserved by Lessor pursuant to Section 1.7(i thru iv).

- (d) "Produced," "Producing" or "Production" mean any actual pumpage and/or withdrawal of groundwater by Lessee in connection with the Project.
- (e) "Prohibited Lien," means any lien or encumbrance affecting the Property that constitutes a material interference in Lessee's ability to pursue the Project.
- (f) "Project" means the development by Lessee of groundwater in Gonzales County, Texas, for any purpose.
  - (g) "Project Area" means the area described in Exhibit "A," attached hereto.
- (h) "Project Revenue" means the revenue from the sale, trade, or lease, of water incidental to and sourced from the Lease, but does not include revenue from the sale, trade, or lease of capacity within the treatment facilities or pipelines used to treat and transport the water incidental to and sourced from the Lease, and does not include any income and revenue from sale of other services, products and merchandise from the Lessee.
- (i) "Property" means the real property located in Gonzales County, Texas, owned by Lessor, described on the attached Exhibit "B," consisting of approximately 214.6 contiguous acres of land, more or less, provided however that if upon re-survey it is determined that the Property consists of more contiguous acreage than stated in Exhibit "A," the Property shall consist of the contiguous acreage determined by re-survey. Lessor agrees to execute any supplemental instruments requested by Lessee for a more complete or accurate description of said real property.

(j) "Water Rights" means all permits, licenses, consents, and contracts, if any, pertaining to or appurtenant to groundwater from the Carrizo formation, as the Carrizo formation is described or recognized by the Gonzales County Underground Water Conservation District, under the Property subject to this Lease, including but not limited to the federal, state, and local permit rights; the interim and regular permits; and the modifications, amendments, renewals, extensions or successor or substitute permits related to the groundwater from the Carrizo formation under the Property subject to this Lease, whether currently in force or hereafter granted or adopted.

#### Section 1.2 Grant.

- (a) Groundwater. Expressly subject to the Lessor's reservations below, and in consideration of Ten and No/100 Dollars (\$10.00) in hand paid and other payments herein provided, and of the agreements of Lessee hereinafter contained, Lessor hereby GRANTS, LEASES AND LETS unto Lessee the property rights of Lessor to explore, develop, capture, produce, own and sell the groundwater in and under the Property from the Carrizo formation during the term of the Lease and as long thereafter as payments to Lessor for the rights to the groundwater may be made in accordance with the provisions of the Lease. All such production shall be subject to any and all applicable statutes, regulations, and common law. Subject to Lessor's reservations and during the Term, Lessor agrees that the right to groundwater Produced by Lessee from the Property shall be vested exclusively in Lessee, provided however that during and after the expiration of the Term, at Lessor's option, all claims and rights to historical production, usage or other regulatory or statutory right related to the production of groundwater from the Property shall accrue to and shall be assigned exclusively to Lessor.
- (b) Water Rights. Subject to the reservations below, in consideration of Ten and No/100 Dollars (\$10.00) in hand paid or payments herein provided, and of the agreements of Lessee hereinafter contained, for the duration of the Term Lessor hereby GRANTS, LEASES AND LETS unto Lessee, Lessor's interest in and to the Water Rights (as hereinbefore defined) pertaining to the groundwater from the Carrizo formation that may be Produced by Lessee or its assigns from the Property.

Section 1.3 Surface and Subsurface Rights. Expressly subject to the Lessor's reservations below and only for the duration of the Term, the rights and interest granted, leased and let under this Lease consists of the surface and subsurface property rights and interest appurtenant to groundwater in and under the Property from the Carrizo formation that are necessary for the Lessee to withdraw and beneficially use such groundwater and the real and personal property rights, appurtenances, permits, authorities, licenses, consents, and contracts, if any, pertaining to such groundwater property rights and interest; provided however, that Lessee's rights described herein with respect to the surface of the Property are limited to those rights described in Section 1.5 and Section VIII. Expressly subject to Lessor's reservations below and only for the duration of the Term, the lease of such property rights and interest is intended to include the federal, state, and local permit rights; the interim and regular permits; and the modifications, amendments, renewals, extensions or successor or substitute permits related to such property rights, whether currently in force or hereafter granted or adopted.

Section 1.4 Negative Covenant. During the Term but subject to the reservations of Lessor below, Lessor agrees and covenants not to contest Lessee's exclusive right to develop, capture, produce, own and sell groundwater produced from the Carrizo formation under the Property as provided in this Lease for so long as this Lease shall be in effect. The preceding sentence shall not impair Lessor's right to enforce Lessee's duties and obligations hereunder, including the right to pursue any and all remedies available to Lessor and the right to terminate this Lease as provided in Section III. Lessor agrees not to compete with Lessee's water development and supply activities on the Property, provided however that Lessor's agreement not to compete shall not include the rights reserved to Lessor.

Section 1.5 Testing Right for Lessor's Water Wells. Lessee shall have access to the Property and the right to test any and all of the water wells located on the Property, provided Lessee provides Lessor at least two (2) days prior written notice, unless an emergency or other urgent need exists in which event Lessee will give Lessor as much advance notice as may be practical in the situation. Lessee acknowledges and agrees that this Lease contains no grant of right by Lessor for Lessee or its agents to enter upon or use the surface of the Property, except as expressly provided in the preceding sentence and that Lessee shall have only the rights of entry

and use of the surface of the Property if and to the extent set forth in a separate written agreement between Lessor and Lessee.

Section 1.6 Wells by Others Prohibited. Except for Lessee or an assignee of Lessee pursuant to Section 4.4, Lessor shall not allow any person (as defined by state law) to drill a water well, to install a water treatment plant, or to install a water transmission facility on the Property during the Term of the Lease. Notwithstanding the previous sentence, Lessor may drill water wells to produce water for Lessor's Uses on the Property, provided Lessor's Uses are exempt under the rules of the District and such Uses do not reduce the amount of groundwater available for production from the Property by Lessee and provided further that such Uses are not for municipal or commercial purposes or for any purpose involving use or consumption of the water outside the boundaries of the Property. Groundwater from other than the Carrizo formation and groundwater reserved under Section 1.7(i thru iv) may be produced from either existing wells or new wells by Lessor.

#### Section 1.7 Reservations.

- (a) **Specific Reservations**. Subject to Lessee's rights to acquire certain tracts and easements as needed for the Project pursuant to Section VIII of this Lease and Lessee's limited rights of entry pursuant to Section 1.5 of this Lease, there is specifically excepted from the grants above, and Lessor hereby expressly reserves the following:
  - (i) With respect to the surface of the Property, the exclusive rights of occupancy, use and possession for any and all purposes (including without limitation the right to sell, subdivide or develop all or part of the Property);
  - (ii) With respect to the surface and subsurface of the Property, any and all rights for developing, drilling wells, producing, and transporting groundwater from formations other than the Carrizo formation for any purposes; and from the Carrizo formation for only Lessor's Uses;
  - (iii) With respect to the groundwater in and under the Property, the right to develop, drill wells, produce, and transport groundwater from formations other than the

Carrizo formation for any purposes; and from the Carrizo formation for only Lessor's Uses:

- (iv) Groundwater reserved by Lessor for Lessor's Uses that is not exempted from the permitting rules and regulations of the District (referred to as "Lessor's Claim") shall be Zero (0.0) acres. In the event Lessor's Claim is greater than zero, the number of contiguous surface acres for the Property as set forth in Subsection 1.7(a)(iv) shall be reduced in the amount of one acre for each acre-foot, or portion thereof, reserved by Lessor for Lessor's Claim (unless the District has adopted a maximum allowable different from the one acre-foot of water from the Carrizo formation for each acre of land in which event such different maximum allowable will be applied);
- (v) Any and all oil, gas and other minerals, including but not limited to gas strata, uranium and other fissionable materials; and
- (vi) Subject to Section VIII of this Lease, the exclusive right to use any access to and from the Property and to conduct operations (including drilling operations) on the surface and subsurface of the Property to explore for, drill, produce, develop, transport, store, treat and market oil, gas and other minerals therefrom or from any other lands of Lessor or from any other land not owned by Lessor.

Provided, however that the exercise of any of Lessor's reserved rights shall not unreasonably interfere with Lessee's operations in, on or under the Property.

### Section 1.8 Oil, Gas and Other Mineral Leases.

- (a) Lessor may execute leases for the exploration, development and production of oil, gas and any other minerals, including but not limited to oil and gas strata, uranium and other fissionable materials, to third persons, and, subject to Lessee's rights under Section VIII of this Lease, to grant to such third persons the rights to use the surface for such proposes.
- (b) As part of any lease relating to the exploration, development, and production of oil, gas and any other minerals, Lessor shall require all ground water taken by such Lessee shall be taken from formations other than the Carrizo and that such lessee shall be liable to the Lessee

for any damage that may occur to Lessee's property or facilities as a result of such Lessee's activities, provided however that if sufficient water cannot be taken from formations other than the Carrizo, then such Lessee may use water from the Carrizo if such Lessee's use of water from the Carrizo is (i) exempt under the rules of the District and (ii) does not reduce the allowable from the Property available to Lessee.

**Section 1.9** No right for Recharge, Storage and/or Retrieval Projects. Lessee shall have no rights under this Lease to introduce in, on, or under the Property any aquifer recharge, storage and/or retrieval project unless and until a written agreement providing for such is entered into by Lessor and Lessee.

#### II.

## **Payments**

- **Section 2.1 Payments**. The application of the payment schedule and amounts are illustrated in Exhibit C attached to and incorporated into this Lease to be used in the application and interpretation of any ambiguities that may exist in the text below. Under no circumstances shall Lessee be required to prorate any of the payments described below.
- (a) **Bonus Payments.** Subject to the satisfaction of the conditions specified in this Section 2.1 below, Lessee shall pay Lessor two (2) lump sum bonus payments as follows:
  - (i) Initial Bonus Payment. The amount of the initial lump sum payment (the "Initial Bonus Payment") shall equal \$100 per acre of land within the Property, as the acreage is specified or as adjusted in accordance with Section 1.1 of this Lease, less any deduction for Lessor's Claim under Section 1.7 of this Lease. The Initial Bonus Payment will be paid by Lessee to Lessor within sixty (60) days after all of the following conditions have been satisfied:
    - (A) Lessor holds fee simple title to the Property and Lessor's title is not subject to any exceptions, restrictions, encumbrances or claims that would interfere with or prevent Lessee's use or enjoyment of the rights granted by this Lease;

- (B) Lessee possesses water leases signed by the owners of at least 20,000 acres of land, in 2,000 acre contiguous blocks of land, located entirely within Gonzales or Caldwell County, Texas and within the "Eastern Management Zone" described by the District in the District's Management Plan in effect on January 1, 2009, and within the Project Area; and
- (C) The Property is within at least one of the 2,000-acre contiguous blocks of land located within the Project Area, or Lessee waives this condition in writing at execution of the Lease.

If Lessee does not tender to Lessor the Initial Bonus Payment within sixty (60) days following the expiration of twelve (12) months after the Effective Date, then at anytime thereafter but prior to Lessee's payment of the Initial Bonus Payment, Lessor may, after sixty (60) days written notice to Lessee, terminate this Agreement and if Lessor exercises this right of termination, this Lease shall be null and void.

- (ii) Final Bonus Payment. The amount of the second lump sum payment (the "Final Bonus Payment") shall equal \$100 per acre of contiguous land within the Property, as the acreage is specified or as adjusted in Section 1.1 of this Lease, less any deduction for Lessor's Claim under Section 1.7 of this Lease. The Final Bonus Payment will be paid by Lessee to Lessor within ninety (90) days after Lessee confirms that all of the following conditions have been specified:
  - (A) Lessee paid Lessor an Initial Bonus Payment;
  - (B) Lessee has obtained drilling, production, and transportation permits from the District that are subject to terms and conditions reasonably acceptable to Lessee, in Lessee's sole discretion; and
  - (C) Lessee determines, in Lessee's sole discretion, that the amount of water authorized to be produced and transported by such permits, as may be limited or rationed in accordance with the rules of the District then in effect, are sufficient to develop the Lessee's Project.

- (b) **Pre-Production Payments**. Subject to the conditions described below, Lessee shall pay Lessor annual payments during the first ten (10) Lease Years as follows. The annual payment shall be made within sixty (60) days after the beginning of the Lease Year (January 1 of each year) and shall be calculated as follows:
  - (i) Feasibility Phase Payments. On January 1, 2010 and on January 1 of the subsequent four years, unless Lessee is obligated to pay Production Period Payments (as described in Subsection 2.1(c), the annual payment shall equal Twenty Dollars (\$20) per contiguous surface acre within the Property that is within the Project Area, as the acreage is specified or as adjusted in Section 1.1 of this Lease, less any deduction for Lessor's Claim under Section 1.7 of this Lease (the "Annual Feasibility Phase Payment"). This Annual Feasibility Phase Payment shall be due even if Lessee has not tendered payment of Initial Bonus Payment unless Lessee determines that Lessor does not hold fee simple title at the time the annual payment is due and Lessee provides Lessor written notice of that determination.
  - (ii) Construction Phase Payments. On January 1, 2015 and continuing thereafter for the next four (4) Lease Years, unless Lessee is obligated to pay Production Period Payments (as described below in Subsection 2.1 (c)), Lessee shall pay Lessor an annual payment determined in accordance with the following calculation:

"X" multiplied by 50% (0.50) multiplied by "R" multiplied by "Y" divided by Z

#### Where:

"X" is total amount of water, expressed in acre-feet, that Lessee is then authorized to produce according to permits issued by the District that contain terms and conditions satisfactory to Lessee and are not subject to appeal;

"Y" is the number of acres within the Property located within the Project Area;

"Z" is the total number of acres leased by Lessee located within Project Area; and

"R" is the Royalty Rate in effect at the time determined in accordance with Section 2.1(d) of this Lease.

Provided, however, if at the time the Construction Phase Payment is due, Lessee has not obtained a permit authorizing the production of water, then the Feasibility Phase Payments described in subsection (i) above will continue until the beginning of the Lease Year that occurs after Lessee obtains a production permit. Lessee shall then start making the five (5) annual Construction Phase Payments for the next five (5) Lease Years. If Lessee obtains a production permit during the Lease Year, Lessee shall not be obligated to make any prorated Construction Phase Payments.

Notwithstanding any other provision hereof to the contrary, in no event shall the five (5) year construction phase be extended without prior written agreement of the Parties. Lessor shall not be entitled to further payments defined under subsection (b) once production has begun and payments under subsection (c) have commenced.

- (c) **Production Period Payments.** In the event that Lessee initiates production, the production period payment will be made to the Lessor within sixty (60) days after January 1 of the subsequent year.
  - (i) Production Annual Payment. Once Lessee begins production from the Project, the annual payment (the "**Production Payment**") payable by Lessee to Lessor shall be determined as follows:

"RP" multiplied by "Y" divided by "Z"

Where:

"RP" is the adjusted Royalty Payment as defined under Section 2.1 (d) of this Lease;

"Y" is the number of contiguous acres within the Property located within Project Area;

"Z" is the total number of acres leased by Lessee located within Project Area; and

- (iii) For purposes of this Section, Lessee shall be deemed to begin production from the Property when Lessee begins either: (i) the treatment and transportation of the groundwater for domestic use or municipal use using wells located in the Project Area, or (ii) the sale or delivery of untreated groundwater from wells located in the Project Area. Lessee shall not be deemed to begin production from the Property as a result of drilling, testing, and equipping the wells or using groundwater to test the proposed treatment plant or the proposed pipeline to transport the groundwater.
- (iv) Under no circumstance will the Lessee be obligated to pay Lessor any type of Production Period Payment during any Lease Year that Lessee is obligated to pay Lessor any type of Pre-Production Payment.
- (d) **Royalty Payment.** The Royalty Payment shall be determined by multiplying the adjusted "Royalty Rate" times the greater of either: (i) the number of acre-feet of water produced by Lessee from wells for the Project during the previous calendar year; or (ii) fifty percent (50%) of the annual production allowable for the Project based upon the then-existing permits and rules of the District.

The initial Royalty Rate for this Lease is ONE HUNDRED AND NO/100 DOLLARS (\$100.00) per acre-foot. For the Lease Year beginning after the initial Lease Year and on the first day of each Lease Year thereafter, the Royalty Rate shall be adjusted as follows:

- (i) The initial Royalty Rate shall be compounded annually at the rate of six percent (6%) per year and continuing through the tenth (10<sup>th</sup>) Lease Year;
- (ii) Beginning on the eleventh (11<sup>th</sup>) Lease Year, the Royalty Rate shall be the then Royalty Rate compounded annually at the greater of either (a) the then-current Consumer Price Index (CPI) or (b) three percent. For purposes of this section, "CPI"

means the CPI-U-Houston as published by the United States Department of Labor, Bureau of Labor Statistics Data, Series ID: CUURA318SA0. For the calculation of the index in the compounding, the November CPI-U of the immediate prior year is used to compare to the CPI-U for the preceding year.

Beginning on the eleventh (11<sup>th</sup>) Lease Year, if Production has occurred during the prior Lease Year and continues thereafter at the beginning of each Lease Year that follows a year that Production has occurred (see paragraph below if production has not occurred), the Royalty Payment shall be the greater of the following:

- (a) The Royalty Payment shall be determined by multiplying the adjusted "Royalty Rate" times the greater of either: (i) the number of acre-feet of water produced by Lessee from wells for the Project during the previous calendar year; or (ii) fifty percent (50%) of the annual production allowable for the Project based upon the then-existing permits and rules of the District, or
- (b) Ten percent (10%) of the Project Revenue (calculated as the then current price of water times the total water distributed during the Lease Year).

Beginning on the eleventh (11<sup>th</sup>) Lease Year, if Production has not occurred during the prior Lease Year and continues thereafter at the beginning of each Lease Year that follows a year that Production has not occurred, the Royalty Payment shall equal the then current Royalty Rate times the number of acre-feet of water authorized to be produced during the year by permits issued by the District to the Lessee for wells within the Project, multiplied by a factor equal the number of contiguous acres within the Property divided by the number of contiguous acres Lessee has leased within the Project Area.

During the twenty-fifth (25<sup>th</sup>) Lease Year, either the Lessor or Lessee may agree to adjust the Royalty Rate payments per acre-foot using a different adjustment than specified in subsection (ii) above, with the adjusted Royalty Rate to be specified at least sixty (60) days prior to the twenty-sixth (26<sup>th</sup>) Lease Year. This adjusted Royalty Rate shall be applied to the 26<sup>th</sup> Lease Year and shall continue during the next twenty-five (25) Lease Years, and if such Royalty Rate is accepted by the other Party, absent an agreement otherwise, that the Royalty Rate Payment

shall continue with adjustment in the Royalty Rate being made in accordance with subsection (i) above.

With respect to the adjustments in accordance with any provisions above in this Subsection (d), Lessee shall provide to Lessor the documentation and calculations used by Lessee in determining such annual price adjustment with each annually adjusted royalty payment to Lessor. Lessor shall have six (6) months to object to Lessee's determination of each adjustment after receipt of the documentation and calculations used by Lessee.

- (e) No Deduction for Costs or Fees. Lessee's payment obligations to Lessor under this Lease shall not be subject to deduction for costs or expenses incurred by or on behalf of Lessee in connection with obtaining any permit or in connection with operating under any permit, including without limitation any development, transmission, user, production, treatment, transportation, and marketing costs, fees or expenses. Lessee shall be solely responsible for litigation cost and expenses incurred by Lessee.
- (f) **Right to Records.** Lessor shall have the reasonable right to inspect or designate an agent to inspect production records relating to groundwater production attributed to the Property. This right of inspection may be exercised periodically, within ten (10) days of notice to Lessee and in coordination with Lessee as to time and place of inspection.

## (g) Payment Terms.

- (i) Lessee may withhold any payment to Lessor without being in default of this Lease if Lessor is in default of this Lease and Lessee has provided notice of the default to Lessor and the default remains uncured for thirty (30) days following notice to Lessor.
- (ii) Lessee may withhold payment of any payment to Lessor without being in default of this Lease if, after notice from Lessee, Lessor has not provided Lessee with documentation reasonably deemed satisfactory to Lessee that Lessor holds fee simple title to the Property and that the title is not subject to restrictions or encumbrances or claims affecting this Lease.

- shall provide written notice to Lessee that Lessee has sixty (60) days from receipt of the notice to remedy the breach of payment terms, including interest on such amounts at the rate of ten percent (10%) per annum, or if less, the greatest legal nonusurious rate then in effect. In the event Lessee fails to make payment by the 60-day deadline set forth in this Subsection 2.1(g), and if such payment is not (i) in dispute as between Lessor and Lessee, or (ii) the subject of a title dispute as to Lessor's interest in the payment, Lessor, at Lessor's option, may immediately terminate this Lease by written notice to Lessee as provided in Section 9.2 and/or pursue any other legal remedy available to Lessor.
- (h) **Injunction.** Notwithstanding anything set forth herein to the contrary, the Parties agree that a Texas District Court in the county where the Property is located may enforce by injunction the agreements of the Parties contained in this Lease.
- (i) Most Favored Nations. Lessee agrees that Lessor is entitled to royalty payment terms that are at least as favorable to the payment terms offered by Lessee (or its affiliates) to any other landowner for the acquisition of groundwater from the Carrizo Aquifer in the District if such terms are significantly more favorable considering all the payment terms and consideration taken together. It is expressly understood and agreed that this provision does not apply in any form or manner, and does not affect in any way, the bonus payment to be paid in under Subsection 2.1(b)(i) hereinabove.
- (j) Lessor Costs. If this Lease allows or requires the Lessor, or any of Lessor's heirs, assigns, successors, or representatives to incur a cost, then Lessor shall be solely responsible for paying such cost.
- Section 2.2 Wilcox Formation. Lessor and Lessee acknowledge and agree that due to the difference in the quality of water in the Carrizo formation and the Wilcox formation, Lessee does not have any plans to produce water from the Wilcox formation, but may do so. Lessor grants Lessee the option to lease, under a separate agreement, the groundwater from the Wilcox formation subject to similar terms, conditions, and related compensation as set forth in this Lease. Lessor grants Lessee a continuing right of first refusal to match any bone fide offer received by Lessor from a third party to produce groundwater from the Wilcox formation. In the

event Lessor desires to sell, lease or assign any right to produce groundwater from the Wilcox formation from the Property, then prior to such sale, lease or assignment, Lessor shall give Lessee notice in writing of such proposed sale and the terms, provisions and consideration thereof and Lessee shall have thirty (30) days after receipt of such notice within which to notify Lessor in writing of Lessee's election to buy or lease such interest, as applicable, on the same terms and conditions as specified in the notice given by Lessor to Lessee. If Lessee elects to exercise this right-of-first refusal, the consummation of such purchase and sale shall be concluded within ninety (90) days after Lessor receives notice from Lessee of its exercise of such election. This right-of-first refusal shall be a recurring right and shall not be extinguished or terminated upon any transfer or assignment.

#### III.

#### Term

#### Section 3.1 Term.

- (a) Primary Term. Subject to the other provisions of this Lease relating to cancellation and termination, The "**Primary Term**" of this Lease shall be the period beginning with the Date of this Lease until the end of the fifth (5<sup>th</sup>) Lease Year.
- (b) Secondary Term. The "Secondary Term" of the Lease shall be the period beginning with the end of the Primary Term and continuing for so as long thereafter as payments may be made by Lessee to Lessor under the provisions of this Lease. The Primary Term and the Secondary term are sometimes collectively referred to herein as the "Term."
- (c) Cessation of Payments. If after the expiration of any term of this Lease, payments shall cease for any cause, this Lease shall not terminate provided Lessee resumes making payments within sixty (60) days from such cessation.
- **Section 3.2 Termination of Lease by Lessor.** Notwithstanding anything set forth herein to the contrary, Lessor may terminate this Lease prior to the end of the Primary Term or at any time during the Secondary Term in the event that Lessee fails to pay Lessor timely any amounts due under this Lease provided Lessor has given Lessee notice of default and an opportunity for cure pursuant to Section 9.7 of this Lease;

**Section 3.3 Termination of Lease by Lessee.** Notwithstanding anything set forth herein to the contrary, Lessee may terminate this Lease prior to the end of the Primary Term or the Secondary Term of this Lease:

- (a) at any time during the preproduction phases of the Project, upon two (2) years prior written notice to Lessor; or
- (b) at any time after Lessee begins production, upon five (5) years prior written notice to Lessor.

Section 3.4 No Partial Termination. There shall be no partial termination of this Lease.

**Section 3.5 Release of Lease.** Lessee agrees that upon termination of this Lease, Lessor may file in the public records of the county in which the property is located a notice of termination and that such notice shall be conclusive and may be relied upon by any subsequent purchaser or lessee of the Property or any interest therein including without limitation, any interest in groundwater in or under the Property.

#### IV.

### Warranties/Assignment Of Lease

## Section 4.1 No Warranty as to Quantity and Quality of Water Produced.

- (a) Lessee accepts all groundwater produced under this lease in its "as is" condition. Lessee assumes all risks arising out of or in connection (i) with Lessee's production of groundwater from the property, including the quantity or quality thereof and (ii) any existing condition or condition hereinafter arising with respect to the production of groundwater under this Lease, even though such risks may not be within the reasonable contemplation of the parties.
- (b) Except as expressly set forth in subsection 4.2(a) below, Lessor makes no warranties or representations, express or implied, with regard to groundwater located in and under the property, including without limitation, any implied warranties of merchantability or fitness for a particular purpose.

(c) Lessee acknowledges and agrees that Lessor shall have no liability for any loss, damages or expense of Lessee or any other party, with respect to the quality or quantity of groundwater, which may be produced under this Lease unless Lessor or Lessor's lessees (other than Lessee), assigns, heirs, successors, or representatives cause, in whole or in part, such loss, damage, or expense.

## Section 4.2 Lessor's Representations and Warranties.

- (a) Lessor represents and warrants to Lessee as follows:
- (i) Lessor has all requisite power and authority to execute and deliver this Lease and to perform its obligations hereunder. This Lease has been duly and validly executed and delivered by Lessor and constitutes a valid and binding obligation of Lessor enforceable against Lessor in accordance with its terms.
- (ii) Neither the execution and delivery of this Lease nor the performance by Lessor of its obligations hereunder will conflict with or result in a breach of any terms, covenants or provisions of, or constitute a default under, any agreement or instrument to which Lessor is a party.
- (iii) Lessor has not leased the underground water in, on or under the Property to any other person or entity.
  - (iv) Lessor owns the Property in fee simple, subject to no Prohibited Lien.
- (v) There is no pending or threatened litigation affecting or that might reasonably be expected to affect Lessor's title to the Property.
- (b) In the event of breach of Lessor's representation above as to title to the Property, Lessor shall have no liability other than the obligation to refund that portion of the payments received from Lessee attributable to the interest as to which title failed.
- (c) If Lessor fails promptly to remove any Prohibited Liens placed on the Property or if Lessor has defaulted on ad valorem taxes owed thereon, Lessee, at its option and after notice to Lessor, may discharge any such property tax, mortgage or other Prohibited Lien upon the

Property either in whole or in part, and in such event this Lease shall be subrogated to such Prohibited Lien with Lessee having the right to enforce the same and apply Bonuses and/or Royalties that accrue hereunder to such defaulting party, toward satisfying the sum paid by Lessee.

(d) The representations and warranties provided in Subsection 4.2(a) above shall survive the termination of this Lease for a period of four (4) years. If, contrary to the representations made herein, Lessee discovers that Lessor owns less than the fee simple interest in the Property, Lessee is authorized to withhold a portion of any amount payable hereunder so as to reduce payment to Lessor in proportion to the interest Lessor rightfully owns, provided however that if Lessee discovers that Lessor owns less than the fee simple interest, Lessee shall notify Lessor in writing of Lessee's discovery and provide Lessor an opportunity to cure Lessor's title to the Property and the rights to the groundwater attributable to the Property.

Section 4.3 Special IRS Elections and Tax Liens. Provided Lessee's rights under this Lease are not impaired and Lessee's activities under this Lease are not adversely affected, Lessee agrees that nothing in this Lease shall prevent Lessor, Lessor's heirs, personal representatives, successors and assigns from entering into agreements with the Internal Revenue Service to place liens on the Property pursuant to a special use valuation election pursuant to IRC Section 2032A and/or pursuant to IRC Section 2057. Provided Lessee's rights under this Lease are not impaired and Lessee's activities under this Lease are not adversely affected, Lessee agrees to cooperate with Lessor in making elections to value the Property under IRC Section 2032A or to take deductions for Qualified Family Owned Business interest pursuant to IRC Section 2057 with respect to the Property including execution by Lessee of consent agreements as may be required by the IRS to effectuate such elections.

## Section 4.4 Assignment.

(a) Lessee and Lessee's assignees may, from time to time and in its sole discretion, assign this Lease in whole or in part, provided Lessor is provided a copy of such assignment within ten (10) business days of the date the assignment is signed. Notwithstanding any other provision herein to the contrary, Lessee shall remain bound by the terms and conditions of this Lease unless Lessor consents to the assignment in writing. Lessor shall be deemed to have

consented to the assignment, unless, within sixty (60) days of the request for consent, Lessor notifies Lessee in writing that Lessor denies consent because Lessor has determined that the intended assignee is not financially responsible and cannot reasonably be expected to make the payments timely or satisfy other obligations described in this Lease. Lessor further agrees not to unreasonably delay or withhold consent or condition consent upon the receipt of consideration. Notwithstanding the foregoing, an assignment of this Lease shall not release Lessee from liability for the payment of any amount due under this Lease prior to the date of assignment or from the breach of any other obligation hereunder occurring prior to the date of such assignment. Lessee shall not be responsible for any payments or other obligations due or that may become due after the assignment if Lessor consents in writing or has been deemed to have consented to the assignment.

- Lessor may, in its sole discretion, assign this Lease, but such assignment shall (b) include both the Lessor's rights and obligations under this Lease. Lessor or any of its assignees shall provide Lessee with a copy of the assignment of any interest in this Lease. Such assignment shall not be effective as to Lessee until Lessee receives a copy of such assignment. However, any such sale, mortgage, lease or transfer by Lessor shall be subject to this Lease and any modifications or amendments thereof granted to Lessee prior to or after such sale, mortgage, lease or transfer. Further, any transfer of any portion of the surface rights of the Property shall automatically transfer with it the right to receive payments and the obligations under this Lease in direct proportion to the fraction of the surface rights to the Property that have been transferred, said proportional payments being without regard to the presence or lack of facilities on the transferred parcel of the Property. Lessee's rights shall survive any assignment of this Lease or any sale, lease, encumbrance or other transfer of the Property, or any portion of the Property or rights therein. The Lessor's assignee, purchaser, or transferee shall assume the obligations of the Lessor under this Lease, but Lessor shall remain obligated to Lessee under this Lease unless and until the assignee, purchaser, mortgagor or transferee expressly agrees with Lessee and otherwise acknowledges to Lessee in writing that the assignee, purchaser, mortgagor or transferee has assumed Lessor's obligations under this Lease.
- (c) In the event of the enforcement by the trustee or the beneficiary (under any mortgage or deed of trust) of the remedies provided for by law or by any such mortgage or deed

of trust in existence on the Property as of the Signing Date, Lessee will, upon request of any person or party succeeding to the interest of Lessor as a result of such enforcement, automatically become the tenant of the successor-in-interest without change in the terms or other provisions of this Lease. Upon request by the successor-in-interest, Lessee will execute and deliver a document confirming the attornment. Notwithstanding the foregoing provisions, Lessee agrees that any mortgagee will have the right at any time to subordinate any rights of the mortgagee to the rights of Lessee under this Lease.

## Section 4.5 Financing

- (a) **Right to Encumber.** Lessee, or any assignee thereof ("**Obligor**") may at any time mortgage to any entity ("**Lender**") all or any part of the Obligor's interest under this Lease without the consent of Lessor, provided however that Lessor shall be provided with written notice prior to the mortgage closing.
- (b) **Covenants for Lenders' Benefit.** Should an Obligor mortgage any of its interest as provided in Subsection 4.5(a) above, Obligor and Lessor expressly agree between themselves and for the benefit of any Lenders as follows:
  - (i) They will not amend or modify, or take any action causing, consenting to or accepting the amendment or modification of this Lease, if such amendment or modification would reduce the rights or remedies of any Lender hereunder or impair or reduce the security for any lien held by such Lender.
  - (ii) To the extent permitted by applicable law, the Lender shall have the right to do any act or thing required to be performed by Obligor under this Lease, and any such act or thing performed by a Lender shall be as effective to prevent a default under this Lease and/or a forfeiture of any of Obligor's rights under this Lease as if done by Obligor itself.
  - (iii) The right of a Lender to receive notices and to cure Obligor's defaults pursuant to the provisions of this Section 4.5 shall be available only to those Lenders that shall have notified Lessor in writing of their name and address, or whose lien is recorded in the official records of the County in which the Property is located, regardless of

whether the specific provision in question expressly so states. No default that requires the giving of notice to Obligor shall be effective unless a like notice is given to all Lenders. If Lessor shall become entitled to terminate this Lease due to an uncured default by Obligor, Lessor will not terminate this Lease unless it has first given written notice of such uncured default and of its intent to terminate this Lease to each Lender and has given each Lender at least thirty (30) days to cure the default. Furthermore, if within such thirty (30) day period a Lender notifies Lessor that it must foreclose on Obligor's interest or otherwise take possession of Obligor's interest under this Lease in order to cure the default, Lessor shall not terminate this Lease and shall permit such Lender a reasonable period of time (not to exceed sixty (60) days) to foreclose or acquire Obligor's interest under this Lease and to perform or cause to be performed all of the covenants and agreements to be performed and observed by Obligor. In the event a Lender shall elect to exercise its rights hereunder, such Lender shall have no personal liability to Lessor, and the sole recourse of the Lessor in seeking enforcement of its obligations under this Lease or any new lease entered into pursuant to this Section 4.5 of the Lease shall be to such Lender's interest in this Lease and the Property.

(iv) In case of the termination of this Lease as a result of any default or the bankruptcy, insolvency or appointment of a receiver in bankruptcy for Obligor, Lessor shall give prompt notice to the Lenders. Lessor shall, upon written request of the first priority Lender, made within thirty (30) days after notice to such Lender, enter into a new lease agreement with such Lender, or its designee, within twenty (20) days after the receipt of such request. Such new lease agreement shall be effective as of the date of the termination of this Lease by reason of default by Obligor, upon the same terms, covenants, conditions and agreements as contained in this Lease applicable to the balance of the Obligor's term. Upon the execution of any such new lease agreement, the Lender shall (i) pay Lessor any amounts that are due Lessor from Obligor, (ii) pay Lessor any and all amounts that would have been due under this Lease (had this Lease not been terminated) from the date of the termination of this Lease to the date of the new lease agreement, and (iii) agree in writing to perform or cause to be performed all of the other covenants and agreements set forth in this Lease to be performed by Obligor to the extent

that Obligor failed to perform the same prior to the execution and delivery of the new lease agreement.

(v) At Lessee's or any Lender's request, Lessor shall provide to Lessee and such Lender confirmation that such Lender is a "Lender" for purposes of this Lease, a consent to or acknowledgment of the Lender's mortgage or other lien, and estoppel certificates as Lessee or the Lender may reasonably request.

#### V. Lessee's Duties

**Section 5.1 Additional Covenants of Lessee:** During the Term of this Lease, Lessee covenants and agrees as follows:

- Regulatory Approvals. Lessee shall take all actions necessary to obtain all (a) approvals and permits from the District and any other appropriate governmental entity to drill wells on and produce groundwater from the Property or from other real property such that Lessee may produce groundwater from to the Property. Lessee agrees to pursue all such permit applications with at least the same degree of effort as it pursues any other permit applications in Gonzales County, including appealing any denials of permit applications, if reasonably justified, until receiving a final order with respect thereto from the appropriate governmental entity. At the termination of this Lease, Lessee agrees to inform the District and to request amendment to Lessee's production permits (or then pending applications) attributable to this Lease as may be necessary to reflect the termination of this Lease. All well sites, easements, facilities and historic use authorizations associated with groundwater production from the Property will immediately revert to Lessor, but Lessee may, at its election, remove any personal property other than the pump, motor, and electrical controls within a well site or easement and shall have at least one year after the termination of this Lease to remove any such personal property that Lessee may choose to remove.
- (b) **Duty to Protect Lessor's Wells and Lessor's Existing Improvements.** Lessee shall mitigate all adverse impacts of groundwater production on all Lessor wells existing as of the Signing Date. Mitigation shall include all actions necessary to replace existing (as of the Signing Date) water access or production with related increases in operational costs incurred by the Lessor for a reasonable length of time. Mitigation in accordance with the plan approved by

the Gonzales County Groundwater Conservation District is compliant with this condition. Subject to obtaining permits satisfactory to Lessee, Lessee will install and monitor, in conjunction with the District, monitoring wells sufficient to assess the impact of groundwater production in the area of production. Lessor agrees to cooperate with Lessee in the performance of Lessee's obligations described in this subsection.

(c) Administrative Relief. Lessee agrees to protect the interest and rights of Lessor before local, state as well as federal administrative authorities and agencies such as the District and the Texas Commission on Environmental Quality ("TCEQ") with jurisdiction related to the exploration, development, capture, production, ownership and sales of Carrizo groundwater. Notwithstanding such agreement, Lessee and Lessor agree that Lessor or Lessor's representative shall have the concurrent right and privilege along with Lessee to pursue and/or defend against proceedings before any administrative agency without the joinder or consent of Lessee, and Lessee agrees that Lessor shall have standing to pursue or defend any matter before any administrative agency. Nothing herein shall in any way be construed as diminishing Lessee's obligation to protect and preserve Lessor's rights before administrative agencies but shall be supplemental to such duties.

#### VI.

#### **Mutual Covenants**

## Section 6.1 Regulatory Approvals.

- (a) With respect to regulatory approvals required to effectuate the purposes of this Lease, whenever this Lease requires approval, or consent to be given by either Party, each Party agrees that such approval or consent shall not be unreasonably withheld or delayed.
- (b) Lessee shall pay when due any user, export or other fees with respect to the District or any future authority regulating withdrawal of water by Lessee from the Property. Lessor shall have no obligations to pay fees associated with Lessee's Production. Lessee shall have the right to initiate and prosecute any proceedings relating to its interest in and to the Property and its Water Rights, including but not limited to (1) contesting the validity or amount

of fees assessed to or levied upon the Property or Water Rights, or protecting, defending, and/or preserving the rights to withdraw water from the Carrizo Aquifer subject to Lessee's duties in Section V. Lessor shall cooperate with Lessee's efforts in connection therewith; and if required by law after written notice to Lessor, Lessee may take any such action in the name of Lessor. Lessor shall not intentionally take any action or omit to take any actions that will adversely affect the Property or Water Rights or Lessee's efforts to obtain permits to withdraw water. For the Term of this Lease, Lessor hereby appoints Lessee as its attorney-in-fact solely for the purposes of taking all actions in connection with the property rights and Water Rights granted under this Lease, including but not limited to (i) contesting the validity or amount of fees assessed to or levied upon the Property and/or Water Rights, and (ii) protecting, defending and/or preserving the rights to withdraw water from the Property. This appointment shall be a power of attorney coupled with an interest, shall be irrevocable by Lessor for the Term of this Lease and shall include the right of Lessee to appoint a substitute attorney-in-fact to this position, from time to time, provided Lessee has obtained Lessor's written consent to such substitute attorney-in-fact.

**Section 6.2 Water Quality.** The Parties covenant and agree that their respective uses of the Property will not impair the quality of the water from the formation from which water is developed and produced under this Lease

## VII.

#### **Indemnification And Insurance**

## Section 7.1 Indemnity by Lessee.

(a) Lessee shall indemnify and hold harmless Lessor, Lessor's respective partners, managers, members, beneficiaries, representatives, advisors, successors and assigns (together, the "lessor indemnities"), from and against any and all claims, demands, costs, expenses, damages, losses, causes of action or suits (including, without limitation, attorneys' fees, expert fees, and court costs) arising out of or in connection with injury to or death of persons or loss or damage to property caused by or arising out of (i) any operations by or for lessee related to the property; (ii) lessee's production and marketing of water including but not limited to any harm or damage to the Carrizo water formation; or (iii) environmental or physical condition on the

property resulting from Lessor's operations hereunder requiring remediation under local, state or federal law, or a violation of environmental requirements by lessee.

- (b) Except to the extent arising in connection with a third party claim indemnified under paragraph 7.1(a) above, in no event shall either party be liable or responsible to the other party for any incidental, indirect, special or consequential damages whatsoever, even if such party has been advised, knew of or should have known of the possibility thereof.
- (c) The foregoing indemnity shall not apply when the claim or liability occurs or arises as a consequence of the sole negligence or intentional conduct of the Lessor Indemnitees; provided, however, if a claim is brought against the Lessor asserting that Lessor Indemnitees were concurrently negligent, Lessee shall defend the claim but if, upon final judgment or resolution of the claim against Lessor Indemnitees, it is determined that the negligence of Lessor's Indemnitees was the sole cause of the damage described in the claim, then Lessee shall be under no obligation to indemnify Lessor's Indemnitee for such claim and Lessor Indemnitees shall reimburse Lessee for the cost of defending the Lessor's Indemnitees in regards to the claim.
- (d) The Lessor Indemnitees shall not be liable for any claims, demands, costs, expenses, damages, losses, and causes of action or suits for damages because of injury to persons or property resulting from negligent acts or omissions of Lessee unless the claim or liability occurs or arises as a consequence of the sole negligence or intentional conduct of the Lessor Indemnitees.
- (e) As used in this Lease, the terms "environmental condition" and "environmental requirement" are intended to have the broadest and most extensive meaning and construction as possible in order to protect the Lessor Indemnitees; and shall include without limitation any condition arising from any "Hazardous Materials," including but not limited to any substance defined or identified as a hazardous, extra hazardous or toxic substance, waste, or any other material, liquid or substance under any applicable federal, state, or local statute or regulation.
- (f) The provisions of this Section 7.1 are applicable to Lessee and Lessee's successors and assigns. An assignment of this Lease shall relieve Lessee of its obligations

under this Section 7.1, provided Lessee's successors and assigns assume such obligation by acceptance of the assignment of this Lease and if Lessor consents, or is deemed to have consented, to the assignment in accordance with section 4.4 of this Lease.

## Section 7.2 Indemnity by Lessor.

- (a) Lessor shall indemnify and hold harmless Lessee, Lessee's respective partners, managers, members, beneficiaries, representatives, advisors, successors and assigns (together, the "Lessee Indemnitees"), from and against any and all claims, demands, costs, expenses, damages, losses, causes of action or suits (including, without limitation, attorneys' fees, expert fees, and court costs) arising out of or in connection with injury to or death of persons or loss or damage to property caused by or arising out of (i) any operations by or for Lessor related to the property; (ii) Lessor's production and marketing of water including but not limited to any harm or damage to the Carrizo water formation; or (iii) environmental or physical condition on the property resulting from Lessor's operations hereunder requiring remediation under local, state or federal law, or a violation of environmental requirements by Lessee.
- (b) Except to the extent arising in connection with a third party claim indemnified under paragraph 7.2(a) above, in no event shall either party be liable or responsible to the other party for any incidental, indirect, special or consequential damages whatsoever, even if such party has been advised, knew of or should have known of the possibility thereof.
- (c) The foregoing indemnity shall not apply when the claim or liability occurs or arises as a consequence of the sole negligence or intentional conduct of the Lessee Indemnitees.
- (d) The Lessor Indemnitees shall not be liable for any claims, demands, costs, expenses, damages, losses, and causes of action or suits for damages because of injury to persons or property resulting from negligent acts or omissions of Lessee unless the claim or liability occurs or arises as a consequence of the sole negligence or intentional conduct of the Lessor Indemnitees.
- (e) As used in this Lease, the term "environmental condition" and "environmental requirement" are intended to have the broadest and most extensive meaning and construction as possible in order to protect the Lessee Indemnitees; and shall include without limitation any

condition arising from any "Hazardous Materials," including but not limited to any substance defined or identified as a hazardous, extra hazardous or toxic substance, waste, or any other material, liquid or substance under any applicable federal, state, or local statute or regulation.

(f) The provisions of this Section 7.2 are applicable to Lessor and Lessor's successors and assigns. An assignment of this Lease shall relieve Lessor of its obligations under this Section 7.2, if Lessor's successors and assigns assume such obligation by acceptance of the assignment this Lease.

#### Section 7.3 Insurance.

- (a) Lessee will furnish and verify liability coverage naming Lessors as additional insureds if and when purchaser uses the landowner's surface estate and will verify coverage annually.
- (b) Lessor agrees that Lessee shall be in compliance with subsection 7.3(a) above if Lessee provides Lessor, in conjunction with the annual payments, a copy of the declarations page of the liability insurance policy or such other comparable documentation or certification, showing that Lessee has liability insurance, the name and address of the insurance policy, and that Lessor is named as an additional insured or has the rights of an additional insured under the policy for claims relating to Lessee's activities on Lessor's Property.
- (c) Lessee has or will obtain Auto and General Liability Coverage in the amounts and for the risks that a reasonably prudent utility operator in Texas would obtain and Lessee shall require, its contractor(s) and subcontractor(s) that may be authorized under this Lease to enter upon Lessor's Property to obtain such Auto and General Liability Coverage in the amounts that may be usually and customarily obtained by contractors and subcontractors performing such work.

#### VIII.

## **Surface Rights**

**Section 8.1 Grant of Option.** At any time and from time to time while this Lease is in effect, Lessor hereby grants Lessee an option to purchase well sites and easements for roads, water

pipelines, and power lines, and such other property rights, easements and rights of way on the Property as Lessee deems necessary for the Project.

Section 8.2 Well Sites. If the Property exceeds twenty-five (25) acres of land, then at any time and from time to time during the Term of this Lease, Lessor grants Lessee the right to purchase one or more well sites within the Property. The purchase price shall be paid in annual installments equal to \$2,500 per year for each year for each well site owned by Lessor. The deed will be a deed subject to a reverter based upon the continued payment of the annual payments. Well sites will be approximately one (1) acre of land and shall include the required permanent sanitary control easement and any temporary construction easement during the drilling and equipping of the well and any temporary easement for drilling and testing of a test well at the proposed location of the well site. Each well site shall be located no closer than three hundred (300) feet from any roofed structure in existence on the Signing Date of this Lease, and no closer than three hundred (300) yards from any dwelling in existence on the Signing Date of this Lease. Lessee shall fence each well site sufficient to turn livestock.

Section 8.3 Roadways. At any time and from time to time while this Lease is in effect, Lessor hereby grants Lessee the right to purchase easements within the Property for roadway purposes. The purchase price shall be paid in lump sum and shall equal the fair market value of the easement plus fifteen percent (15%). Roadway easements shall be no more than fifty (50) feet in width. Lessee shall be responsible for installing a cattle guard or gate, at Lessor's discretion; at every cross fence or perimeter fence in existence at the time Lessee exercises its option to acquire the easement. Lessee shall keep all such cattle guards and gates in good working order.

Section 8.4 Pipeline and Power easements. At any time and from time to time while this Lease is in effect, Lessor grants Lessee the right to purchase easements within the Property for pipeline and power purposes. The purchase price shall be paid in lump sum and shall equal the fair market value of the easement plus damages to timber, crops, or other property using values published by the Texas A&M value tables or other comparable treatises or schedules used by licensed appraisers. Permanent pipeline easements shall be no more than sixty (60) feet in width. In addition to the permanent easement, Lessee shall have a temporary construction easement adding an additional fifty (50) feet to the permanent easement. Pipeline and power

easements must be at least three hundred (300) feet from any occupied dwelling or two hundred (200) feet from any roofed structure, or one hundred (100) feet from a lake or stock tank in existence at the time Lessee exercises the option to acquire the easement.

Section 8.5 Fair Market Value. When exercising an option to purchase a well site or an easement under section 8.3 or 8.4 of this Lease, or other property right, easement or right of way under section 8.1, Lessee will engage the services of an independent real estate appraiser to prepare an appraisal using standard real estate appraisal methods. Lessor shall have thirty (30) days to accept or reject the appraisal, but if the Lessee's appraisal amount is not acceptable to Lessor, Lessor and Lessee agree to (i) proceed to closing in accordance with Section 8.6 below, subject only to Lessee's payment of additional compensation in accordance with this Section 8.5 and (ii) Lessor shall choose a second appraiser ("Second Appraiser") within ten (10) business days from the date Lessor notifies Lessee in writing that the Lessee's appraisal amount is not acceptable. Lessor shall direct that the appraisal of the Second Appraiser shall be completed and delivered in a timely manner to the Lessor and Lessee. If the amount of the second appraisal is more than the initial appraiser, Lessee may accept the second appraisal and pay the additional amount to Lessor, who agrees to accept the additional amount if the second appraisal is more than the initial appraisal. However, if Lessee does not accept the amount of the second appraiser, then absent an agreement between Lessor and Lessee on the purchase price, the initial and second appraisers will select an independent third appraisal to determine the purchase price, which purchase price shall not be lower than the initial appraisal or more than the second appraisal. The Lessor and Lessee shall each pay half of the total fees and costs for the second appraiser and the third appraiser.

Section 8.6 Closing. The closing on the purchase will occur within thirty (30) days after Lessor receives the initial appraisal amount. Lessor shall convey the well sites and easements in a form acceptable to Lessor and Lessee and subject to no Prohibited Liens. Conveyances will be by instrument that insures the reversion of these interests to Lessor upon termination of the Lease. In the event the final purchase price is determined by using a second or third appraiser as described in Section 8.5, above, then within ninety (90) days after either (i) Lessee accepts the amount of the second appraiser, or (ii) the third appraiser determines the purchase price within

the range set by the initial and second appraiser, then Lessee shall tender the balance of the purchase price to the Lessor.

**Section 8.7 Sporting Activity Prohibited.** At no time shall Lessee shall engage in any sporting activities on the Property, including but not limited to hunting, fishing, firing guns, shooting bows, or operation of motor sports.

#### IX

#### Miscellaneous

#### Section 9.1 Termination.

(a) Upon termination of this Lease, all rights granted hereunder shall revert to and vest in Lessor without the need for any action on the part of either Lessor or Lessee. Upon Lessor's request, Lessee shall provide such documentation and take such actions as are reasonably requested by Lessor to confirm the Lease termination and reversion of such rights.

Section 9.2 Addresses and Notice. All notices and other communications required or permitted under this Lease shall be in writing. Service of all notices under this Lease shall be sufficient if given personally or by national overnight courier or certified mail to the Party involved at its respective address set forth below, or at such address as such Party may provide in writing from time to time in accordance herewith. Any such notice mailed to such address shall be effective when delivered by United States mail, certified, duly addressed or national overnight courier.

If to Lessor:

Carolyn Jo Goodwin 3802 Perry Lane Corpus Christi, Texas 78410

with a copy to:

#### to Lessee:

Mark Janay 110 W. Taylor Street San Jose, CA 95110

## With a copy to:

Suzy Papazian Corporate Secretary/Attorney Texas Water Alliance, Ltd. 110 W. Taylor Street San Jose, CA 95110 (408) 279-7900

**Section 9.3 Entire Agreement.** The provisions set forth in this Lease shall constitute the entire agreement and understanding between the Parties with respect to the subject matter contained herein. This Lease supersedes all prior agreements and understandings between the Parties with respect to the subject matter hereof. All Exhibits referred to herein and attached hereto are incorporated herein by reference.

**Section 9.4 Modification.** The provisions of this Lease may be modified or altered only by written agreement of the Parties.

**Section 9.5 Invalidation.** In case any provision of this Lease shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof will not in any way be affected or impaired thereby.

**Section 9.6 Remedies.** Unless a particular remedy is set forth subsequently for any default under the Lease, the Parties hereto shall have available to them all remedies at law or in equity. Without limiting the preceding sentence, the Parties agree that if a Party breaches, or threatens to breach, any of the provisions of this Lease, the other Party shall have the right and remedy, without the posting of any bond or security, to have such provisions specifically enforced by any court having equity jurisdiction.

Section 9.7 Defaults and Remedies. In the event of any alleged default or failure to perform any obligation under this Lease, the nondefaulting Party shall give the alleged defaulting Party

written notice thereof, which notice shall include the acts required to cure the same with reasonable specificity. The Party failing to make any monetary payment when due, except that payment contemplated by Section 2.1(ii), shall have a period of thirty (30) days after such notice is given within which to cure such default. In the event of any other failure, the defaulting Party shall have a period of sixty (60) days within which to cure such default, which period shall be extended to the extent reasonably necessary to complete such cure so long as the cure was commenced within sixty (60) days after such notice is given and thereafter prosecuted with due diligence. Delinquent payments shall bear interest from their respective due dates until paid at the rate of the lesser of (i) of ten percent (10%) per annum, or (ii) the maximum rate permitted by law. Each Party shall have the right to recover its actual damages as a result of any default under this Lease that is not cured within the applicable cure period. Any prohibited conduct under this Lease may be enjoined and this Lease shall be specifically enforceable, but neither Party's remedies shall include the right to terminate this Lease or evict the other Party from the Property.

**Section 9.8 Memorandum of Lease.** Lessor and Lessee agree not to record in the real property records a copy of this Lease, but, instead, to record a Memorandum of Lease in the form attached hereto as Exhibit "D."

**Section 9.9 Execution in Counterparts**. This Lease may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same contract

Section 9.10 Further Assurances. Lessor and Lessee each agree to execute and deliver such other documents or agreements and to take such other action as may be reasonably necessary or desirable for the implementation of this Lease and the consummation of the transactions contemplated herein. Each Party shall, and shall cause each of their respective affiliates to execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be necessary, or otherwise reasonably be requested by the other Party, to confirm and assure the rights and obligations provided for in this Lease and render effective the consummation of the transactions or otherwise to carry out the intent and purposes of this Lease.

**Section 9.11 Successors and Assigns.** In this Lease, any reference to Lessor or Lessee shall include the Lessor or Lessee's assigns, heirs, successors, and representatives.

**Section 9.12. No Third Party Beneficiaries.** This Lease is solely for the benefit of the Parties, and neither the Lessor or Lessee intends by any provision of this Lease to create any rights in any third-party beneficiaries or to confer any benefit upon or enforceable rights under this Lease or otherwise upon anyone other than the Lessor and Lessee and their respective assigns, heirs, successors, and beneficiaries.

**IN WITNESS WHEREOF**, Lessor and Lessee have executed this Lease to be effective as of the day and year first above written.

## LESSOR:

Signature Svodu	in Ny 8, 20 Date	Signature	Date	
By:		By: Its:		_
Its:	<del>-</del>	1ts		_
STATE OF TEXAS §				
COUNTY OF GONZA	LES §			
[SEAL]	, 2009, b	Fhondah	the 8th day	of
Notary Public, S' My Commissi	tate of Texas 👸 -	Notary Public, State of	TIPES	

LESSEE:
Texas Water Alliance Limited
By:
STATE OF §
COUNTY OF TRANS
This instrument was acknowledged before me on the
MARIE T WHITE Notary Public STATE OF TEXAS My Comm. Exp. Apr. 21, 2012

## **EXHIBIT B**

## **Legal Description**

## Water Lease between Carolyn Jo Goodwin

and Texas Water Alliance Limited

## Parcel 1:

150 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

## Parcel 2:

64.6 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

#### **EXHIBIT D**

## **MEMORANDUM OF LEASE**

This Memorandum of Lease is made effective the 7 day of May 2009, by and between Carolyn Jo Goodwin ("Lessor") and TEXAS WATER ALLIANCE LIMITED ("Lessee").

#### WITNESSETH:

- 1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Groundwater (the "Lease"), of the right to withdraw and beneficially use the Carrizo Aquifer water pertaining to the real property described on **Exhibit "A"** attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.
- 2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.
- 3. Under the terms of the Lease, Lessor has leased the Water Rights to Lessee and Lessee has leased the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

LESSOR: Carolyn Jo Goodwin Date By: Its: STATE OF TEXAS § COUNTY OF GONZALES § before of acknowledged This instrument me 2009, by( [SEAL] Notary Public, State of

RHONDA L. PENN Notary Public, State of Texas My Commission Expires **DECEMBER 23, 2009** 

38

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Lessee	۰
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## TEXAS WATER ALLIANCE LIMITED

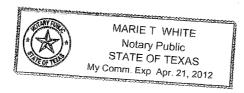
Ву:	M6 Am	
Name:	Mark Janay	
Title: _	Vice President	

STATE OF TEXAS §

COUNTY OF GONZALES §

	This instrument was acknowledged before me on the	gre	day of	Name	ules ,
	by Mark Saray,				WATER
ALLIA	ANCE LIMITED, on behalf of said alliance.				

[SEAL]



Notary Public, State of Texas

AFTER RECORDING,

**RETURN TO:** 

Texas Water Alliance Limited Crockett Camp 925-B S. Capital of Texas Highway Austin, Texas 78746

## **EXHIBIT "A" TO MEMORANDUM OF LEASE**

## Parcel 1:

150 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

## Parcel 2:

64.6 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

# EXHIBIT C EXAMPLE CALCULATION LANDOWNER PAYMENTS

## **Key Terms and Assumptions to Example:**

- 1. The following calculations are for example only; various factors will influence the actual payments to the landowner, including but not limited to the date permits are obtained and production begins, the quantity of water permitted and produced, and the number of acres leased. The notes to this table only provide a brief summary of certain of the payment terms. Refer to Section 2.1 of the Water Lease for a complete description of payment terms.
- 2. Section numbers in this Exhibit C refer to the Section numbers in the Water Lease. The terms in the Water Lease shall govern in the event of any conflict with this Exhibit C.
- 3. Landowner acreage (for this example) = 200 acres (referenced in Lease as "Y", the number of contiguous acres within Lessor's Property)
- 4. Total land leased by TWA = 30,000 acres (referenced in Lease as "Z", the total number of acres leased by Lessee located within the Project Area)
- 5. Amount of water permitted = 20,000 acre-feet (referenced in Lease as "X", the total amount of water that Lessee is authorized to produce)
- 6. Project production and revenue estimates in the following table are for illustrative purposes only and do not reflect Project goals or expectations. The estimates below, including both the year production begins (Lease Year 6) and the quantity of water produced, provide the best and most comprehensive example of payment calculations.

Lease Year		1	2	3	4	5	6	7	8	9	10	11
Calendar Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Royalty Rate <sup>1</sup>	NA	\$100	\$106	\$112	\$119	\$126	\$134	\$142	\$150	\$159	\$169	\$174
Bonus Payment <sup>2</sup>	\$20,000	\$20,000										
Feasibility Payment <sup>3</sup>		\$4,000	\$4,000	\$4,000	\$4,000	\$4,000						
Construction Payment <sup>4</sup>							\$8,933					
Production, Acre-Feet							12,000	15,000	15,000	20,000	20,000	20,000
Production Payment <sup>5</sup>								\$11,360	\$15,000	\$15,900	\$22,533	\$26,667 <sup>6</sup>
Total Payment	\$20,000	\$24,000	\$4,000	\$4,000	\$4,000	\$4,000	\$8,933	\$11,360	\$15,000	\$15,900	\$22,533	\$26,667

## **Notes to Table**

- 1. Royalty Rate = \$100 (referenced in Lease as "R"; the Royalty Rate escalates annually at 6% until the 10<sup>th</sup> Lease Year of the Project, then continues thereafter to escalate annually at the then-current Consumer Price Index ("CPI"), with a minimum escalation of 3%
- 2. Initial bonus payment of \$100 times "Y" (the number of contiguous acres owned by Lessor) to be paid after conditions provided in Section 2.1(a)(i) have been satisfied; the final bonus payment of \$100 times "Y" to be paid after permits have been obtained and other conditions in Section 2.1(a)(ii) have been satisfied.
- 3. The feasibility payment, as defined in Section 2.1(b)(i) will be \$20 per acre and will be paid for the first 5 years, beginning with the Starting Date (see Section 1.1). The feasibility payment will not be made in the event Production has begun and the corresponding production payments as defined under Section 2.1(c) are to begin.
- 4. The construction payment, as defined in Section 2.1(b)(ii) will be 50% of the permitted production (for this example, 50% times 20,000 acre-feet equals 10,000 acre-feet) times "R" (the then-current Royalty Rate; see Note 1 above) times "Y" divided by "Z". The first construction payment will be made the first year after the final feasibility payment has been made and will continue for the subsequent years before Production Payments begin. The construction payment will therefore stop once Production Payments begin per Section 2.1(c).
- 5. Production payments will be determined in accordance with Section 2.1(c) by multiplying the then-current Royalty Rate ("R") times the amount of water produced in the prior calendar year (or, if higher, 50% of the annual production allowable) times "Y" divided by "Z" for Lease Years 7 through 10 (per the example table above, for the Lease Year 7, the calculation is \$142 x 12,000 acre-feet x 200 acres / 30,000 acres = \$11,360).
- 6. Production payments beginning on the 11<sup>th</sup> Lease year will be made in accordance with Section 2.1(d). For illustrative purposes, it is assumed the Project Revenue in year 2020 is \$40,000,000; therefore, payment based on Project Revenue in this year will be 10% times \$40,000,000 times "Y" divided by "Z" (0.1 x \$40,000,000 x 200 acres / 30,000 acres = \$26,667).

## **Gonzales County Underground Water Conservation District**

920 Saint Joseph Street P.O. Box 1919 Gonzales, TX 78629 Phone: 830.672.1047

Fax: 830.672.1387

## **Production and Transportation Permit**

Permit No.: 01-13-01

Permit Issued To: Texas Water Alliance Limited ("Permittee")

Mailing Address: Mark Janay

Texas Water Alliance Limited

3267 Bee Cave Rd., Suite 107-509

Austin, Texas 78746-6700

**Phone:** 1-888-499-1244

Date Application Filed: March 17, 2010

Date of Public Hearing: November 15, 2012 and January 29, 2013

Date Permit Granted: January 29, 2013

Aquifer Production Allocation: Not to exceed 1.0 acre-foot per acre from the Carrizo Aquifer

Purpose of Use: Municipal Purposes (Public Water Supply).

Permitted Production Amount: Not to exceed 15,000 acre-feet per year, subject to

Production Schedule (see below)

## Capacity of Water Wells:

WELL NO.	Property Owner (Volume 1, Tab 3)	Avg. Pumping Rate (gpm) (Volume 1, Tab 3)	Avg. Pumping Amount Volume 6, Addendum, Table 1 (acre-feet/year)
PW-1	Antonette M. Brown	715	1153.84
PW-2	Mary Elliot Alford (Alford Farms, Ltd)	715	1153.84
PW-3	Daniel A. & Tamara L. Crozier	715	1153.84

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PW-4	W.R. & Clara Blundell	715	1153.84
PW-5	Mary Elliot Alford (Alford	715	1153.84
	Farms, Ltd.)		
PW-6	Rancho Lago Vista	715	1153.84
PW-7	Ernest H. & Betty Sue	715	1153.84
	Druebert		
PW-8	Albert (Jr.) & JoAnn Kuhl	715	1153.84
PW-9	Robert H. Rawlings	715	1153.84
PW-10	Bryan & Karen Dudman	715	1153.84
PW-11	Michael A. Rothrock	715	1153.84
PW-12	Howard Morrow	715	1153.84
PW-13	Bobby Vaselka	715	1153.84

#### **Production Schedule:**

Permittee is authorized to produce and transport a total annual amount of 15,000 acre-feet per year of groundwater in accordance with the following production schedule:

- A. <u>Interim Stage I</u> During the period from January 29, 2013 through December 31, 2017 Permittee is authorized to produce and transport no more than 0 acre feet per year of groundwater.
- B. <u>Interim Stage II</u> During the period from December 31, 2017 through December 31, 2022 Permittee is authorized to produce and transport no more than 5,000 acre feet per year of groundwater.
- C. <u>Interim Stage III</u>- During the period from December 31, 2022 through December 31, 2027 Permittee is authorized to produce and transport no more than 10,000 acre feet per year of groundwater.
- D. <u>Final Stage</u> During the period from December 31, 2027 through permit expiration, Permittee is authorized to produce and transport no more than 15,000 acre feet per year of groundwater.

Production and transportation set out in each production schedule stage is subject to demonstrated demand of that amount of water in the permittee's service area, including Springs Hill WSC, Gonzales County WSC, and Canyon Lake WSC, documented by the Regional Plan or State Water Plan applicable to the time frame of the particular production schedule stage.

In accordance with District Rule 11(G)(2), Permittee may time the drilling and completion of wells to match the above-stated Production Schedule. The Permittee may request from the General Manager a modification of the Production Schedule during any Interim Stage. Permittee's request for modification of the Production Schedule must include an explanation for the modification. If the Desired Future Condition is not in imminent danger of not being achieved or the Desired Future Condition is being achieved, the Board shall amend the Production Schedule and such action shall not be subject to a contested case hearing.

## Term of Production Permit: 5 years

A permittee holding a drilling and production permit due to expire shall file a written request to reissue the permit to the General Manager no later than 30 days prior to the expiration date of the permit. The permit shall remain effective until final Board action on the reissue of the permit. Requests to reissue a permit shall be subject to review for substantial compliance with the rules of the District by the General Manager. (Rule 11.G.3)

Any permit subject to reissue shall after due consideration and an affirmative vote by the Board be reissued for a period of five years in accordance with the rules in effect at the time of reissue. (Rule 11.G.4)

**Transport Permit Provisions:** Transport of water from the District shall not exceed 15,000 acre-feet per year. The transportation of groundwater outside the District authorized by this permit is limited to the out-of-District service areas specified in Permittee's initial application for a production and transportation permit filed with the District.

Capacity of Transport System: The capacity of the transport facility has no bearing on the current permitted production or transportation volumes or on any future production or transportation volume requests.

## Term of Transport Permit: 3/30 years

The term for the transportation permit shall be three years since construction of a conveyance system has not been initiated prior to permit issuance. If construction of a conveyance system is begun before the expiration of the permit, the term will be extended to a thirty year term from initial permit issuance.

A permittee holding a transportation permit shall submit an application to reissue the permit to the General Manager no later than thirty (30) days prior to the expiration of the permit. The permit shall remain effective until final Board action on the reissue of the permit. In its determination whether to reissue the transportation permit, the Board shall consider relevant and current data for the conservation of groundwater. Requests to reissue a permit shall be subject to the notice and hearing requirements applicable to permit applications. (Rule 15.K)

## Additional Conditions Applicable to Production and Transportation Permit:

#### A. Special Provisions

- 1. This production and transportation permit was granted by the Board of Directors with the following special provisions:
  - 1 Execution of a Mitigation Agreement.
  - 2. Execution of a Monitoring Well Agreement.
  - 3. Execution of a Negotiated Export Fee Agreement.

#### B. General Conditions

Acceptance of the permit by the person to whom it is issued constitutes acknowledgment of and agreement to comply with all of the terms, provisions, conditions, limitations, and restrictions of these rules including, but not limited to, the following:

- 1. Permits are granted in accordance with the provisions of the Texas Water Code and the Rules, Management Plan and Orders of the District, and acceptance of the permit constitutes an acknowledgment and agreement that the permittee will comply with the Texas Water Code, the District Rules, Management Plan, Orders of the District Board, and all the terms, provisions, conditions, requirements, limitations and restrictions embodied in a permit. (Rule 11.F.2.a; Rule 15.E.2.a)
- 2. A permit confers no vested rights in the holder, and it may be revoked or suspended, or its terms may be modified or amended pursuant to the provisions of the District's Rules. (Rule 11.F.2.b; Rule 15.E.2.b)
- 3. The operation of a well for the authorized withdrawal must be conducted in a non-wasteful manner. In the event the groundwater is to be transported a distance greater than one-half mile from the well, it must be transported by pipeline to prevent waste caused by evaporation and percolation. (Rule 11.F.2.c; Rule 15.E.2.c)
- 4. A well site must be accessible to District representatives for inspection, and the permittee agrees to fully cooperate in any reasonable inspection of the well and well site by District representatives. (Rule 11.F.2.e; Rule 15.E.2.e)
- 5. Applications for which a permit is issued are incorporated in the permit and thus permits are granted on the basis of and contingent upon the accuracy of the information supplied in the application and any amendments to the application. A finding that false information has been supplied is grounds for immediate revocation of a permit. In the event of conflict between the provisions of a permit and the contents of the application, the provisions of the permit shall control. (Rule 11.F.2.f; ; Rule 15.E.2.f)
- 6. Suspension or revocation of a permit may require immediate cessation of all activities granted by the permit. (Rule 11.F.2.g; Rule 15.E.2.g)
- 7. Violation of a permit's terms, conditions, requirements or special provisions is punishable by civil penalties provided by the District's Rules. (Rule 11.F.2.h; Rule 15.E.2.h)
- 8. Where ever special provisions in a permit are inconsistent with other provisions or District Rules, the special provisions prevail. (Rule 11.F.2.i; Rule 15.E.2.i)
- 9. Changes in the amount of water transported or the wells associated with the transportation facility may not be made without the prior approval of a permit amendment issued by the District. (Rule 15.E.2.j)
- 10. The owner of a transportation facility shall be responsible for the prevention of pollution and waste, and with protecting the public's health in relation to water produced from such facility as required by District rules, and by reason of operations of said facility. (Rule 15.G)

#### C. Transportation Facility Requirements

All transportation facilities subject to registration or permitting shall be equipped with flow monitoring devices approved by the District and shall be available at all reasonable times for inspection by District personnel. The operator of a transportation facility shall be required to keep records and make reports to the District as to the operation of the transportation facility as indicated below:

- 1. Permitted transportation facilities shall submit reports to the District on a monthly basis, beginning at the time a permit is issued to operate. Monthly reports are due in the District office by the 15th day of the following month. (Rule 15.F.1)
- 2. Such reports shall include the volume of water transported during the preceding month and the production for each well associated with the transportation facility. (Rule 15.F.2.d; Rule 15.E.2.d)
- 3 Immediate written notice must be given to the District in the event production or transport exceeds the quantity authorized by this permit, or a well is either polluted or causing pollution of the aquifer. (Rule 11.F.2)

The District may, every five (5) years, review the amount of water that may be transferred out of the District under a permit and may limit the amount of water which may be transferred, after a consideration of the factors set forth in applicable District Rules and all relevant and current data for conservation of groundwater resources in the District. At any time during the term of a transportation permit, the District may revise or amend the permit if the use of water unreasonably affects existing groundwater and surface water resources or existing Permit Holders. (Rule 15.J)

#### D. Fees

Permitted shall pay the District fees in accordance with the Negotiated Export Fee Agreement.

#### E. Change of Ownership

A drilling or production permit may be transferred to another person through change of ownership of the well provided all permit conditions remain in compliance with District Rules and the District is notified, in advance, of the proposed change in ownership. The General Manager is authorized to effectuate the permit transfer. (Rule 11.E)

#### F. Fines

Permitted transportation facilities which fail to comply with District rules may be subject to a civil penalty to be determined by the Board not to exceed \$10,000 per day of violation and each day of continued violation constitutes a separate violation. (Rule 27.G).

## G. Production Limits

The total amount of production authorized under this permit, or production authorized under any Interim Stage, may be reduced by the Board if the Board finds that the Desired Future Condition for the District is not being achieved or is in imminent danger of not being

TWA PERMIT 1/29/2013 Page 5 of 6 achieved and that the Permittee has caused or significantly contributed to the non-achievement or imminent non-achievement of the Desired Future Condition.

Bruce Patteson, President

Gonzales County Underground Water Conservation District

03-25-/3 Date

**Attachments:** 

Mitigation Agreement Monitoring Well Agreement Negotiated Export Fee Agreement ORDER OF THE GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT REGARDING APPLICATIONS OF THE TEXAS WATER ALLIANCE LIMITED FOR PERMITS TO DRILL FOUR MONITORING WELLS AND THIRTEEN PRODUCTION WELLS, TO PRODUCE UP TO 15,000 ACRE-FEET OF WATER PER YEAR FROM THE CARRIZO AQUIFER, AND TO TRANSPORT WATER OUTSIDE OF THE DISTRICT; REGARDING RELATED AGREEMENTS; AND REGARDING REQUEST TO ACCOMMODATE CERTAIN LANDOWNERS.

WHEREAS, after providing the required mailed, published, and posted notices, the Board of Directors ("Board") of the Gonzales County Underground Conservation District ("District") held a public hearings on November 15, 2012 and January 29, 2013 to consider the Applications of the Texas Water Alliance Limited ("TWA") for permits to drill, produce and transport 15,000 acre-feet of water from fifteen (15) wells in the Carrizo aquifer.

WHEREAS, after considering the TWA Applications, the prefiled direct testimony, and the additional testimony and evidence provided at the hearing, the Board makes the following order and report.

## NOW THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT THAT:

- 1. The Board of Directors hereby approves a permit in substantially the form attached hereto as <u>Attachment 1</u> authorizing TWA to drill four (4) monitor wells and to drill thirteen (13) production wells into the Carrizo Aquifer, to produce up to 15,000 acre-feet of water per year from the Carrizo aquifer, and transport said water outside of the boundaries of the District for municipal (public water supply) purposes, and authorizes Bruce Patteson, President, to sign such permit.
- 2. The Board of Directors hereby approves a Mitigation Agreement in substantially the form attached hereto as <u>Attachment 2</u>, and authorizes Bruce Patteson, President, to execute such a Mitigation Agreement on behalf of the District.
- 3. The Board of Directors hereby approves a Monitoring Agreement in substantially the form attached hereto as <u>Attachment 3</u>, and authorizes Bruce Patteson, President, to execute such a Monitoring Agreement on behalf of the District.
- 4. The Board of Directors hereby approves a Negotiated Export Fee Agreement in substantially the form attached hereto as <u>Attachment 4</u>, and authorizes Bruce Patteson, President, to execute such a Negotiated Export Fee Agreement on behalf of the District.
- 5. The Board hereby acknowledges that TWA will not object to a variance to its spacing rules pursuant to section 18(b) related to property belonging to Ted Boriack and Robert

Mayfield, as shown in the TWA applications, with respect to the spacing shadow of TWA Well Nos. 6 and 7.

6. This Order is effective immediately upon its passage.

## PASSED AND APPROVED ON THIS THE 29th DAY OF JANUARY, 2013.

CONSERVATION DISTRICT				
By Bu ta	He			
Printed Name	Bruce Patteson			
Title:	Board President			
Date: 13-25-13				

GONZALES COUNTY UNDERGROUND WATER

ATTEST:

By:

Printed Name: Steve Ehrig Secretary

Date: 03-25-/3

## NEGOTIATED EXPORT FEE AGREEMENT BY AND BETWEEN TEXAS WATER ALLIANCE LIMITED AND

#### GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT

#### The Parties

This Agreement is effective this 29th day of January, 2013 (the "Effective Date") by and between the Gonzales County Underground Water Conservation District ("GCUWCD" or "District"), a groundwater conservation district created and operating pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapter 36 of the Texas Water Code ("Chapter 36") and Texas Water Alliance Limited ("TWA"). GCUWCD and TWA are collectively referred to as "the Parties."

#### Recitals

- 1. TWA is a Texas corporation.
- 2. GCUWCD has been charged by the Texas Legislature with conserving and protecting the groundwater in Gonzales County, Texas and portions of Caldwell County, Texas. To that end and pursuant to its enabling legislation and Chapter 36, the GCUWCD has promulgated a District Management Plan and Rules governing the issuance of permits for drilling, production and transportation of groundwater underlying GCUWCD's boundaries.
  - 3. GCUWCD is authorized by Chapter 36 to negotiate export fees with permittees.
- 4. In the course of certain permitting actions, certain applicants and permittees, including TWA, have agreed to negotiated export fees to assist the District in defraying costs of its annual budget. TWA in conjunction with the Canyon Regional Water Authority ("CRWA") and Hays Caldwell Public Utility Agency ("HCPUA") have each agreed to pay negotiated export fees, based on their respective proportionate shares of the total amount of water authorized to be produced each year by TWA, CRWA, and HCPUA under Permits Nos. 01-13-01, 11-12-02, and 11-12-01 to defray that portion of the District's budget not supplemented by ad valorem taxes and export fees from other entities with existing authorizations to transport water out of the District.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

1. TWA agrees to make an annual payment to the District in the amount of 49.5% ("TWA's Percentage Share") of the District's annual budget, less the amount of export fees due for that budget year from exporters whose permits or authorizations were issued or approved by the District prior to November 12, 2012 ("Existing Permittees"), and less ad valorem taxes due

for that budget year. This amount is the negotiated export fee between TWA and the District (the "TWA Export Fee").

- 2. Beginning in 2013 and continuing annually during the term of this Agreement, the District will notify TWA no later than August 31 of each calendar year of the amount of the TWA Export Fee. TWA will remit payment of the TWA Export Fee to the District on or before October 1<sup>st</sup> of each calendar year.
- 3. The District agrees that TWA's Percentage Share may be decreased in the future if any of the Existing Permittees (and/or any future exporters) agree to enter into a negotiated export fee agreement with the District based on their pro rata share of the total amount of water authorized to be exported outside the District's boundaries. The District agrees that in such event, TWA's Percentage Share shall be reduced proportionately.
- 4. Except as otherwise provided in Section 8 of this Agreement, the District agrees that the amount of the TWA Export Fee will not increase more than ten percent (10%) from the preceding year's TWA Export Fee.
- 5. Non-compliance with the terms of this Agreement by TWA shall be deemed non-compliant with TWA's Permit No. 01-13-01 for 15,000 acre feet/year issued by the District.
- 6. The Agreement shall continue for so long as Permit No. <u>01-13-01</u> is in effect and shall automatically terminate on the expiration or termination of said Permit.
- 7. The District agrees to use its best efforts to, within two (2) years of the Effective Date, finalize a negotiated export fee agreement, on similar terms to this Agreement, with the Existing Permittees.
- 8. The Parties acknowledge and agree that if any permittee who is a party to a negotiated export fee agreement relinquishes its right to produce and transport water out of the District, the pro rata share among remaining permittees to a negotiated export fee agreement will be reallocated.
- 9. All notices given hereunder must be in writing. Any written notice must be given by sending the same by United States certified mail, return receipt requested, or by personal delivery. Either party may change its address by written notice to the other and either party may confirm notice by electronic means.

The address for GCUWCD for all purposes under this Agreement and for all notices herein shall be:

Greg Sengelmann, General Manager
Gonzales County Underground Water Conservation District
P.O. Box 1919
920 St. Joseph St., Rm. 129
Gonzales, TX 78629
TEL: 930/672 1047

TEL: 830/672-1047 FAX: 830/672-1387

EMAIL: greg.sengelmann@gcuwcd.org

The address for TWA for all purposes under this Agreement and for all notices herein shall be:

Texas Water Alliance Limited 3267 Bee Cave Rd., Suite 107-509 Austin, TX 78746-6700

With a copy to:
Ms. Suzy Papazian
Corporate Secretary/Attorney
Texas Water Alliance Limited
110 W. Taylor St.
San Jose, CA 95110

10. This Agreement shall be binding upon and inure to the benefit of GCUWCD and TWA and their respective successors and assigns and shall be construed without respect to which entity was the drafter of this Agreement.

POSTED on January 14, 2013 and APPROVED on January 29, 2013, pursuant to Agenda Item No. 7 by the Gonzales County Underground Water Conservation District.

GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT

Name: Bruce J. Patteson

President

Date: January 29, 2013

Attest:

Name: Steve Ehrig

Secretary/Treasurer

Date: January 29, 2013

TEXAS WATER ALLIANCE LIMITED

By: Mark Jana

President

Date: January 29, 2013

# TEXAS WATER ALLIANCE LIMITED AND

# GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT PARTICIPATION AGREEMENT IN THE EASTERN GONZALES COUNTY DEDICATED MITIGATION FUND

### The Parties:

This Agreement is effective this 29th day of January, 2013 (the "Effective Date") by and between the Gonzales County Underground Water Conservation District ("GCUWCD" or the "District"), a groundwater conservation district, created and operating pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapter 36 of the Texas Water Code ("Chapter 36"), and Texas Water Alliance Limited ("TWA" or the "Permittee"), a public, non-profit corporation. GCUWCD and TWA are collectively referred to herein as the "Parties."

#### Recitals

- 1. TWA is a Texas corporation. TWA intends to own and operate facilities to capture, produce, store, transport and deliver water to its current and future customers.
- 2. GCUWCD has been charged by the Texas Legislature with conserving and protecting the groundwater in Gonzales County, Texas and portions of Caldwell County, Texas. To that end, and pursuant to its enabling legislation and Chapter 36, the GCUWCD has promulgated a District Management Plan and Rules governing the issuance of permits for drilling, production and transportation of groundwater underlying GCUWCD's boundaries.
- 3. GCUWCD has adopted Rules relating to a well owner's responsibility to mitigate adverse impacts upon other water well users. The Parties acknowledge and desire to contractually adopt principles contained in such Rules and do so by this Agreement.
- 4. In the course of certain permitting actions, including contested case hearings, certain applicants and permittees, including TWA, have agreed to assist the GCUWCD in creating a dedicated fund that would be used by the GCUWCD for the purpose of investigating and evaluating mitigation claims and implementing mitigation measures for qualifying wells in Eastern Gonzales County in lieu of a permittee's obligations to perform its own mitigation under the District's Rules (the "Eastern Gonzales County Dedicated Mitigation Fund" or the "Fund"). A permittee's payment of the specified amount shall satisfy that permittee's obligations concerning mitigation for qualifying water wells pursuant to the Rules of the District.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

- 1. Each participating permittee's share of the Initial Fund Principal shall equal \$30.00 per acre foot of water authorized to be produced and transported by such permittee in accordance with permits issued by the District. Inasmuch as TWA has been issued permits to produce 15,000 acre feet per year of water, TWA's initial payment to the Fund shall be \$450,000.00.
- 2. Participating permittees shall make payment of their share of the Initial Fund Principal to the District for deposit by the District into the Eastern Gonzales County Dedicated Mitigation Fund within 180 days following permittee's receipt of a final and non-appealable permit authorizing production requested by the permittee's application.
- 3. In order to ensure the continued viability of the Fund, TWA shall pay the District a negotiated export fee surcharge. Such export fee surcharge shall commence January 15<sup>th</sup> on the first full calendar year following the creation of the Fund and continue thereafter as provided herein. TWA shall pay an export fee surcharge in the amount of \$0.0175 per one thousand (1,000) gallons of water exported during the previous calendar year. Provided, however, such negotiated export fee surcharge shall not be imposed or collected during the first three (3) years of this Agreement when the Fund balance remains at or above \$250,000 as of July 1<sup>st</sup> of the previous year. Where payment of the surcharge is required by this Agreement, TWA shall make a lump sum payment to the District on January 15<sup>th</sup> of the applicable year. After the three (3) year period referenced herein, such negotiated export fee surcharge shall not be imposed or collected in any year when the Fund was at or above \$400,000 on July 1<sup>st</sup> of the previous year. When the District has determined no more mitigation is required, the District shall consider termination of the Fund and return the Fund balance to TWA and other participating permittees on the basis of each permittee's share of the total pro-rata payments into the Fund.
- 4. Wells that qualify for mitigation by the Fund shall be limited to registered or permitted wells located in Eastern Gonzales County east of the middle of the San Marcos Arch that:
  - a. were drilled on or before January 29, 2013;
  - b. do not produce water for a public water supply; and
  - c. meet the criteria for mitigation under the District's Rules and Policies.

Provided, however, TWA consents to the District deciding that the following wells qualify for mitigation by the Fund should the District choose to do so even though such wells may not have been timely registered with the District and may not produce water from the Carrizo Aquifer:

- 1. Siebert. The three wells located on the property owned by Bruce and Joan Siebert existing as of December 11, 2012, such property being generally described as a 450 acres, more or less consisting of 124.174 acres out of the Ned Weddington Survey, Abstract No. 421, in Caldwell County, Texas and 309.47 acres as described in a deed from Gus W. Walla and Barbara Walla to Bruce L. Siebert and Joan Siebert, dated December 4, 1998 and filed in volume 809, page 720 of the deed records of Gonzales County.
- 2. Dubose/Hefty. The wells located on the property owned by Preston and Barbara Dubose, the

property owned by Preston Dubose, Inc., and the property owned by Eunice Hefty existing as of April 11, 2012, the location of such wells being described on "Exhibit 1".

3. "Bickham Group." The wells located on the property owned by "Ted Boriack, Wayne LePori, Robert Mayfield, Robert Fiebig, and Carla Baze and existing as of April 26, 2012, the location of the several tracts of property being generally described on "Exhibit 2."

Wells located on land leased or owned in fee simple determinable by the permit holders contributing to the Fund shall qualify for mitigation from the Fund, but wells located on land leased or owned in fee simple determinable by permit holders who do not contribute to the Fund shall not qualify for mitigation from the Fund.

- 5. If the District uses the Fund to deepen an existing well drilled into or producing water from the Carrizo formation or to drill a new well into the Carrizo formation or to lower a pump further into the Carrizo formation then the well will be drilled or deepened or the pump lowered so that the well owner may produce water from the Carrizo formation even if a drawdown in the Carrizo exceeds 200 feet, where practicable.
- 6. Permittee recognizes and acknowledges that the District may utilize monies in the Fund for investigating, evaluating and/or implementing mitigation by either contractors or employees and that the Fund may be used to cover administrative expenses, contractor costs, and equipment costs associated with such contractors or employees. By January 31<sup>st</sup> of each year following the creation and initial funding of the Fund, the District shall provide all participating permittees an accounting of Fund revenues and expenses and a report summarizing the mitigation claims that were inspected, evaluated or mitigated. Noncompliance with the terms of the Fund agreement by TWA shall be deemed noncompliance with TWA's permits issued by the District.
- 7. The duration of this Agreement shall be from the Effective Date and for as long thereafter as TWA, its successors or assigns, conducts water production operations within the boundaries of the GCUWCD. For purposes hereof, the term "water production operations" means any activity related or incidental to obtaining or maintaining permits or authority necessary for TWA to drill, test, produce or transport groundwater from within the boundaries of the GCUWCD.
- 8. All notices given hereunder must be in writing. Any written notice must be given by sending the same by United States certified mail, return receipt requested, or by personal delivery. Either party may change its address by written notice to the other and either party may confirm notice by electronic means.

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The address for GCUWCD for all purposes under this Agreement and for all notices herein shall be:

Greg Sengelmann, General Manager Gonzales County Underground Water Conservation District P.O. Box 1919 920 St. Joseph St., Rm. 129 Gonzales, TX 78629

TEL/FAX: 830/672-1047 EMAIL: gcuwcd@gvec.net

The address for TWA for all purposes under this Agreement and for all notices herein

shall be:

Texas Water Alliance Limited 3267 Bee Cave Road, Suite 107-509 Austin, TX 78703

With a copy to: Suzy Papazian Corporate Secretary/Attorney Texas Water Alliance, Limited 110 W. Taylor Street San Jose, CA 95110

- 9. This Agreement is being executed, delivered, and is intended to be performed in the State of Texas. Texas law shall govern the validity, construction, enforcement, and interpretation of this Agreement, unless otherwise specified herein. Gonzales County, Texas shall be the sole venue for any action or proceeding related to this Agreement.
- 10. This Agreement shall be binding upon and inure to the benefit of GCUWCD and TWA and their respective successors and assigns and shall be construed without respect to which entity was the drafter of this Agreement.

POSTED on January 14, 2013 and APPROVED on January 29, 2013, pursuant to Agenda Item No. 5 by the Gonzales County Underground Water Conservation District.

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# GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT

Name:Bruce J. Patteson

Name:Bruce J. Patteson
President

Date: 03-25-/3

Attest:

By: Name:Steve Ehrig

Secretary/Treasurer

Date: 03-25-13

TEXAS WATER ALLIANCE LIMITED

By: / / / / Name: Mark Janay

President

Date: 2 15 13

DM 217169 -5 -

# Exhibit 1

Location of wells on property owned by persons in the "Dubose/Hefty" Group

# Preston Dubose, Inc. Property 119 acres:

G-#195: Latitude 29 42 46 North Longitude: 97 23 17 West G-#196: Latitude 29 43 43 North Longitude: 97 23 27 West

# Barbara and Preston Dubose Property 213 acres:

G-#193: Latitude 29 42 57 North Longitude: 97 23 23 West G-#194: Latitude 29 43 36 North Longitude: 97 23 26 West

# Hefty/Dubose Property 152 acres:

House well: Latitude 29.684901 North Longitude: 97.431182West

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#### Exhibit 2

General Description of Property owned by persons in the "Bickham" Group.

Ted Boriack (aka Boriack Holdings Texas LLC:

1.35 acres out of the F Kistler Survey, Abs. 33, Gonzales County and

1.0 and 299.0 acres, respectively, out of the P McCoy Survey, Abs. 342, Gonzales County.

Wayne Lepori:

117.57 acres out of the TS Lee Survey, Abs. 314, Gonzales County.

Robert Mayfield:

228 acres out of the John T. Smith Survey, Abs. 130.

Robert Fiebig:

96 acres, more or less, out of the John Adkinson Survey, Abs. 89, Gonzales County. Carla Baze:

19.905 acres out of the Chas. Schaller Survey, Abs. 431, Gonzales County.

DM 217169 -7-

# **Monitoring Well Agreement**

### Texas Water Alliance, Limited

#### And

# **Gonzales County Underground Water Conservation District**

#### THE PARTIES

This agreement is effective this 29th day of January, 2013 (the "effective date") by and between the Gonzales Underground Water Conservation District and the Texas Water Alliance Limited.

#### **AGREEMENT**

Texas Water Alliance Limited. agrees to install three Carrizo Aquifer monitoring wells and one Wilcox Aquifer monitoring well at locations designated by the General Manager of the Gonzales County Underground Water Conservation District. Work on the monitoring wells shall begin within 180 days from the General Manager's written directive to install the monitoring wells.

Texas Water Alliance Limited. also agrees that if it installs either Queen City Aquifer or Sparta Aquifer rig supply wells for use in drilling their public supply wells the rig supply wells will be left in place for monitoring wells and the Gonzales County Underground Water Conservation District will be allowed to access the wells for use in the District's water level and water quality monitoring programs.

Texas Water Alliance Limited further agrees to equip up to four monitoring wells so the District can remotely monitor and receive information from the wells and to work with the District, to the extent necessary, in making real-time monitoring well data available to the public on the District's website.

Gonzales County Underground Water Conservation District

By: Du Tall

Name: Bruce J. Patteson

Title: President

Date: 03-25-13

Attest:

By: Swelf

Name: Steve Ehrig

Title: Secretary/Treasurer

Date: 03-25-13

Texas Water Alliance Limited.

By.

Name:\_Mark Janay

Title: President

Date: 2 | 15 | 13

STATE OF TEXAS				§		
				§		
COUNTY OF GUADALUPE				§		
		GRO	OUND WATE	R AFFIDAV	IT	
	Nichols	,	, a person	whose identity	day personally is known to me	appeared c. After I
1.		-		-	naking this affidavit nd are true and corre	
2.	I am an authorized representative of Guadalupe-Blanco River Authority, are entity that has filed an application for financial assistance with the Texas Water Development Board for a project that proposes the development of a new groundwater supply source.					
3.	Does t	he applicant own the	e proposed well	site(s)?		
			Yes	No 🔳		
	(a)	Attach a copy of the legal instrument do project site(s).			other	
		Item attached:	Yes	No 🔳		
	(b)	Were the groundw transferred by a pro acquisition of the p	edecessor in title	•	icant's	
4.	Does ti	he applicant intend	to acquire title to	the proposed we	ell site(s)?	
			Yes	No 🔳		

	agreen that th	h a copy of a notice oment, an option to pure applicant is in the point to be located.	rchase p	ropert	y or other do	cui	-
		Item attached:	Yes		N	lo	
5.	Does	the applicant lease the	e propo	sed we	ll site(s)?		
			Yes		N	lo	
	arrang	h a copy of the execut gement documenting to d produce groundwat	that the	applica	ant has the ri		
		Item attached:	Yes		N	lo	
6.	Does	the applicant intend to	o lease t	the pro	posed well s	ite(	(s)?
			Yes		N	О	
	arrang acquir	n a copy of the draft legement documenting tring the contractual riproject site(s).	hat the	applica	ant is in the p	oro	cess of
		Item attached:	Yes		N	lo	
7.		project located within	n the bo	undari	es of a groun	ıdw	rater
			Yes		N	О	
	(a)	Attach all groundwa authorizing groun groundwater well(s)	ıdwater	-		by om	
		Item attached:	Yes		N	lo	
	(b)	Attach copies of conservation district groundwater well(s)	t for a				
		Item attached:	Yes		N	О	

Signed the 3rd day of May	20 <u>18</u> .
	Danil Authoris
	Senior Deputy General Manager Title
Sworn to and subscribed before me by Tric	ia L. Ramirez
on May 3, 20 18.	
TRICIA L RAMIREZ  Notary Public, State of Texas  Comm. Expires 12-20-2020  Notary ID 13093864-5	Trian L. Ramirez Notary Public in and for the State of Texas
[SEAL]	

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# **EXHIBIT D**

# **MEMORANDUM OF LEASE**

# 245419

This Memorandum of Lease is made effective the 7 day of **May** 2009, by and between **Carolyn Jo Goodwin** ("Lessor") and TEXAS WATER ALLIANCE LIMITED ("Lessee").

### WITNESSETH:

- 1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Groundwater (the "Lease"), of the right to withdraw and beneficially use the Carrizo Aquifer water pertaining to the real property described on **Exhibit "A"** attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.
- 2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.
- 3. Under the terms of the Lease, Lessor has leased the Water Rights to Lessee and Lessee has leased the Water Rights from Lessor upon and in accordance with the terms of the Lease.

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4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

	LESSOR:	
	Carolyn Jo Goodwin	
/	isshado Hoduin Man 8 2009	
_	Signature - Date Signature - Date	
	By: Its:	
	STATE OF TEXAS §	
	COUNTY OF GONZALES §	
	This instrument was acknowledged before me on the day of the state of	f
	[SEAL]  Notary Public, State of 1 CASS	
10	RHONDA L. PENN  Notary Public, State of Texas  My Commission Expires	

# VOL 1 0 2 5 PAGE 3 3 0

Lessee:	
	TEXAS WATER ALLIANCE LIMITED
	Name: Mark Janay Title: Vice President
STATE OF TEXAS	§
COUNTY OF GONZALES	§
2009, by Mark San ALLIANCE LIMITED, on behalf  [SEAL]  MARK Not STATE	
AFTER RECORDING,	
RETURN TO:	
Texas Water Alliance Limited Crockett Camp 925-B S. Capital of Texas Highw Austin, Texas 78746	vay

# EXHIBIT "A" TO MEMORANDUM OF LEASE

# Parcel 1:

150 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

# Parcel 2:

64.6 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

FILED this 3 day of June 20 10 at 11: 45 the LEE RIEDEL COUNTY CLERK, GONZALES COUNTY, TEXAS BY Rach Salleon Deputy

STATE OF TEXAS COUNTY OF GOMZALES I hereby certify that this instrument was filed on the date and time stamped hereon by me and was duly recorded in the Official Records of Gonzales County, Texas in volume and page as stamped hereon by me.

JUN 24 2010

# WATER LEASE

This Water Lease (the "Lease") is entered into May 8, 2009 ("Signing Date") between Carolyn Jo Goodwin ("Lessor") and Texas Water Alliance Limited, a Texas corporation ("Lessee"). Lessor and Lessee are each individually referred to herein as a "Party" and, collectively, as the "Parties."

#### RECITALS

- 1. Lessee is engaged primarily in the acquisition, development, treatment and delivery of water.
- 2. Lessor desires to lease to Lessee and Lessee desires to lease from Lessor, certain real property rights for the development, production, transportation and use of groundwater in and under the Property from the Carrizo formation.

### **AGREEMENT**

In consideration of the mutual promises, obligations and benefits to be derived by the Parties pursuant to this Lease, the receipt and sufficiency of which are hereby acknowledged, each Party, intending to bind itself and its heirs, successors, assigns, and representatives as of the Signing Date, agrees as follows:

I.

### **Grant of Lease**

#### Section 1.1 Certain Definitions.

- (a) "Effective Date" of the Lease shall be January 1, 2010.
- (b) "Lease Year" shall mean every twelve (12) month period beginning with the Effective Date during the Term of the Lease.
- (c) "Lessor's Uses" means all (i) Lessor's use of the Property for any domestic, livestock, poultry, irrigation, other agriculture, wildlife and/or recreational purposes on the Property (and on land contiguous to Property owned by Lessor used in connection with the

Property) and shall include Lessor's use of groundwater to fill a livestock tank and otherwise to provide water for livestock and poultry, provided such uses are exempt from the requirement to obtain a production permit under the rules and regulations of the Gonzales County Underground Water Conservation District (the "**District**"); (ii) use of the Property for or in connection with developing, exploring, drilling, producing and transporting oil, gas and other minerals in and under (and/or that may be saved and produced from) the Property and/or land contiguous to Property owned by Lessor, but subject to Lessee's rights under Section 1.8; and (iii) groundwater reserved by Lessor pursuant to Section 1.7(i thru iv).

- (d) "Produced," "Producing" or "Production" mean any actual pumpage and/or withdrawal of groundwater by Lessee in connection with the Project.
- (e) "Prohibited Lien," means any lien or encumbrance affecting the Property that constitutes a material interference in Lessee's ability to pursue the Project.
- (f) "Project" means the development by Lessee of groundwater in Gonzales County, Texas, for any purpose.
  - (g) "Project Area" means the area described in Exhibit "A," attached hereto.
- (h) "Project Revenue" means the revenue from the sale, trade, or lease, of water incidental to and sourced from the Lease, but does not include revenue from the sale, trade, or lease of capacity within the treatment facilities or pipelines used to treat and transport the water incidental to and sourced from the Lease, and does not include any income and revenue from sale of other services, products and merchandise from the Lessee.
- (i) "Property" means the real property located in Gonzales County, Texas, owned by Lessor, described on the attached Exhibit "B," consisting of approximately 214.6 contiguous acres of land, more or less, provided however that if upon re-survey it is determined that the Property consists of more contiguous acreage than stated in Exhibit "A," the Property shall consist of the contiguous acreage determined by re-survey. Lessor agrees to execute any supplemental instruments requested by Lessee for a more complete or accurate description of said real property.

(j) "Water Rights" means all permits, licenses, consents, and contracts, if any, pertaining to or appurtenant to groundwater from the Carrizo formation, as the Carrizo formation is described or recognized by the Gonzales County Underground Water Conservation District, under the Property subject to this Lease, including but not limited to the federal, state, and local permit rights; the interim and regular permits; and the modifications, amendments, renewals, extensions or successor or substitute permits related to the groundwater from the Carrizo formation under the Property subject to this Lease, whether currently in force or hereafter granted or adopted.

### Section 1.2 Grant.

- (a) Groundwater. Expressly subject to the Lessor's reservations below, and in consideration of Ten and No/100 Dollars (\$10.00) in hand paid and other payments herein provided, and of the agreements of Lessee hereinafter contained, Lessor hereby GRANTS, LEASES AND LETS unto Lessee the property rights of Lessor to explore, develop, capture, produce, own and sell the groundwater in and under the Property from the Carrizo formation during the term of the Lease and as long thereafter as payments to Lessor for the rights to the groundwater may be made in accordance with the provisions of the Lease. All such production shall be subject to any and all applicable statutes, regulations, and common law. Subject to Lessor's reservations and during the Term, Lessor agrees that the right to groundwater Produced by Lessee from the Property shall be vested exclusively in Lessee, provided however that during and after the expiration of the Term, at Lessor's option, all claims and rights to historical production, usage or other regulatory or statutory right related to the production of groundwater from the Property shall accrue to and shall be assigned exclusively to Lessor.
- (b) Water Rights. Subject to the reservations below, in consideration of Ten and No/100 Dollars (\$10.00) in hand paid or payments herein provided, and of the agreements of Lessee hereinafter contained, for the duration of the Term Lessor hereby GRANTS, LEASES AND LETS unto Lessee, Lessor's interest in and to the Water Rights (as hereinbefore defined) pertaining to the groundwater from the Carrizo formation that may be Produced by Lessee or its assigns from the Property.

Section 1.3 Surface and Subsurface Rights. Expressly subject to the Lessor's reservations below and only for the duration of the Term, the rights and interest granted, leased and let under this Lease consists of the surface and subsurface property rights and interest appurtenant to groundwater in and under the Property from the Carrizo formation that are necessary for the Lessee to withdraw and beneficially use such groundwater and the real and personal property rights, appurtenances, permits, authorities, licenses, consents, and contracts, if any, pertaining to such groundwater property rights and interest; provided however, that Lessee's rights described herein with respect to the surface of the Property are limited to those rights described in Section 1.5 and Section VIII. Expressly subject to Lessor's reservations below and only for the duration of the Term, the lease of such property rights and interest is intended to include the federal, state, and local permit rights; the interim and regular permits; and the modifications, amendments, renewals, extensions or successor or substitute permits related to such property rights, whether currently in force or hereafter granted or adopted.

Section 1.4 Negative Covenant. During the Term but subject to the reservations of Lessor below, Lessor agrees and covenants not to contest Lessee's exclusive right to develop, capture, produce, own and sell groundwater produced from the Carrizo formation under the Property as provided in this Lease for so long as this Lease shall be in effect. The preceding sentence shall not impair Lessor's right to enforce Lessee's duties and obligations hereunder, including the right to pursue any and all remedies available to Lessor and the right to terminate this Lease as provided in Section III. Lessor agrees not to compete with Lessee's water development and supply activities on the Property, provided however that Lessor's agreement not to compete shall not include the rights reserved to Lessor.

Section 1.5 Testing Right for Lessor's Water Wells. Lessee shall have access to the Property and the right to test any and all of the water wells located on the Property, provided Lessee provides Lessor at least two (2) days prior written notice, unless an emergency or other urgent need exists in which event Lessee will give Lessor as much advance notice as may be practical in the situation. Lessee acknowledges and agrees that this Lease contains no grant of right by Lessor for Lessee or its agents to enter upon or use the surface of the Property, except as expressly provided in the preceding sentence and that Lessee shall have only the rights of entry

and use of the surface of the Property if and to the extent set forth in a separate written agreement between Lessor and Lessee.

Section 1.6 Wells by Others Prohibited. Except for Lessee or an assignee of Lessee pursuant to Section 4.4, Lessor shall not allow any person (as defined by state law) to drill a water well, to install a water treatment plant, or to install a water transmission facility on the Property during the Term of the Lease. Notwithstanding the previous sentence, Lessor may drill water wells to produce water for Lessor's Uses on the Property, provided Lessor's Uses are exempt under the rules of the District and such Uses do not reduce the amount of groundwater available for production from the Property by Lessee and provided further that such Uses are not for municipal or commercial purposes or for any purpose involving use or consumption of the water outside the boundaries of the Property. Groundwater from other than the Carrizo formation and groundwater reserved under Section 1.7(i thru iv) may be produced from either existing wells or new wells by Lessor.

### Section 1.7 Reservations.

- (a) **Specific Reservations**. Subject to Lessee's rights to acquire certain tracts and easements as needed for the Project pursuant to Section VIII of this Lease and Lessee's limited rights of entry pursuant to Section 1.5 of this Lease, there is specifically excepted from the grants above, and Lessor hereby expressly reserves the following:
  - (i) With respect to the surface of the Property, the exclusive rights of occupancy, use and possession for any and all purposes (including without limitation the right to sell, subdivide or develop all or part of the Property);
  - (ii) With respect to the surface and subsurface of the Property, any and all rights for developing, drilling wells, producing, and transporting groundwater from formations other than the Carrizo formation for any purposes; and from the Carrizo formation for only Lessor's Uses;
  - (iii) With respect to the groundwater in and under the Property, the right to develop, drill wells, produce, and transport groundwater from formations other than the

Carrizo formation for any purposes; and from the Carrizo formation for only Lessor's Uses:

- (iv) Groundwater reserved by Lessor for Lessor's Uses that is not exempted from the permitting rules and regulations of the District (referred to as "Lessor's Claim") shall be Zero (0.0) acres. In the event Lessor's Claim is greater than zero, the number of contiguous surface acres for the Property as set forth in Subsection 1.7(a)(iv) shall be reduced in the amount of one acre for each acre-foot, or portion thereof, reserved by Lessor for Lessor's Claim (unless the District has adopted a maximum allowable different from the one acre-foot of water from the Carrizo formation for each acre of land in which event such different maximum allowable will be applied);
- (v) Any and all oil, gas and other minerals, including but not limited to gas strata, uranium and other fissionable materials; and
- (vi) Subject to Section VIII of this Lease, the exclusive right to use any access to and from the Property and to conduct operations (including drilling operations) on the surface and subsurface of the Property to explore for, drill, produce, develop, transport, store, treat and market oil, gas and other minerals therefrom or from any other lands of Lessor or from any other land not owned by Lessor.

Provided, however that the exercise of any of Lessor's reserved rights shall not unreasonably interfere with Lessee's operations in, on or under the Property.

# Section 1.8 Oil, Gas and Other Mineral Leases.

- (a) Lessor may execute leases for the exploration, development and production of oil, gas and any other minerals, including but not limited to oil and gas strata, uranium and other fissionable materials, to third persons, and, subject to Lessee's rights under Section VIII of this Lease, to grant to such third persons the rights to use the surface for such proposes.
- (b) As part of any lease relating to the exploration, development, and production of oil, gas and any other minerals, Lessor shall require all ground water taken by such Lessee shall be taken from formations other than the Carrizo and that such lessee shall be liable to the Lessee

for any damage that may occur to Lessee's property or facilities as a result of such Lessee's activities, provided however that if sufficient water cannot be taken from formations other than the Carrizo, then such Lessee may use water from the Carrizo if such Lessee's use of water from the Carrizo is (i) exempt under the rules of the District and (ii) does not reduce the allowable from the Property available to Lessee.

**Section 1.9** No right for Recharge, Storage and/or Retrieval Projects. Lessee shall have no rights under this Lease to introduce in, on, or under the Property any aquifer recharge, storage and/or retrieval project unless and until a written agreement providing for such is entered into by Lessor and Lessee.

#### II.

# **Payments**

- **Section 2.1 Payments**. The application of the payment schedule and amounts are illustrated in Exhibit C attached to and incorporated into this Lease to be used in the application and interpretation of any ambiguities that may exist in the text below. Under no circumstances shall Lessee be required to prorate any of the payments described below.
- (a) **Bonus Payments.** Subject to the satisfaction of the conditions specified in this Section 2.1 below, Lessee shall pay Lessor two (2) lump sum bonus payments as follows:
  - (i) Initial Bonus Payment. The amount of the initial lump sum payment (the "Initial Bonus Payment") shall equal \$100 per acre of land within the Property, as the acreage is specified or as adjusted in accordance with Section 1.1 of this Lease, less any deduction for Lessor's Claim under Section 1.7 of this Lease. The Initial Bonus Payment will be paid by Lessee to Lessor within sixty (60) days after all of the following conditions have been satisfied:
    - (A) Lessor holds fee simple title to the Property and Lessor's title is not subject to any exceptions, restrictions, encumbrances or claims that would interfere with or prevent Lessee's use or enjoyment of the rights granted by this Lease;

- (B) Lessee possesses water leases signed by the owners of at least 20,000 acres of land, in 2,000 acre contiguous blocks of land, located entirely within Gonzales or Caldwell County, Texas and within the "Eastern Management Zone" described by the District in the District's Management Plan in effect on January 1, 2009, and within the Project Area; and
- (C) The Property is within at least one of the 2,000-acre contiguous blocks of land located within the Project Area, or Lessee waives this condition in writing at execution of the Lease.

If Lessee does not tender to Lessor the Initial Bonus Payment within sixty (60) days following the expiration of twelve (12) months after the Effective Date, then at anytime thereafter but prior to Lessee's payment of the Initial Bonus Payment, Lessor may, after sixty (60) days written notice to Lessee, terminate this Agreement and if Lessor exercises this right of termination, this Lease shall be null and void.

- (ii) Final Bonus Payment. The amount of the second lump sum payment (the "Final Bonus Payment") shall equal \$100 per acre of contiguous land within the Property, as the acreage is specified or as adjusted in Section 1.1 of this Lease, less any deduction for Lessor's Claim under Section 1.7 of this Lease. The Final Bonus Payment will be paid by Lessee to Lessor within ninety (90) days after Lessee confirms that all of the following conditions have been specified:
  - (A) Lessee paid Lessor an Initial Bonus Payment;
  - (B) Lessee has obtained drilling, production, and transportation permits from the District that are subject to terms and conditions reasonably acceptable to Lessee, in Lessee's sole discretion; and
  - (C) Lessee determines, in Lessee's sole discretion, that the amount of water authorized to be produced and transported by such permits, as may be limited or rationed in accordance with the rules of the District then in effect, are sufficient to develop the Lessee's Project.

- (b) **Pre-Production Payments**. Subject to the conditions described below, Lessee shall pay Lessor annual payments during the first ten (10) Lease Years as follows. The annual payment shall be made within sixty (60) days after the beginning of the Lease Year (January 1 of each year) and shall be calculated as follows:
  - (i) Feasibility Phase Payments. On January 1, 2010 and on January 1 of the subsequent four years, unless Lessee is obligated to pay Production Period Payments (as described in Subsection 2.1(c), the annual payment shall equal Twenty Dollars (\$20) per contiguous surface acre within the Property that is within the Project Area, as the acreage is specified or as adjusted in Section 1.1 of this Lease, less any deduction for Lessor's Claim under Section 1.7 of this Lease (the "Annual Feasibility Phase Payment"). This Annual Feasibility Phase Payment shall be due even if Lessee has not tendered payment of Initial Bonus Payment unless Lessee determines that Lessor does not hold fee simple title at the time the annual payment is due and Lessee provides Lessor written notice of that determination.
  - (ii) Construction Phase Payments. On January 1, 2015 and continuing thereafter for the next four (4) Lease Years, unless Lessee is obligated to pay Production Period Payments (as described below in Subsection 2.1 (c)), Lessee shall pay Lessor an annual payment determined in accordance with the following calculation:

"X" multiplied by 50% (0.50) multiplied by "R" multiplied by "Y" divided by Z

### Where:

"X" is total amount of water, expressed in acre-feet, that Lessee is then authorized to produce according to permits issued by the District that contain terms and conditions satisfactory to Lessee and are not subject to appeal;

"Y" is the number of acres within the Property located within the Project Area;

"Z" is the total number of acres leased by Lessee located within Project Area; and

"R" is the Royalty Rate in effect at the time determined in accordance with Section 2.1(d) of this Lease.

Provided, however, if at the time the Construction Phase Payment is due, Lessee has not obtained a permit authorizing the production of water, then the Feasibility Phase Payments described in subsection (i) above will continue until the beginning of the Lease Year that occurs after Lessee obtains a production permit. Lessee shall then start making the five (5) annual Construction Phase Payments for the next five (5) Lease Years. If Lessee obtains a production permit during the Lease Year, Lessee shall not be obligated to make any prorated Construction Phase Payments.

Notwithstanding any other provision hereof to the contrary, in no event shall the five (5) year construction phase be extended without prior written agreement of the Parties. Lessor shall not be entitled to further payments defined under subsection (b) once production has begun and payments under subsection (c) have commenced.

- (c) **Production Period Payments.** In the event that Lessee initiates production, the production period payment will be made to the Lessor within sixty (60) days after January 1 of the subsequent year.
  - (i) Production Annual Payment. Once Lessee begins production from the Project, the annual payment (the "**Production Payment**") payable by Lessee to Lessor shall be determined as follows:

"RP" multiplied by "Y" divided by "Z"

Where:

"RP" is the adjusted Royalty Payment as defined under Section 2.1 (d) of this Lease;

"Y" is the number of contiguous acres within the Property located within Project Area;

"Z" is the total number of acres leased by Lessee located within Project Area; and

- (iii) For purposes of this Section, Lessee shall be deemed to begin production from the Property when Lessee begins either: (i) the treatment and transportation of the groundwater for domestic use or municipal use using wells located in the Project Area, or (ii) the sale or delivery of untreated groundwater from wells located in the Project Area. Lessee shall not be deemed to begin production from the Property as a result of drilling, testing, and equipping the wells or using groundwater to test the proposed treatment plant or the proposed pipeline to transport the groundwater.
- (iv) Under no circumstance will the Lessee be obligated to pay Lessor any type of Production Period Payment during any Lease Year that Lessee is obligated to pay Lessor any type of Pre-Production Payment.
- (d) **Royalty Payment.** The Royalty Payment shall be determined by multiplying the adjusted "Royalty Rate" times the greater of either: (i) the number of acre-feet of water produced by Lessee from wells for the Project during the previous calendar year; or (ii) fifty percent (50%) of the annual production allowable for the Project based upon the then-existing permits and rules of the District.

The initial Royalty Rate for this Lease is ONE HUNDRED AND NO/100 DOLLARS (\$100.00) per acre-foot. For the Lease Year beginning after the initial Lease Year and on the first day of each Lease Year thereafter, the Royalty Rate shall be adjusted as follows:

- (i) The initial Royalty Rate shall be compounded annually at the rate of six percent (6%) per year and continuing through the tenth (10<sup>th</sup>) Lease Year;
- (ii) Beginning on the eleventh (11<sup>th</sup>) Lease Year, the Royalty Rate shall be the then Royalty Rate compounded annually at the greater of either (a) the then-current Consumer Price Index (CPI) or (b) three percent. For purposes of this section, "CPI"

means the CPI-U-Houston as published by the United States Department of Labor, Bureau of Labor Statistics Data, Series ID: CUURA318SA0. For the calculation of the index in the compounding, the November CPI-U of the immediate prior year is used to compare to the CPI-U for the preceding year.

Beginning on the eleventh (11<sup>th</sup>) Lease Year, if Production has occurred during the prior Lease Year and continues thereafter at the beginning of each Lease Year that follows a year that Production has occurred (see paragraph below if production has not occurred), the Royalty Payment shall be the greater of the following:

- (a) The Royalty Payment shall be determined by multiplying the adjusted "Royalty Rate" times the greater of either: (i) the number of acre-feet of water produced by Lessee from wells for the Project during the previous calendar year; or (ii) fifty percent (50%) of the annual production allowable for the Project based upon the then-existing permits and rules of the District, or
- (b) Ten percent (10%) of the Project Revenue (calculated as the then current price of water times the total water distributed during the Lease Year).

Beginning on the eleventh (11<sup>th</sup>) Lease Year, if Production has not occurred during the prior Lease Year and continues thereafter at the beginning of each Lease Year that follows a year that Production has not occurred, the Royalty Payment shall equal the then current Royalty Rate times the number of acre-feet of water authorized to be produced during the year by permits issued by the District to the Lessee for wells within the Project, multiplied by a factor equal the number of contiguous acres within the Property divided by the number of contiguous acres Lessee has leased within the Project Area.

During the twenty-fifth (25<sup>th</sup>) Lease Year, either the Lessor or Lessee may agree to adjust the Royalty Rate payments per acre-foot using a different adjustment than specified in subsection (ii) above, with the adjusted Royalty Rate to be specified at least sixty (60) days prior to the twenty-sixth (26<sup>th</sup>) Lease Year. This adjusted Royalty Rate shall be applied to the 26<sup>th</sup> Lease Year and shall continue during the next twenty-five (25) Lease Years, and if such Royalty Rate is accepted by the other Party, absent an agreement otherwise, that the Royalty Rate Payment

shall continue with adjustment in the Royalty Rate being made in accordance with subsection (i) above.

With respect to the adjustments in accordance with any provisions above in this Subsection (d), Lessee shall provide to Lessor the documentation and calculations used by Lessee in determining such annual price adjustment with each annually adjusted royalty payment to Lessor. Lessor shall have six (6) months to object to Lessee's determination of each adjustment after receipt of the documentation and calculations used by Lessee.

- (e) No Deduction for Costs or Fees. Lessee's payment obligations to Lessor under this Lease shall not be subject to deduction for costs or expenses incurred by or on behalf of Lessee in connection with obtaining any permit or in connection with operating under any permit, including without limitation any development, transmission, user, production, treatment, transportation, and marketing costs, fees or expenses. Lessee shall be solely responsible for litigation cost and expenses incurred by Lessee.
- (f) **Right to Records.** Lessor shall have the reasonable right to inspect or designate an agent to inspect production records relating to groundwater production attributed to the Property. This right of inspection may be exercised periodically, within ten (10) days of notice to Lessee and in coordination with Lessee as to time and place of inspection.

# (g) Payment Terms.

- (i) Lessee may withhold any payment to Lessor without being in default of this Lease if Lessor is in default of this Lease and Lessee has provided notice of the default to Lessor and the default remains uncured for thirty (30) days following notice to Lessor.
- (ii) Lessee may withhold payment of any payment to Lessor without being in default of this Lease if, after notice from Lessee, Lessor has not provided Lessee with documentation reasonably deemed satisfactory to Lessee that Lessor holds fee simple title to the Property and that the title is not subject to restrictions or encumbrances or claims affecting this Lease.

- shall provide written notice to Lessee that Lessee has sixty (60) days from receipt of the notice to remedy the breach of payment terms, including interest on such amounts at the rate of ten percent (10%) per annum, or if less, the greatest legal nonusurious rate then in effect. In the event Lessee fails to make payment by the 60-day deadline set forth in this Subsection 2.1(g), and if such payment is not (i) in dispute as between Lessor and Lessee, or (ii) the subject of a title dispute as to Lessor's interest in the payment, Lessor, at Lessor's option, may immediately terminate this Lease by written notice to Lessee as provided in Section 9.2 and/or pursue any other legal remedy available to Lessor.
- (h) **Injunction.** Notwithstanding anything set forth herein to the contrary, the Parties agree that a Texas District Court in the county where the Property is located may enforce by injunction the agreements of the Parties contained in this Lease.
- (i) Most Favored Nations. Lessee agrees that Lessor is entitled to royalty payment terms that are at least as favorable to the payment terms offered by Lessee (or its affiliates) to any other landowner for the acquisition of groundwater from the Carrizo Aquifer in the District if such terms are significantly more favorable considering all the payment terms and consideration taken together. It is expressly understood and agreed that this provision does not apply in any form or manner, and does not affect in any way, the bonus payment to be paid in under Subsection 2.1(b)(i) hereinabove.
- (j) Lessor Costs. If this Lease allows or requires the Lessor, or any of Lessor's heirs, assigns, successors, or representatives to incur a cost, then Lessor shall be solely responsible for paying such cost.
- Section 2.2 Wilcox Formation. Lessor and Lessee acknowledge and agree that due to the difference in the quality of water in the Carrizo formation and the Wilcox formation, Lessee does not have any plans to produce water from the Wilcox formation, but may do so. Lessor grants Lessee the option to lease, under a separate agreement, the groundwater from the Wilcox formation subject to similar terms, conditions, and related compensation as set forth in this Lease. Lessor grants Lessee a continuing right of first refusal to match any bone fide offer received by Lessor from a third party to produce groundwater from the Wilcox formation. In the

event Lessor desires to sell, lease or assign any right to produce groundwater from the Wilcox formation from the Property, then prior to such sale, lease or assignment, Lessor shall give Lessee notice in writing of such proposed sale and the terms, provisions and consideration thereof and Lessee shall have thirty (30) days after receipt of such notice within which to notify Lessor in writing of Lessee's election to buy or lease such interest, as applicable, on the same terms and conditions as specified in the notice given by Lessor to Lessee. If Lessee elects to exercise this right-of-first refusal, the consummation of such purchase and sale shall be concluded within ninety (90) days after Lessor receives notice from Lessee of its exercise of such election. This right-of-first refusal shall be a recurring right and shall not be extinguished or terminated upon any transfer or assignment.

#### III.

#### Term

#### Section 3.1 Term.

- (a) Primary Term. Subject to the other provisions of this Lease relating to cancellation and termination, The "**Primary Term**" of this Lease shall be the period beginning with the Date of this Lease until the end of the fifth (5<sup>th</sup>) Lease Year.
- (b) Secondary Term. The "Secondary Term" of the Lease shall be the period beginning with the end of the Primary Term and continuing for so as long thereafter as payments may be made by Lessee to Lessor under the provisions of this Lease. The Primary Term and the Secondary term are sometimes collectively referred to herein as the "Term."
- (c) Cessation of Payments. If after the expiration of any term of this Lease, payments shall cease for any cause, this Lease shall not terminate provided Lessee resumes making payments within sixty (60) days from such cessation.
- **Section 3.2 Termination of Lease by Lessor.** Notwithstanding anything set forth herein to the contrary, Lessor may terminate this Lease prior to the end of the Primary Term or at any time during the Secondary Term in the event that Lessee fails to pay Lessor timely any amounts due under this Lease provided Lessor has given Lessee notice of default and an opportunity for cure pursuant to Section 9.7 of this Lease;

**Section 3.3 Termination of Lease by Lessee.** Notwithstanding anything set forth herein to the contrary, Lessee may terminate this Lease prior to the end of the Primary Term or the Secondary Term of this Lease:

- (a) at any time during the preproduction phases of the Project, upon two (2) years prior written notice to Lessor; or
- (b) at any time after Lessee begins production, upon five (5) years prior written notice to Lessor.

Section 3.4 No Partial Termination. There shall be no partial termination of this Lease.

**Section 3.5 Release of Lease.** Lessee agrees that upon termination of this Lease, Lessor may file in the public records of the county in which the property is located a notice of termination and that such notice shall be conclusive and may be relied upon by any subsequent purchaser or lessee of the Property or any interest therein including without limitation, any interest in groundwater in or under the Property.

#### IV.

# Warranties/Assignment Of Lease

# Section 4.1 No Warranty as to Quantity and Quality of Water Produced.

- (a) Lessee accepts all groundwater produced under this lease in its "as is" condition. Lessee assumes all risks arising out of or in connection (i) with Lessee's production of groundwater from the property, including the quantity or quality thereof and (ii) any existing condition or condition hereinafter arising with respect to the production of groundwater under this Lease, even though such risks may not be within the reasonable contemplation of the parties.
- (b) Except as expressly set forth in subsection 4.2(a) below, Lessor makes no warranties or representations, express or implied, with regard to groundwater located in and under the property, including without limitation, any implied warranties of merchantability or fitness for a particular purpose.

(c) Lessee acknowledges and agrees that Lessor shall have no liability for any loss, damages or expense of Lessee or any other party, with respect to the quality or quantity of groundwater, which may be produced under this Lease unless Lessor or Lessor's lessees (other than Lessee), assigns, heirs, successors, or representatives cause, in whole or in part, such loss, damage, or expense.

# Section 4.2 Lessor's Representations and Warranties.

- (a) Lessor represents and warrants to Lessee as follows:
- (i) Lessor has all requisite power and authority to execute and deliver this Lease and to perform its obligations hereunder. This Lease has been duly and validly executed and delivered by Lessor and constitutes a valid and binding obligation of Lessor enforceable against Lessor in accordance with its terms.
- (ii) Neither the execution and delivery of this Lease nor the performance by Lessor of its obligations hereunder will conflict with or result in a breach of any terms, covenants or provisions of, or constitute a default under, any agreement or instrument to which Lessor is a party.
- (iii) Lessor has not leased the underground water in, on or under the Property to any other person or entity.
  - (iv) Lessor owns the Property in fee simple, subject to no Prohibited Lien.
- (v) There is no pending or threatened litigation affecting or that might reasonably be expected to affect Lessor's title to the Property.
- (b) In the event of breach of Lessor's representation above as to title to the Property, Lessor shall have no liability other than the obligation to refund that portion of the payments received from Lessee attributable to the interest as to which title failed.
- (c) If Lessor fails promptly to remove any Prohibited Liens placed on the Property or if Lessor has defaulted on ad valorem taxes owed thereon, Lessee, at its option and after notice to Lessor, may discharge any such property tax, mortgage or other Prohibited Lien upon the

Property either in whole or in part, and in such event this Lease shall be subrogated to such Prohibited Lien with Lessee having the right to enforce the same and apply Bonuses and/or Royalties that accrue hereunder to such defaulting party, toward satisfying the sum paid by Lessee.

(d) The representations and warranties provided in Subsection 4.2(a) above shall survive the termination of this Lease for a period of four (4) years. If, contrary to the representations made herein, Lessee discovers that Lessor owns less than the fee simple interest in the Property, Lessee is authorized to withhold a portion of any amount payable hereunder so as to reduce payment to Lessor in proportion to the interest Lessor rightfully owns, provided however that if Lessee discovers that Lessor owns less than the fee simple interest, Lessee shall notify Lessor in writing of Lessee's discovery and provide Lessor an opportunity to cure Lessor's title to the Property and the rights to the groundwater attributable to the Property.

Section 4.3 Special IRS Elections and Tax Liens. Provided Lessee's rights under this Lease are not impaired and Lessee's activities under this Lease are not adversely affected, Lessee agrees that nothing in this Lease shall prevent Lessor, Lessor's heirs, personal representatives, successors and assigns from entering into agreements with the Internal Revenue Service to place liens on the Property pursuant to a special use valuation election pursuant to IRC Section 2032A and/or pursuant to IRC Section 2057. Provided Lessee's rights under this Lease are not impaired and Lessee's activities under this Lease are not adversely affected, Lessee agrees to cooperate with Lessor in making elections to value the Property under IRC Section 2032A or to take deductions for Qualified Family Owned Business interest pursuant to IRC Section 2057 with respect to the Property including execution by Lessee of consent agreements as may be required by the IRS to effectuate such elections.

## Section 4.4 Assignment.

(a) Lessee and Lessee's assignees may, from time to time and in its sole discretion, assign this Lease in whole or in part, provided Lessor is provided a copy of such assignment within ten (10) business days of the date the assignment is signed. Notwithstanding any other provision herein to the contrary, Lessee shall remain bound by the terms and conditions of this Lease unless Lessor consents to the assignment in writing. Lessor shall be deemed to have

consented to the assignment, unless, within sixty (60) days of the request for consent, Lessor notifies Lessee in writing that Lessor denies consent because Lessor has determined that the intended assignee is not financially responsible and cannot reasonably be expected to make the payments timely or satisfy other obligations described in this Lease. Lessor further agrees not to unreasonably delay or withhold consent or condition consent upon the receipt of consideration. Notwithstanding the foregoing, an assignment of this Lease shall not release Lessee from liability for the payment of any amount due under this Lease prior to the date of assignment or from the breach of any other obligation hereunder occurring prior to the date of such assignment. Lessee shall not be responsible for any payments or other obligations due or that may become due after the assignment if Lessor consents in writing or has been deemed to have consented to the assignment.

- Lessor may, in its sole discretion, assign this Lease, but such assignment shall (b) include both the Lessor's rights and obligations under this Lease. Lessor or any of its assignees shall provide Lessee with a copy of the assignment of any interest in this Lease. Such assignment shall not be effective as to Lessee until Lessee receives a copy of such assignment. However, any such sale, mortgage, lease or transfer by Lessor shall be subject to this Lease and any modifications or amendments thereof granted to Lessee prior to or after such sale, mortgage, lease or transfer. Further, any transfer of any portion of the surface rights of the Property shall automatically transfer with it the right to receive payments and the obligations under this Lease in direct proportion to the fraction of the surface rights to the Property that have been transferred, said proportional payments being without regard to the presence or lack of facilities on the transferred parcel of the Property. Lessee's rights shall survive any assignment of this Lease or any sale, lease, encumbrance or other transfer of the Property, or any portion of the Property or rights therein. The Lessor's assignee, purchaser, or transferee shall assume the obligations of the Lessor under this Lease, but Lessor shall remain obligated to Lessee under this Lease unless and until the assignee, purchaser, mortgagor or transferee expressly agrees with Lessee and otherwise acknowledges to Lessee in writing that the assignee, purchaser, mortgagor or transferee has assumed Lessor's obligations under this Lease.
- (c) In the event of the enforcement by the trustee or the beneficiary (under any mortgage or deed of trust) of the remedies provided for by law or by any such mortgage or deed

of trust in existence on the Property as of the Signing Date, Lessee will, upon request of any person or party succeeding to the interest of Lessor as a result of such enforcement, automatically become the tenant of the successor-in-interest without change in the terms or other provisions of this Lease. Upon request by the successor-in-interest, Lessee will execute and deliver a document confirming the attornment. Notwithstanding the foregoing provisions, Lessee agrees that any mortgagee will have the right at any time to subordinate any rights of the mortgagee to the rights of Lessee under this Lease.

## Section 4.5 Financing

- (a) **Right to Encumber.** Lessee, or any assignee thereof ("**Obligor**") may at any time mortgage to any entity ("**Lender**") all or any part of the Obligor's interest under this Lease without the consent of Lessor, provided however that Lessor shall be provided with written notice prior to the mortgage closing.
- (b) **Covenants for Lenders' Benefit.** Should an Obligor mortgage any of its interest as provided in Subsection 4.5(a) above, Obligor and Lessor expressly agree between themselves and for the benefit of any Lenders as follows:
  - (i) They will not amend or modify, or take any action causing, consenting to or accepting the amendment or modification of this Lease, if such amendment or modification would reduce the rights or remedies of any Lender hereunder or impair or reduce the security for any lien held by such Lender.
  - (ii) To the extent permitted by applicable law, the Lender shall have the right to do any act or thing required to be performed by Obligor under this Lease, and any such act or thing performed by a Lender shall be as effective to prevent a default under this Lease and/or a forfeiture of any of Obligor's rights under this Lease as if done by Obligor itself.
  - (iii) The right of a Lender to receive notices and to cure Obligor's defaults pursuant to the provisions of this Section 4.5 shall be available only to those Lenders that shall have notified Lessor in writing of their name and address, or whose lien is recorded in the official records of the County in which the Property is located, regardless of

whether the specific provision in question expressly so states. No default that requires the giving of notice to Obligor shall be effective unless a like notice is given to all Lenders. If Lessor shall become entitled to terminate this Lease due to an uncured default by Obligor, Lessor will not terminate this Lease unless it has first given written notice of such uncured default and of its intent to terminate this Lease to each Lender and has given each Lender at least thirty (30) days to cure the default. Furthermore, if within such thirty (30) day period a Lender notifies Lessor that it must foreclose on Obligor's interest or otherwise take possession of Obligor's interest under this Lease in order to cure the default, Lessor shall not terminate this Lease and shall permit such Lender a reasonable period of time (not to exceed sixty (60) days) to foreclose or acquire Obligor's interest under this Lease and to perform or cause to be performed all of the covenants and agreements to be performed and observed by Obligor. In the event a Lender shall elect to exercise its rights hereunder, such Lender shall have no personal liability to Lessor, and the sole recourse of the Lessor in seeking enforcement of its obligations under this Lease or any new lease entered into pursuant to this Section 4.5 of the Lease shall be to such Lender's interest in this Lease and the Property.

(iv) In case of the termination of this Lease as a result of any default or the bankruptcy, insolvency or appointment of a receiver in bankruptcy for Obligor, Lessor shall give prompt notice to the Lenders. Lessor shall, upon written request of the first priority Lender, made within thirty (30) days after notice to such Lender, enter into a new lease agreement with such Lender, or its designee, within twenty (20) days after the receipt of such request. Such new lease agreement shall be effective as of the date of the termination of this Lease by reason of default by Obligor, upon the same terms, covenants, conditions and agreements as contained in this Lease applicable to the balance of the Obligor's term. Upon the execution of any such new lease agreement, the Lender shall (i) pay Lessor any amounts that are due Lessor from Obligor, (ii) pay Lessor any and all amounts that would have been due under this Lease (had this Lease not been terminated) from the date of the termination of this Lease to the date of the new lease agreement, and (iii) agree in writing to perform or cause to be performed all of the other covenants and agreements set forth in this Lease to be performed by Obligor to the extent

that Obligor failed to perform the same prior to the execution and delivery of the new lease agreement.

(v) At Lessee's or any Lender's request, Lessor shall provide to Lessee and such Lender confirmation that such Lender is a "Lender" for purposes of this Lease, a consent to or acknowledgment of the Lender's mortgage or other lien, and estoppel certificates as Lessee or the Lender may reasonably request.

#### V. Lessee's Duties

**Section 5.1 Additional Covenants of Lessee:** During the Term of this Lease, Lessee covenants and agrees as follows:

- Regulatory Approvals. Lessee shall take all actions necessary to obtain all (a) approvals and permits from the District and any other appropriate governmental entity to drill wells on and produce groundwater from the Property or from other real property such that Lessee may produce groundwater from to the Property. Lessee agrees to pursue all such permit applications with at least the same degree of effort as it pursues any other permit applications in Gonzales County, including appealing any denials of permit applications, if reasonably justified, until receiving a final order with respect thereto from the appropriate governmental entity. At the termination of this Lease, Lessee agrees to inform the District and to request amendment to Lessee's production permits (or then pending applications) attributable to this Lease as may be necessary to reflect the termination of this Lease. All well sites, easements, facilities and historic use authorizations associated with groundwater production from the Property will immediately revert to Lessor, but Lessee may, at its election, remove any personal property other than the pump, motor, and electrical controls within a well site or easement and shall have at least one year after the termination of this Lease to remove any such personal property that Lessee may choose to remove.
- (b) **Duty to Protect Lessor's Wells and Lessor's Existing Improvements.** Lessee shall mitigate all adverse impacts of groundwater production on all Lessor wells existing as of the Signing Date. Mitigation shall include all actions necessary to replace existing (as of the Signing Date) water access or production with related increases in operational costs incurred by the Lessor for a reasonable length of time. Mitigation in accordance with the plan approved by

the Gonzales County Groundwater Conservation District is compliant with this condition. Subject to obtaining permits satisfactory to Lessee, Lessee will install and monitor, in conjunction with the District, monitoring wells sufficient to assess the impact of groundwater production in the area of production. Lessor agrees to cooperate with Lessee in the performance of Lessee's obligations described in this subsection.

(c) Administrative Relief. Lessee agrees to protect the interest and rights of Lessor before local, state as well as federal administrative authorities and agencies such as the District and the Texas Commission on Environmental Quality ("TCEQ") with jurisdiction related to the exploration, development, capture, production, ownership and sales of Carrizo groundwater. Notwithstanding such agreement, Lessee and Lessor agree that Lessor or Lessor's representative shall have the concurrent right and privilege along with Lessee to pursue and/or defend against proceedings before any administrative agency without the joinder or consent of Lessee, and Lessee agrees that Lessor shall have standing to pursue or defend any matter before any administrative agency. Nothing herein shall in any way be construed as diminishing Lessee's obligation to protect and preserve Lessor's rights before administrative agencies but shall be supplemental to such duties.

#### VI.

#### **Mutual Covenants**

## Section 6.1 Regulatory Approvals.

- (a) With respect to regulatory approvals required to effectuate the purposes of this Lease, whenever this Lease requires approval, or consent to be given by either Party, each Party agrees that such approval or consent shall not be unreasonably withheld or delayed.
- (b) Lessee shall pay when due any user, export or other fees with respect to the District or any future authority regulating withdrawal of water by Lessee from the Property. Lessor shall have no obligations to pay fees associated with Lessee's Production. Lessee shall have the right to initiate and prosecute any proceedings relating to its interest in and to the Property and its Water Rights, including but not limited to (1) contesting the validity or amount

of fees assessed to or levied upon the Property or Water Rights, or protecting, defending, and/or preserving the rights to withdraw water from the Carrizo Aquifer subject to Lessee's duties in Section V. Lessor shall cooperate with Lessee's efforts in connection therewith; and if required by law after written notice to Lessor, Lessee may take any such action in the name of Lessor. Lessor shall not intentionally take any action or omit to take any actions that will adversely affect the Property or Water Rights or Lessee's efforts to obtain permits to withdraw water. For the Term of this Lease, Lessor hereby appoints Lessee as its attorney-in-fact solely for the purposes of taking all actions in connection with the property rights and Water Rights granted under this Lease, including but not limited to (i) contesting the validity or amount of fees assessed to or levied upon the Property and/or Water Rights, and (ii) protecting, defending and/or preserving the rights to withdraw water from the Property. This appointment shall be a power of attorney coupled with an interest, shall be irrevocable by Lessor for the Term of this Lease and shall include the right of Lessee to appoint a substitute attorney-in-fact to this position, from time to time, provided Lessee has obtained Lessor's written consent to such substitute attorney-in-fact.

**Section 6.2 Water Quality.** The Parties covenant and agree that their respective uses of the Property will not impair the quality of the water from the formation from which water is developed and produced under this Lease

## VII.

#### **Indemnification And Insurance**

## Section 7.1 Indemnity by Lessee.

(a) Lessee shall indemnify and hold harmless Lessor, Lessor's respective partners, managers, members, beneficiaries, representatives, advisors, successors and assigns (together, the "lessor indemnities"), from and against any and all claims, demands, costs, expenses, damages, losses, causes of action or suits (including, without limitation, attorneys' fees, expert fees, and court costs) arising out of or in connection with injury to or death of persons or loss or damage to property caused by or arising out of (i) any operations by or for lessee related to the property; (ii) lessee's production and marketing of water including but not limited to any harm or damage to the Carrizo water formation; or (iii) environmental or physical condition on the

property resulting from Lessor's operations hereunder requiring remediation under local, state or federal law, or a violation of environmental requirements by lessee.

- (b) Except to the extent arising in connection with a third party claim indemnified under paragraph 7.1(a) above, in no event shall either party be liable or responsible to the other party for any incidental, indirect, special or consequential damages whatsoever, even if such party has been advised, knew of or should have known of the possibility thereof.
- (c) The foregoing indemnity shall not apply when the claim or liability occurs or arises as a consequence of the sole negligence or intentional conduct of the Lessor Indemnitees; provided, however, if a claim is brought against the Lessor asserting that Lessor Indemnitees were concurrently negligent, Lessee shall defend the claim but if, upon final judgment or resolution of the claim against Lessor Indemnitees, it is determined that the negligence of Lessor's Indemnitees was the sole cause of the damage described in the claim, then Lessee shall be under no obligation to indemnify Lessor's Indemnitee for such claim and Lessor Indemnitees shall reimburse Lessee for the cost of defending the Lessor's Indemnitees in regards to the claim.
- (d) The Lessor Indemnitees shall not be liable for any claims, demands, costs, expenses, damages, losses, and causes of action or suits for damages because of injury to persons or property resulting from negligent acts or omissions of Lessee unless the claim or liability occurs or arises as a consequence of the sole negligence or intentional conduct of the Lessor Indemnitees.
- (e) As used in this Lease, the terms "environmental condition" and "environmental requirement" are intended to have the broadest and most extensive meaning and construction as possible in order to protect the Lessor Indemnitees; and shall include without limitation any condition arising from any "Hazardous Materials," including but not limited to any substance defined or identified as a hazardous, extra hazardous or toxic substance, waste, or any other material, liquid or substance under any applicable federal, state, or local statute or regulation.
- (f) The provisions of this Section 7.1 are applicable to Lessee and Lessee's successors and assigns. An assignment of this Lease shall relieve Lessee of its obligations

under this Section 7.1, provided Lessee's successors and assigns assume such obligation by acceptance of the assignment of this Lease and if Lessor consents, or is deemed to have consented, to the assignment in accordance with section 4.4 of this Lease.

## Section 7.2 Indemnity by Lessor.

- (a) Lessor shall indemnify and hold harmless Lessee, Lessee's respective partners, managers, members, beneficiaries, representatives, advisors, successors and assigns (together, the "Lessee Indemnitees"), from and against any and all claims, demands, costs, expenses, damages, losses, causes of action or suits (including, without limitation, attorneys' fees, expert fees, and court costs) arising out of or in connection with injury to or death of persons or loss or damage to property caused by or arising out of (i) any operations by or for Lessor related to the property; (ii) Lessor's production and marketing of water including but not limited to any harm or damage to the Carrizo water formation; or (iii) environmental or physical condition on the property resulting from Lessor's operations hereunder requiring remediation under local, state or federal law, or a violation of environmental requirements by Lessee.
- (b) Except to the extent arising in connection with a third party claim indemnified under paragraph 7.2(a) above, in no event shall either party be liable or responsible to the other party for any incidental, indirect, special or consequential damages whatsoever, even if such party has been advised, knew of or should have known of the possibility thereof.
- (c) The foregoing indemnity shall not apply when the claim or liability occurs or arises as a consequence of the sole negligence or intentional conduct of the Lessee Indemnitees.
- (d) The Lessor Indemnitees shall not be liable for any claims, demands, costs, expenses, damages, losses, and causes of action or suits for damages because of injury to persons or property resulting from negligent acts or omissions of Lessee unless the claim or liability occurs or arises as a consequence of the sole negligence or intentional conduct of the Lessor Indemnitees.
- (e) As used in this Lease, the term "environmental condition" and "environmental requirement" are intended to have the broadest and most extensive meaning and construction as possible in order to protect the Lessee Indemnitees; and shall include without limitation any

condition arising from any "Hazardous Materials," including but not limited to any substance defined or identified as a hazardous, extra hazardous or toxic substance, waste, or any other material, liquid or substance under any applicable federal, state, or local statute or regulation.

(f) The provisions of this Section 7.2 are applicable to Lessor and Lessor's successors and assigns. An assignment of this Lease shall relieve Lessor of its obligations under this Section 7.2, if Lessor's successors and assigns assume such obligation by acceptance of the assignment this Lease.

#### Section 7.3 Insurance.

- (a) Lessee will furnish and verify liability coverage naming Lessors as additional insureds if and when purchaser uses the landowner's surface estate and will verify coverage annually.
- (b) Lessor agrees that Lessee shall be in compliance with subsection 7.3(a) above if Lessee provides Lessor, in conjunction with the annual payments, a copy of the declarations page of the liability insurance policy or such other comparable documentation or certification, showing that Lessee has liability insurance, the name and address of the insurance policy, and that Lessor is named as an additional insured or has the rights of an additional insured under the policy for claims relating to Lessee's activities on Lessor's Property.
- (c) Lessee has or will obtain Auto and General Liability Coverage in the amounts and for the risks that a reasonably prudent utility operator in Texas would obtain and Lessee shall require, its contractor(s) and subcontractor(s) that may be authorized under this Lease to enter upon Lessor's Property to obtain such Auto and General Liability Coverage in the amounts that may be usually and customarily obtained by contractors and subcontractors performing such work.

#### VIII.

## **Surface Rights**

**Section 8.1 Grant of Option.** At any time and from time to time while this Lease is in effect, Lessor hereby grants Lessee an option to purchase well sites and easements for roads, water

pipelines, and power lines, and such other property rights, easements and rights of way on the Property as Lessee deems necessary for the Project.

Section 8.2 Well Sites. If the Property exceeds twenty-five (25) acres of land, then at any time and from time to time during the Term of this Lease, Lessor grants Lessee the right to purchase one or more well sites within the Property. The purchase price shall be paid in annual installments equal to \$2,500 per year for each year for each well site owned by Lessor. The deed will be a deed subject to a reverter based upon the continued payment of the annual payments. Well sites will be approximately one (1) acre of land and shall include the required permanent sanitary control easement and any temporary construction easement during the drilling and equipping of the well and any temporary easement for drilling and testing of a test well at the proposed location of the well site. Each well site shall be located no closer than three hundred (300) feet from any roofed structure in existence on the Signing Date of this Lease, and no closer than three hundred (300) yards from any dwelling in existence on the Signing Date of this Lease. Lessee shall fence each well site sufficient to turn livestock.

Section 8.3 Roadways. At any time and from time to time while this Lease is in effect, Lessor hereby grants Lessee the right to purchase easements within the Property for roadway purposes. The purchase price shall be paid in lump sum and shall equal the fair market value of the easement plus fifteen percent (15%). Roadway easements shall be no more than fifty (50) feet in width. Lessee shall be responsible for installing a cattle guard or gate, at Lessor's discretion; at every cross fence or perimeter fence in existence at the time Lessee exercises its option to acquire the easement. Lessee shall keep all such cattle guards and gates in good working order.

Section 8.4 Pipeline and Power easements. At any time and from time to time while this Lease is in effect, Lessor grants Lessee the right to purchase easements within the Property for pipeline and power purposes. The purchase price shall be paid in lump sum and shall equal the fair market value of the easement plus damages to timber, crops, or other property using values published by the Texas A&M value tables or other comparable treatises or schedules used by licensed appraisers. Permanent pipeline easements shall be no more than sixty (60) feet in width. In addition to the permanent easement, Lessee shall have a temporary construction easement adding an additional fifty (50) feet to the permanent easement. Pipeline and power

easements must be at least three hundred (300) feet from any occupied dwelling or two hundred (200) feet from any roofed structure, or one hundred (100) feet from a lake or stock tank in existence at the time Lessee exercises the option to acquire the easement.

Section 8.5 Fair Market Value. When exercising an option to purchase a well site or an easement under section 8.3 or 8.4 of this Lease, or other property right, easement or right of way under section 8.1, Lessee will engage the services of an independent real estate appraiser to prepare an appraisal using standard real estate appraisal methods. Lessor shall have thirty (30) days to accept or reject the appraisal, but if the Lessee's appraisal amount is not acceptable to Lessor, Lessor and Lessee agree to (i) proceed to closing in accordance with Section 8.6 below, subject only to Lessee's payment of additional compensation in accordance with this Section 8.5 and (ii) Lessor shall choose a second appraiser ("Second Appraiser") within ten (10) business days from the date Lessor notifies Lessee in writing that the Lessee's appraisal amount is not acceptable. Lessor shall direct that the appraisal of the Second Appraiser shall be completed and delivered in a timely manner to the Lessor and Lessee. If the amount of the second appraisal is more than the initial appraiser, Lessee may accept the second appraisal and pay the additional amount to Lessor, who agrees to accept the additional amount if the second appraisal is more than the initial appraisal. However, if Lessee does not accept the amount of the second appraiser, then absent an agreement between Lessor and Lessee on the purchase price, the initial and second appraisers will select an independent third appraisal to determine the purchase price, which purchase price shall not be lower than the initial appraisal or more than the second appraisal. The Lessor and Lessee shall each pay half of the total fees and costs for the second appraiser and the third appraiser.

Section 8.6 Closing. The closing on the purchase will occur within thirty (30) days after Lessor receives the initial appraisal amount. Lessor shall convey the well sites and easements in a form acceptable to Lessor and Lessee and subject to no Prohibited Liens. Conveyances will be by instrument that insures the reversion of these interests to Lessor upon termination of the Lease. In the event the final purchase price is determined by using a second or third appraiser as described in Section 8.5, above, then within ninety (90) days after either (i) Lessee accepts the amount of the second appraiser, or (ii) the third appraiser determines the purchase price within

the range set by the initial and second appraiser, then Lessee shall tender the balance of the purchase price to the Lessor.

**Section 8.7 Sporting Activity Prohibited.** At no time shall Lessee shall engage in any sporting activities on the Property, including but not limited to hunting, fishing, firing guns, shooting bows, or operation of motor sports.

#### IX

#### Miscellaneous

#### Section 9.1 Termination.

(a) Upon termination of this Lease, all rights granted hereunder shall revert to and vest in Lessor without the need for any action on the part of either Lessor or Lessee. Upon Lessor's request, Lessee shall provide such documentation and take such actions as are reasonably requested by Lessor to confirm the Lease termination and reversion of such rights.

Section 9.2 Addresses and Notice. All notices and other communications required or permitted under this Lease shall be in writing. Service of all notices under this Lease shall be sufficient if given personally or by national overnight courier or certified mail to the Party involved at its respective address set forth below, or at such address as such Party may provide in writing from time to time in accordance herewith. Any such notice mailed to such address shall be effective when delivered by United States mail, certified, duly addressed or national overnight courier.

If to Lessor:

Carolyn Jo Goodwin 3802 Perry Lane Corpus Christi, Texas 78410

with a copy to:

#### to Lessee:

Mark Janay 110 W. Taylor Street San Jose, CA 95110

## With a copy to:

Suzy Papazian Corporate Secretary/Attorney Texas Water Alliance, Ltd. 110 W. Taylor Street San Jose, CA 95110 (408) 279-7900

**Section 9.3 Entire Agreement.** The provisions set forth in this Lease shall constitute the entire agreement and understanding between the Parties with respect to the subject matter contained herein. This Lease supersedes all prior agreements and understandings between the Parties with respect to the subject matter hereof. All Exhibits referred to herein and attached hereto are incorporated herein by reference.

**Section 9.4 Modification.** The provisions of this Lease may be modified or altered only by written agreement of the Parties.

**Section 9.5 Invalidation.** In case any provision of this Lease shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof will not in any way be affected or impaired thereby.

**Section 9.6 Remedies.** Unless a particular remedy is set forth subsequently for any default under the Lease, the Parties hereto shall have available to them all remedies at law or in equity. Without limiting the preceding sentence, the Parties agree that if a Party breaches, or threatens to breach, any of the provisions of this Lease, the other Party shall have the right and remedy, without the posting of any bond or security, to have such provisions specifically enforced by any court having equity jurisdiction.

Section 9.7 Defaults and Remedies. In the event of any alleged default or failure to perform any obligation under this Lease, the nondefaulting Party shall give the alleged defaulting Party

written notice thereof, which notice shall include the acts required to cure the same with reasonable specificity. The Party failing to make any monetary payment when due, except that payment contemplated by Section 2.1(ii), shall have a period of thirty (30) days after such notice is given within which to cure such default. In the event of any other failure, the defaulting Party shall have a period of sixty (60) days within which to cure such default, which period shall be extended to the extent reasonably necessary to complete such cure so long as the cure was commenced within sixty (60) days after such notice is given and thereafter prosecuted with due diligence. Delinquent payments shall bear interest from their respective due dates until paid at the rate of the lesser of (i) of ten percent (10%) per annum, or (ii) the maximum rate permitted by law. Each Party shall have the right to recover its actual damages as a result of any default under this Lease that is not cured within the applicable cure period. Any prohibited conduct under this Lease may be enjoined and this Lease shall be specifically enforceable, but neither Party's remedies shall include the right to terminate this Lease or evict the other Party from the Property.

**Section 9.8 Memorandum of Lease.** Lessor and Lessee agree not to record in the real property records a copy of this Lease, but, instead, to record a Memorandum of Lease in the form attached hereto as Exhibit "D."

**Section 9.9 Execution in Counterparts**. This Lease may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same contract

Section 9.10 Further Assurances. Lessor and Lessee each agree to execute and deliver such other documents or agreements and to take such other action as may be reasonably necessary or desirable for the implementation of this Lease and the consummation of the transactions contemplated herein. Each Party shall, and shall cause each of their respective affiliates to execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be necessary, or otherwise reasonably be requested by the other Party, to confirm and assure the rights and obligations provided for in this Lease and render effective the consummation of the transactions or otherwise to carry out the intent and purposes of this Lease.

**Section 9.11 Successors and Assigns.** In this Lease, any reference to Lessor or Lessee shall include the Lessor or Lessee's assigns, heirs, successors, and representatives.

**Section 9.12. No Third Party Beneficiaries.** This Lease is solely for the benefit of the Parties, and neither the Lessor or Lessee intends by any provision of this Lease to create any rights in any third-party beneficiaries or to confer any benefit upon or enforceable rights under this Lease or otherwise upon anyone other than the Lessor and Lessee and their respective assigns, heirs, successors, and beneficiaries.

**IN WITNESS WHEREOF**, Lessor and Lessee have executed this Lease to be effective as of the day and year first above written.

## LESSOR:

Signature Svodu	in Ny 8, 20 Date	Signature	Date	
By:		By: Its:		_
Its:	<del>-</del>	1ts		_
STATE OF TEXAS §				
COUNTY OF GONZA	LES §			
[SEAL]	, 2009, b	Fhondah	the 8th day	of
Notary Public, S' My Commissi	tate of Texas 👸 -	Notary Public, State of	TIPES	

LESSEE:
Texas Water Alliance Limited
By:
STATE OF §
COUNTY OF TRANS
This instrument was acknowledged before me on the
MARIE T WHITE Notary Public STATE OF TEXAS My Comm. Exp. Apr. 21, 2012

## **EXHIBIT B**

## **Legal Description**

## Water Lease between Carolyn Jo Goodwin

and Texas Water Alliance Limited

## Parcel 1:

150 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

## Parcel 2:

64.6 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

#### **EXHIBIT D**

## **MEMORANDUM OF LEASE**

This Memorandum of Lease is made effective the 7 day of May 2009, by and between Carolyn Jo Goodwin ("Lessor") and TEXAS WATER ALLIANCE LIMITED ("Lessee").

#### WITNESSETH:

- 1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Groundwater (the "Lease"), of the right to withdraw and beneficially use the Carrizo Aquifer water pertaining to the real property described on **Exhibit "A"** attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.
- 2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.
- 3. Under the terms of the Lease, Lessor has leased the Water Rights to Lessee and Lessee has leased the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

LESSOR: Carolyn Jo Goodwin Date By: Its: STATE OF TEXAS § COUNTY OF GONZALES § before of acknowledged This instrument me 2009, by( [SEAL] Notary Public, State of

RHONDA L. PENN Notary Public, State of Texas My Commission Expires **DECEMBER 23, 2009** 

38

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Lessee	۰
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## TEXAS WATER ALLIANCE LIMITED

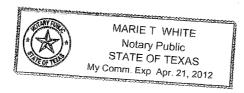
Ву:	M6 Am	
Name:	Mark Janay	
Title: _	Vice President	

STATE OF TEXAS §

COUNTY OF GONZALES §

	This instrument was acknowledged before me on the	gre	day of	Name	ules ,
	by Mark Saray,				WATER
ALLIA	ANCE LIMITED, on behalf of said alliance.				

[SEAL]



Notary Public, State of Texas

AFTER RECORDING,

**RETURN TO:** 

Texas Water Alliance Limited Crockett Camp 925-B S. Capital of Texas Highway Austin, Texas 78746

## **EXHIBIT "A" TO MEMORANDUM OF LEASE**

## Parcel 1:

150 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

## Parcel 2:

64.6 acres in the Hugh S. Stapp Survey, A-428, located in Gonzales County TX, recorded in the Deed of Records.

# EXHIBIT C EXAMPLE CALCULATION LANDOWNER PAYMENTS

## **Key Terms and Assumptions to Example:**

- 1. The following calculations are for example only; various factors will influence the actual payments to the landowner, including but not limited to the date permits are obtained and production begins, the quantity of water permitted and produced, and the number of acres leased. The notes to this table only provide a brief summary of certain of the payment terms. Refer to Section 2.1 of the Water Lease for a complete description of payment terms.
- 2. Section numbers in this Exhibit C refer to the Section numbers in the Water Lease. The terms in the Water Lease shall govern in the event of any conflict with this Exhibit C.
- 3. Landowner acreage (for this example) = 200 acres (referenced in Lease as "Y", the number of contiguous acres within Lessor's Property)
- 4. Total land leased by TWA = 30,000 acres (referenced in Lease as "Z", the total number of acres leased by Lessee located within the Project Area)
- 5. Amount of water permitted = 20,000 acre-feet (referenced in Lease as "X", the total amount of water that Lessee is authorized to produce)
- 6. Project production and revenue estimates in the following table are for illustrative purposes only and do not reflect Project goals or expectations. The estimates below, including both the year production begins (Lease Year 6) and the quantity of water produced, provide the best and most comprehensive example of payment calculations.

Lease Year		1	2	3	4	5	6	7	8	9	10	11
Calendar Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Royalty Rate <sup>1</sup>	NA	\$100	\$106	\$112	\$119	\$126	\$134	\$142	\$150	\$159	\$169	\$174
Bonus Payment <sup>2</sup>	\$20,000	\$20,000										
Feasibility Payment <sup>3</sup>		\$4,000	\$4,000	\$4,000	\$4,000	\$4,000						
Construction Payment <sup>4</sup>							\$8,933					
Production, Acre-Feet							12,000	15,000	15,000	20,000	20,000	20,000
Production Payment <sup>5</sup>								\$11,360	\$15,000	\$15,900	\$22,533	\$26,667 <sup>6</sup>
Total Payment	\$20,000	\$24,000	\$4,000	\$4,000	\$4,000	\$4,000	\$8,933	\$11,360	\$15,000	\$15,900	\$22,533	\$26,667

## **Notes to Table**

- 1. Royalty Rate = \$100 (referenced in Lease as "R"; the Royalty Rate escalates annually at 6% until the 10<sup>th</sup> Lease Year of the Project, then continues thereafter to escalate annually at the then-current Consumer Price Index ("CPI"), with a minimum escalation of 3%
- 2. Initial bonus payment of \$100 times "Y" (the number of contiguous acres owned by Lessor) to be paid after conditions provided in Section 2.1(a)(i) have been satisfied; the final bonus payment of \$100 times "Y" to be paid after permits have been obtained and other conditions in Section 2.1(a)(ii) have been satisfied.
- 3. The feasibility payment, as defined in Section 2.1(b)(i) will be \$20 per acre and will be paid for the first 5 years, beginning with the Starting Date (see Section 1.1). The feasibility payment will not be made in the event Production has begun and the corresponding production payments as defined under Section 2.1(c) are to begin.
- 4. The construction payment, as defined in Section 2.1(b)(ii) will be 50% of the permitted production (for this example, 50% times 20,000 acre-feet equals 10,000 acre-feet) times "R" (the then-current Royalty Rate; see Note 1 above) times "Y" divided by "Z". The first construction payment will be made the first year after the final feasibility payment has been made and will continue for the subsequent years before Production Payments begin. The construction payment will therefore stop once Production Payments begin per Section 2.1(c).
- 5. Production payments will be determined in accordance with Section 2.1(c) by multiplying the then-current Royalty Rate ("R") times the amount of water produced in the prior calendar year (or, if higher, 50% of the annual production allowable) times "Y" divided by "Z" for Lease Years 7 through 10 (per the example table above, for the Lease Year 7, the calculation is \$142 x 12,000 acre-feet x 200 acres / 30,000 acres = \$11,360).
- 6. Production payments beginning on the 11<sup>th</sup> Lease year will be made in accordance with Section 2.1(d). For illustrative purposes, it is assumed the Project Revenue in year 2020 is \$40,000,000; therefore, payment based on Project Revenue in this year will be 10% times \$40,000,000 times "Y" divided by "Z" (0.1 x \$40,000,000 x 200 acres / 30,000 acres = \$26,667).

## **Gonzales County Underground Water Conservation District**

920 Saint Joseph Street P.O. Box 1919 Gonzales, TX 78629 Phone: 830.672.1047

Fax: 830.672.1387

## **Production and Transportation Permit**

Permit No.: 01-13-01

Permit Issued To: Texas Water Alliance Limited ("Permittee")

Mailing Address: Mark Janay

Texas Water Alliance Limited

3267 Bee Cave Rd., Suite 107-509

Austin, Texas 78746-6700

**Phone:** 1-888-499-1244

Date Application Filed: March 17, 2010

Date of Public Hearing: November 15, 2012 and January 29, 2013

Date Permit Granted: January 29, 2013

Aquifer Production Allocation: Not to exceed 1.0 acre-foot per acre from the Carrizo Aquifer

Purpose of Use: Municipal Purposes (Public Water Supply).

Permitted Production Amount: Not to exceed 15,000 acre-feet per year, subject to

Production Schedule (see below)

## Capacity of Water Wells:

WELL NO.	Property Owner (Volume 1, Tab 3)	Avg. Pumping Rate (gpm) (Volume 1, Tab 3)	Avg. Pumping Amount Volume 6, Addendum, Table 1 (acre-feet/year)
PW-1	Antonette M. Brown	715	1153.84
PW-2	Mary Elliot Alford (Alford Farms, Ltd)	715	1153.84
PW-3	Daniel A. & Tamara L. Crozier	715	1153.84

TWA PERMIT 1/29/2013 Page 1 of 6

PW-4	W.R. & Clara Blundell	715	1153.84
PW-5	Mary Elliot Alford (Alford	715	1153.84
	Farms, Ltd.)		
PW-6	Rancho Lago Vista	715	1153.84
PW-7	Ernest H. & Betty Sue	715	1153.84
	Druebert		
PW-8	Albert (Jr.) & JoAnn Kuhl	715	1153.84
PW-9	Robert H. Rawlings	715	1153.84
PW-10	Bryan & Karen Dudman	715	1153.84
PW-11	Michael A. Rothrock	715	1153.84
PW-12	Howard Morrow	715	1153.84
PW-13	Bobby Vaselka	715	1153.84

#### **Production Schedule:**

Permittee is authorized to produce and transport a total annual amount of 15,000 acre-feet per year of groundwater in accordance with the following production schedule:

- A. <u>Interim Stage I</u> During the period from January 29, 2013 through December 31, 2017 Permittee is authorized to produce and transport no more than 0 acre feet per year of groundwater.
- B. <u>Interim Stage II</u> During the period from December 31, 2017 through December 31, 2022 Permittee is authorized to produce and transport no more than 5,000 acre feet per year of groundwater.
- C. <u>Interim Stage III</u>- During the period from December 31, 2022 through December 31, 2027 Permittee is authorized to produce and transport no more than 10,000 acre feet per year of groundwater.
- D. <u>Final Stage</u> During the period from December 31, 2027 through permit expiration, Permittee is authorized to produce and transport no more than 15,000 acre feet per year of groundwater.

Production and transportation set out in each production schedule stage is subject to demonstrated demand of that amount of water in the permittee's service area, including Springs Hill WSC, Gonzales County WSC, and Canyon Lake WSC, documented by the Regional Plan or State Water Plan applicable to the time frame of the particular production schedule stage.

In accordance with District Rule 11(G)(2), Permittee may time the drilling and completion of wells to match the above-stated Production Schedule. The Permittee may request from the General Manager a modification of the Production Schedule during any Interim Stage. Permittee's request for modification of the Production Schedule must include an explanation for the modification. If the Desired Future Condition is not in imminent danger of not being achieved or the Desired Future Condition is being achieved, the Board shall amend the Production Schedule and such action shall not be subject to a contested case hearing.

## Term of Production Permit: 5 years

A permittee holding a drilling and production permit due to expire shall file a written request to reissue the permit to the General Manager no later than 30 days prior to the expiration date of the permit. The permit shall remain effective until final Board action on the reissue of the permit. Requests to reissue a permit shall be subject to review for substantial compliance with the rules of the District by the General Manager. (Rule 11.G.3)

Any permit subject to reissue shall after due consideration and an affirmative vote by the Board be reissued for a period of five years in accordance with the rules in effect at the time of reissue. (Rule 11.G.4)

**Transport Permit Provisions:** Transport of water from the District shall not exceed 15,000 acre-feet per year. The transportation of groundwater outside the District authorized by this permit is limited to the out-of-District service areas specified in Permittee's initial application for a production and transportation permit filed with the District.

Capacity of Transport System: The capacity of the transport facility has no bearing on the current permitted production or transportation volumes or on any future production or transportation volume requests.

## Term of Transport Permit: 3/30 years

The term for the transportation permit shall be three years since construction of a conveyance system has not been initiated prior to permit issuance. If construction of a conveyance system is begun before the expiration of the permit, the term will be extended to a thirty year term from initial permit issuance.

A permittee holding a transportation permit shall submit an application to reissue the permit to the General Manager no later than thirty (30) days prior to the expiration of the permit. The permit shall remain effective until final Board action on the reissue of the permit. In its determination whether to reissue the transportation permit, the Board shall consider relevant and current data for the conservation of groundwater. Requests to reissue a permit shall be subject to the notice and hearing requirements applicable to permit applications. (Rule 15.K)

## Additional Conditions Applicable to Production and Transportation Permit:

#### A. Special Provisions

- 1. This production and transportation permit was granted by the Board of Directors with the following special provisions:
  - 1 Execution of a Mitigation Agreement.
  - 2. Execution of a Monitoring Well Agreement.
  - 3. Execution of a Negotiated Export Fee Agreement.

#### B. General Conditions

Acceptance of the permit by the person to whom it is issued constitutes acknowledgment of and agreement to comply with all of the terms, provisions, conditions, limitations, and restrictions of these rules including, but not limited to, the following:

- 1. Permits are granted in accordance with the provisions of the Texas Water Code and the Rules, Management Plan and Orders of the District, and acceptance of the permit constitutes an acknowledgment and agreement that the permittee will comply with the Texas Water Code, the District Rules, Management Plan, Orders of the District Board, and all the terms, provisions, conditions, requirements, limitations and restrictions embodied in a permit. (Rule 11.F.2.a; Rule 15.E.2.a)
- 2. A permit confers no vested rights in the holder, and it may be revoked or suspended, or its terms may be modified or amended pursuant to the provisions of the District's Rules. (Rule 11.F.2.b; Rule 15.E.2.b)
- 3. The operation of a well for the authorized withdrawal must be conducted in a non-wasteful manner. In the event the groundwater is to be transported a distance greater than one-half mile from the well, it must be transported by pipeline to prevent waste caused by evaporation and percolation. (Rule 11.F.2.c; Rule 15.E.2.c)
- 4. A well site must be accessible to District representatives for inspection, and the permittee agrees to fully cooperate in any reasonable inspection of the well and well site by District representatives. (Rule 11.F.2.e; Rule 15.E.2.e)
- 5. Applications for which a permit is issued are incorporated in the permit and thus permits are granted on the basis of and contingent upon the accuracy of the information supplied in the application and any amendments to the application. A finding that false information has been supplied is grounds for immediate revocation of a permit. In the event of conflict between the provisions of a permit and the contents of the application, the provisions of the permit shall control. (Rule 11.F.2.f; ; Rule 15.E.2.f)
- 6. Suspension or revocation of a permit may require immediate cessation of all activities granted by the permit. (Rule 11.F.2.g; Rule 15.E.2.g)
- 7. Violation of a permit's terms, conditions, requirements or special provisions is punishable by civil penalties provided by the District's Rules. (Rule 11.F.2.h; Rule 15.E.2.h)
- 8. Where ever special provisions in a permit are inconsistent with other provisions or District Rules, the special provisions prevail. (Rule 11.F.2.i; Rule 15.E.2.i)
- 9. Changes in the amount of water transported or the wells associated with the transportation facility may not be made without the prior approval of a permit amendment issued by the District. (Rule 15.E.2.j)
- 10. The owner of a transportation facility shall be responsible for the prevention of pollution and waste, and with protecting the public's health in relation to water produced from such facility as required by District rules, and by reason of operations of said facility. (Rule 15.G)

#### C. Transportation Facility Requirements

All transportation facilities subject to registration or permitting shall be equipped with flow monitoring devices approved by the District and shall be available at all reasonable times for inspection by District personnel. The operator of a transportation facility shall be required to keep records and make reports to the District as to the operation of the transportation facility as indicated below:

- 1. Permitted transportation facilities shall submit reports to the District on a monthly basis, beginning at the time a permit is issued to operate. Monthly reports are due in the District office by the 15th day of the following month. (Rule 15.F.1)
- 2. Such reports shall include the volume of water transported during the preceding month and the production for each well associated with the transportation facility. (Rule 15.F.2.d; Rule 15.E.2.d)
- 3 Immediate written notice must be given to the District in the event production or transport exceeds the quantity authorized by this permit, or a well is either polluted or causing pollution of the aquifer. (Rule 11.F.2)

The District may, every five (5) years, review the amount of water that may be transferred out of the District under a permit and may limit the amount of water which may be transferred, after a consideration of the factors set forth in applicable District Rules and all relevant and current data for conservation of groundwater resources in the District. At any time during the term of a transportation permit, the District may revise or amend the permit if the use of water unreasonably affects existing groundwater and surface water resources or existing Permit Holders. (Rule 15.J)

#### D. Fees

Permitted shall pay the District fees in accordance with the Negotiated Export Fee Agreement.

#### E. Change of Ownership

A drilling or production permit may be transferred to another person through change of ownership of the well provided all permit conditions remain in compliance with District Rules and the District is notified, in advance, of the proposed change in ownership. The General Manager is authorized to effectuate the permit transfer. (Rule 11.E)

#### F. Fines

Permitted transportation facilities which fail to comply with District rules may be subject to a civil penalty to be determined by the Board not to exceed \$10,000 per day of violation and each day of continued violation constitutes a separate violation. (Rule 27.G).

## G. Production Limits

The total amount of production authorized under this permit, or production authorized under any Interim Stage, may be reduced by the Board if the Board finds that the Desired Future Condition for the District is not being achieved or is in imminent danger of not being

TWA PERMIT 1/29/2013 Page 5 of 6 achieved and that the Permittee has caused or significantly contributed to the non-achievement or imminent non-achievement of the Desired Future Condition.

Bruce Patteson, President

Gonzales County Underground Water Conservation District

03-25-/3 Date

**Attachments:** 

Mitigation Agreement Monitoring Well Agreement Negotiated Export Fee Agreement ORDER OF THE GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT REGARDING APPLICATIONS OF THE TEXAS WATER ALLIANCE LIMITED FOR PERMITS TO DRILL FOUR MONITORING WELLS AND THIRTEEN PRODUCTION WELLS, TO PRODUCE UP TO 15,000 ACRE-FEET OF WATER PER YEAR FROM THE CARRIZO AQUIFER, AND TO TRANSPORT WATER OUTSIDE OF THE DISTRICT; REGARDING RELATED AGREEMENTS; AND REGARDING REQUEST TO ACCOMMODATE CERTAIN LANDOWNERS.

WHEREAS, after providing the required mailed, published, and posted notices, the Board of Directors ("Board") of the Gonzales County Underground Conservation District ("District") held a public hearings on November 15, 2012 and January 29, 2013 to consider the Applications of the Texas Water Alliance Limited ("TWA") for permits to drill, produce and transport 15,000 acre-feet of water from fifteen (15) wells in the Carrizo aquifer.

WHEREAS, after considering the TWA Applications, the prefiled direct testimony, and the additional testimony and evidence provided at the hearing, the Board makes the following order and report.

## NOW THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT THAT:

- 1. The Board of Directors hereby approves a permit in substantially the form attached hereto as <u>Attachment 1</u> authorizing TWA to drill four (4) monitor wells and to drill thirteen (13) production wells into the Carrizo Aquifer, to produce up to 15,000 acre-feet of water per year from the Carrizo aquifer, and transport said water outside of the boundaries of the District for municipal (public water supply) purposes, and authorizes Bruce Patteson, President, to sign such permit.
- 2. The Board of Directors hereby approves a Mitigation Agreement in substantially the form attached hereto as <u>Attachment 2</u>, and authorizes Bruce Patteson, President, to execute such a Mitigation Agreement on behalf of the District.
- 3. The Board of Directors hereby approves a Monitoring Agreement in substantially the form attached hereto as <u>Attachment 3</u>, and authorizes Bruce Patteson, President, to execute such a Monitoring Agreement on behalf of the District.
- 4. The Board of Directors hereby approves a Negotiated Export Fee Agreement in substantially the form attached hereto as <u>Attachment 4</u>, and authorizes Bruce Patteson, President, to execute such a Negotiated Export Fee Agreement on behalf of the District.
- 5. The Board hereby acknowledges that TWA will not object to a variance to its spacing rules pursuant to section 18(b) related to property belonging to Ted Boriack and Robert

Mayfield, as shown in the TWA applications, with respect to the spacing shadow of TWA Well Nos. 6 and 7.

6. This Order is effective immediately upon its passage.

## PASSED AND APPROVED ON THIS THE 29th DAY OF JANUARY, 2013.

CONSERVATION DISTRICT				
By Bu ta	He			
Printed Name	Bruce Patteson			
Title:	Board President			
Date: 13-25-13				

GONZALES COUNTY UNDERGROUND WATER

ATTEST:

By:

Printed Name: Steve Ehrig Secretary

Date: 03-25-/3

## NEGOTIATED EXPORT FEE AGREEMENT BY AND BETWEEN TEXAS WATER ALLIANCE LIMITED AND

#### GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT

#### The Parties

This Agreement is effective this 29th day of January, 2013 (the "Effective Date") by and between the Gonzales County Underground Water Conservation District ("GCUWCD" or "District"), a groundwater conservation district created and operating pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapter 36 of the Texas Water Code ("Chapter 36") and Texas Water Alliance Limited ("TWA"). GCUWCD and TWA are collectively referred to as "the Parties."

#### Recitals

- 1. TWA is a Texas corporation.
- 2. GCUWCD has been charged by the Texas Legislature with conserving and protecting the groundwater in Gonzales County, Texas and portions of Caldwell County, Texas. To that end and pursuant to its enabling legislation and Chapter 36, the GCUWCD has promulgated a District Management Plan and Rules governing the issuance of permits for drilling, production and transportation of groundwater underlying GCUWCD's boundaries.
  - 3. GCUWCD is authorized by Chapter 36 to negotiate export fees with permittees.
- 4. In the course of certain permitting actions, certain applicants and permittees, including TWA, have agreed to negotiated export fees to assist the District in defraying costs of its annual budget. TWA in conjunction with the Canyon Regional Water Authority ("CRWA") and Hays Caldwell Public Utility Agency ("HCPUA") have each agreed to pay negotiated export fees, based on their respective proportionate shares of the total amount of water authorized to be produced each year by TWA, CRWA, and HCPUA under Permits Nos. 01-13-01, 11-12-02, and 11-12-01 to defray that portion of the District's budget not supplemented by ad valorem taxes and export fees from other entities with existing authorizations to transport water out of the District.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

1. TWA agrees to make an annual payment to the District in the amount of 49.5% ("TWA's Percentage Share") of the District's annual budget, less the amount of export fees due for that budget year from exporters whose permits or authorizations were issued or approved by the District prior to November 12, 2012 ("Existing Permittees"), and less ad valorem taxes due

for that budget year. This amount is the negotiated export fee between TWA and the District (the "TWA Export Fee").

- 2. Beginning in 2013 and continuing annually during the term of this Agreement, the District will notify TWA no later than August 31 of each calendar year of the amount of the TWA Export Fee. TWA will remit payment of the TWA Export Fee to the District on or before October 1<sup>st</sup> of each calendar year.
- 3. The District agrees that TWA's Percentage Share may be decreased in the future if any of the Existing Permittees (and/or any future exporters) agree to enter into a negotiated export fee agreement with the District based on their pro rata share of the total amount of water authorized to be exported outside the District's boundaries. The District agrees that in such event, TWA's Percentage Share shall be reduced proportionately.
- 4. Except as otherwise provided in Section 8 of this Agreement, the District agrees that the amount of the TWA Export Fee will not increase more than ten percent (10%) from the preceding year's TWA Export Fee.
- 5. Non-compliance with the terms of this Agreement by TWA shall be deemed non-compliant with TWA's Permit No. 01-13-01 for 15,000 acre feet/year issued by the District.
- 6. The Agreement shall continue for so long as Permit No. <u>01-13-01</u> is in effect and shall automatically terminate on the expiration or termination of said Permit.
- 7. The District agrees to use its best efforts to, within two (2) years of the Effective Date, finalize a negotiated export fee agreement, on similar terms to this Agreement, with the Existing Permittees.
- 8. The Parties acknowledge and agree that if any permittee who is a party to a negotiated export fee agreement relinquishes its right to produce and transport water out of the District, the pro rata share among remaining permittees to a negotiated export fee agreement will be reallocated.
- 9. All notices given hereunder must be in writing. Any written notice must be given by sending the same by United States certified mail, return receipt requested, or by personal delivery. Either party may change its address by written notice to the other and either party may confirm notice by electronic means.

The address for GCUWCD for all purposes under this Agreement and for all notices herein shall be:

Greg Sengelmann, General Manager
Gonzales County Underground Water Conservation District
P.O. Box 1919
920 St. Joseph St., Rm. 129
Gonzales, TX 78629
TEL: 930/672 1047

TEL: 830/672-1047 FAX: 830/672-1387

EMAIL: greg.sengelmann@gcuwcd.org

The address for TWA for all purposes under this Agreement and for all notices herein shall be:

Texas Water Alliance Limited 3267 Bee Cave Rd., Suite 107-509 Austin, TX 78746-6700

With a copy to:
Ms. Suzy Papazian
Corporate Secretary/Attorney
Texas Water Alliance Limited
110 W. Taylor St.
San Jose, CA 95110

10. This Agreement shall be binding upon and inure to the benefit of GCUWCD and TWA and their respective successors and assigns and shall be construed without respect to which entity was the drafter of this Agreement.

POSTED on January 14, 2013 and APPROVED on January 29, 2013, pursuant to Agenda Item No. 7 by the Gonzales County Underground Water Conservation District.

GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT

Name: Bruce J. Patteson

President

Date: January 29, 2013

Attest:

Name: Steve Ehrig

Secretary/Treasurer

Date: January 29, 2013

TEXAS WATER ALLIANCE LIMITED

By: Mark Jana

President

Date: January 29, 2013

## TEXAS WATER ALLIANCE LIMITED AND

# GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT PARTICIPATION AGREEMENT IN THE EASTERN GONZALES COUNTY DEDICATED MITIGATION FUND

## The Parties:

This Agreement is effective this 29th day of January, 2013 (the "Effective Date") by and between the Gonzales County Underground Water Conservation District ("GCUWCD" or the "District"), a groundwater conservation district, created and operating pursuant to Article XVI, Section 59 of the Constitution of Texas and Chapter 36 of the Texas Water Code ("Chapter 36"), and Texas Water Alliance Limited ("TWA" or the "Permittee"), a public, non-profit corporation. GCUWCD and TWA are collectively referred to herein as the "Parties."

#### Recitals

- 1. TWA is a Texas corporation. TWA intends to own and operate facilities to capture, produce, store, transport and deliver water to its current and future customers.
- 2. GCUWCD has been charged by the Texas Legislature with conserving and protecting the groundwater in Gonzales County, Texas and portions of Caldwell County, Texas. To that end, and pursuant to its enabling legislation and Chapter 36, the GCUWCD has promulgated a District Management Plan and Rules governing the issuance of permits for drilling, production and transportation of groundwater underlying GCUWCD's boundaries.
- 3. GCUWCD has adopted Rules relating to a well owner's responsibility to mitigate adverse impacts upon other water well users. The Parties acknowledge and desire to contractually adopt principles contained in such Rules and do so by this Agreement.
- 4. In the course of certain permitting actions, including contested case hearings, certain applicants and permittees, including TWA, have agreed to assist the GCUWCD in creating a dedicated fund that would be used by the GCUWCD for the purpose of investigating and evaluating mitigation claims and implementing mitigation measures for qualifying wells in Eastern Gonzales County in lieu of a permittee's obligations to perform its own mitigation under the District's Rules (the "Eastern Gonzales County Dedicated Mitigation Fund" or the "Fund"). A permittee's payment of the specified amount shall satisfy that permittee's obligations concerning mitigation for qualifying water wells pursuant to the Rules of the District.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

- 1. Each participating permittee's share of the Initial Fund Principal shall equal \$30.00 per acre foot of water authorized to be produced and transported by such permittee in accordance with permits issued by the District. Inasmuch as TWA has been issued permits to produce 15,000 acre feet per year of water, TWA's initial payment to the Fund shall be \$450,000.00.
- 2. Participating permittees shall make payment of their share of the Initial Fund Principal to the District for deposit by the District into the Eastern Gonzales County Dedicated Mitigation Fund within 180 days following permittee's receipt of a final and non-appealable permit authorizing production requested by the permittee's application.
- 3. In order to ensure the continued viability of the Fund, TWA shall pay the District a negotiated export fee surcharge. Such export fee surcharge shall commence January 15<sup>th</sup> on the first full calendar year following the creation of the Fund and continue thereafter as provided herein. TWA shall pay an export fee surcharge in the amount of \$0.0175 per one thousand (1,000) gallons of water exported during the previous calendar year. Provided, however, such negotiated export fee surcharge shall not be imposed or collected during the first three (3) years of this Agreement when the Fund balance remains at or above \$250,000 as of July 1<sup>st</sup> of the previous year. Where payment of the surcharge is required by this Agreement, TWA shall make a lump sum payment to the District on January 15<sup>th</sup> of the applicable year. After the three (3) year period referenced herein, such negotiated export fee surcharge shall not be imposed or collected in any year when the Fund was at or above \$400,000 on July 1<sup>st</sup> of the previous year. When the District has determined no more mitigation is required, the District shall consider termination of the Fund and return the Fund balance to TWA and other participating permittees on the basis of each permittee's share of the total pro-rata payments into the Fund.
- 4. Wells that qualify for mitigation by the Fund shall be limited to registered or permitted wells located in Eastern Gonzales County east of the middle of the San Marcos Arch that:
  - a. were drilled on or before January 29, 2013;
  - b. do not produce water for a public water supply; and
  - c. meet the criteria for mitigation under the District's Rules and Policies.

Provided, however, TWA consents to the District deciding that the following wells qualify for mitigation by the Fund should the District choose to do so even though such wells may not have been timely registered with the District and may not produce water from the Carrizo Aquifer:

- 1. Siebert. The three wells located on the property owned by Bruce and Joan Siebert existing as of December 11, 2012, such property being generally described as a 450 acres, more or less consisting of 124.174 acres out of the Ned Weddington Survey, Abstract No. 421, in Caldwell County, Texas and 309.47 acres as described in a deed from Gus W. Walla and Barbara Walla to Bruce L. Siebert and Joan Siebert, dated December 4, 1998 and filed in volume 809, page 720 of the deed records of Gonzales County.
- 2. Dubose/Hefty. The wells located on the property owned by Preston and Barbara Dubose, the

property owned by Preston Dubose, Inc., and the property owned by Eunice Hefty existing as of April 11, 2012, the location of such wells being described on "Exhibit 1".

3. "Bickham Group." The wells located on the property owned by "Ted Boriack, Wayne LePori, Robert Mayfield, Robert Fiebig, and Carla Baze and existing as of April 26, 2012, the location of the several tracts of property being generally described on "Exhibit 2."

Wells located on land leased or owned in fee simple determinable by the permit holders contributing to the Fund shall qualify for mitigation from the Fund, but wells located on land leased or owned in fee simple determinable by permit holders who do not contribute to the Fund shall not qualify for mitigation from the Fund.

- 5. If the District uses the Fund to deepen an existing well drilled into or producing water from the Carrizo formation or to drill a new well into the Carrizo formation or to lower a pump further into the Carrizo formation then the well will be drilled or deepened or the pump lowered so that the well owner may produce water from the Carrizo formation even if a drawdown in the Carrizo exceeds 200 feet, where practicable.
- 6. Permittee recognizes and acknowledges that the District may utilize monies in the Fund for investigating, evaluating and/or implementing mitigation by either contractors or employees and that the Fund may be used to cover administrative expenses, contractor costs, and equipment costs associated with such contractors or employees. By January 31<sup>st</sup> of each year following the creation and initial funding of the Fund, the District shall provide all participating permittees an accounting of Fund revenues and expenses and a report summarizing the mitigation claims that were inspected, evaluated or mitigated. Noncompliance with the terms of the Fund agreement by TWA shall be deemed noncompliance with TWA's permits issued by the District.
- 7. The duration of this Agreement shall be from the Effective Date and for as long thereafter as TWA, its successors or assigns, conducts water production operations within the boundaries of the GCUWCD. For purposes hereof, the term "water production operations" means any activity related or incidental to obtaining or maintaining permits or authority necessary for TWA to drill, test, produce or transport groundwater from within the boundaries of the GCUWCD.
- 8. All notices given hereunder must be in writing. Any written notice must be given by sending the same by United States certified mail, return receipt requested, or by personal delivery. Either party may change its address by written notice to the other and either party may confirm notice by electronic means.

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The address for GCUWCD for all purposes under this Agreement and for all notices herein shall be:

Greg Sengelmann, General Manager Gonzales County Underground Water Conservation District P.O. Box 1919 920 St. Joseph St., Rm. 129 Gonzales, TX 78629

TEL/FAX: 830/672-1047 EMAIL: gcuwcd@gvec.net

The address for TWA for all purposes under this Agreement and for all notices herein

shall be:

Texas Water Alliance Limited 3267 Bee Cave Road, Suite 107-509 Austin, TX 78703

With a copy to: Suzy Papazian Corporate Secretary/Attorney Texas Water Alliance, Limited 110 W. Taylor Street San Jose, CA 95110

- 9. This Agreement is being executed, delivered, and is intended to be performed in the State of Texas. Texas law shall govern the validity, construction, enforcement, and interpretation of this Agreement, unless otherwise specified herein. Gonzales County, Texas shall be the sole venue for any action or proceeding related to this Agreement.
- 10. This Agreement shall be binding upon and inure to the benefit of GCUWCD and TWA and their respective successors and assigns and shall be construed without respect to which entity was the drafter of this Agreement.

POSTED on January 14, 2013 and APPROVED on January 29, 2013, pursuant to Agenda Item No. 5 by the Gonzales County Underground Water Conservation District.

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## GONZALES COUNTY UNDERGROUND WATER CONSERVATION DISTRICT

Name:Bruce J. Patteson

Name:Bruce J. Patteson
President

Date: 03-25-/3

Attest:

By: Name:Steve Ehrig

Secretary/Treasurer

Date: 03-25-13

TEXAS WATER ALLIANCE LIMITED

By: / / / / Name: Mark Janay

President

Date: 2 15 13

DM 217169 -5 -

## Exhibit 1

Location of wells on property owned by persons in the "Dubose/Hefty" Group

## Preston Dubose, Inc. Property 119 acres:

G-#195: Latitude 29 42 46 North Longitude: 97 23 17 West G-#196: Latitude 29 43 43 North Longitude: 97 23 27 West

## Barbara and Preston Dubose Property 213 acres:

G-#193: Latitude 29 42 57 North Longitude: 97 23 23 West G-#194: Latitude 29 43 36 North Longitude: 97 23 26 West

## Hefty/Dubose Property 152 acres:

House well: Latitude 29.684901 North Longitude: 97.431182West

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### Exhibit 2

General Description of Property owned by persons in the "Bickham" Group.

Ted Boriack (aka Boriack Holdings Texas LLC:

1.35 acres out of the F Kistler Survey, Abs. 33, Gonzales County and

1.0 and 299.0 acres, respectively, out of the P McCoy Survey, Abs. 342, Gonzales County.

Wayne Lepori:

117.57 acres out of the TS Lee Survey, Abs. 314, Gonzales County.

Robert Mayfield:

228 acres out of the John T. Smith Survey, Abs. 130.

Robert Fiebig:

96 acres, more or less, out of the John Adkinson Survey, Abs. 89, Gonzales County. Carla Baze:

19.905 acres out of the Chas. Schaller Survey, Abs. 431, Gonzales County.

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## **Monitoring Well Agreement**

## Texas Water Alliance, Limited

#### And

## **Gonzales County Underground Water Conservation District**

### THE PARTIES

This agreement is effective this 29th day of January, 2013 (the "effective date") by and between the Gonzales Underground Water Conservation District and the Texas Water Alliance Limited.

### **AGREEMENT**

Texas Water Alliance Limited. agrees to install three Carrizo Aquifer monitoring wells and one Wilcox Aquifer monitoring well at locations designated by the General Manager of the Gonzales County Underground Water Conservation District. Work on the monitoring wells shall begin within 180 days from the General Manager's written directive to install the monitoring wells.

Texas Water Alliance Limited. also agrees that if it installs either Queen City Aquifer or Sparta Aquifer rig supply wells for use in drilling their public supply wells the rig supply wells will be left in place for monitoring wells and the Gonzales County Underground Water Conservation District will be allowed to access the wells for use in the District's water level and water quality monitoring programs.

Texas Water Alliance Limited further agrees to equip up to four monitoring wells so the District can remotely monitor and receive information from the wells and to work with the District, to the extent necessary, in making real-time monitoring well data available to the public on the District's website.

Gonzales County Underground Water Conservation District

By: Du Tall

Name: Bruce J. Patteson

Title: President

Date: 03-25-13

Attest:

By: Swelf

Name: Steve Ehrig

Title: Secretary/Treasurer

Date: 03-25-13

Texas Water Alliance Limited.

By.

Name: Mark Janay

Title: President

Date: 2 | 15 | 13

## Permits & Easements

Are any major permits necessary for completion of the project?: Y

## **Permits**

Permit	Issuing Entity	Permit Acquired (Y/N)
Nationwide General Permit 12 for Linear Utility Projects	U.S. Army Corps of Engineers	N

Has the applicant obtained all necessary land and easements for the project?: N

Description of Land or Easement Permit	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	To Be Funded by TWDB (Yes/No)
Land or easements for raw water transmission pipeline segments not located on leased property.		OWN	12-31-2019	Υ
Land or easements for treated water transmission facilities shared with ARWA.	Affected land owners.	OWN	12-31-2019	Υ
Land or easements at or near GBRA customer delivery points.	Affected land owners.	OWN	12-31-2018	Y

## **Environmental Determination**

Has a Categorical Exclusion (CE), Determination of No Effect, Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project?: N

## **CE/DNE**

Is the project potentially eligible for a CE/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment?: N

## Adverse Environmental/Social Impacts

Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)?: N

## Associated PIF(s)

PIF number(s):

PIF ID #12577

## Additional Attachments

The following documents are attached after this page:

The following documents are attached after this page:

GBRA SWIRFT Project Participants Water Rates Information.pdf Water Customers - NBU Goforth SUD Lockhart.pdf Water and Wastewater Revenue Ratings.pdf GBRA\_CGSP\_EFR\_03May2018.pdf

## **Response to Question 33**

## **New Braunfels Utility**

- 1. Please provide information on your current water rate structure.
  - a. What is the current residential rate?

## **Inside City Limits**

```
Customer Charge - $11.12
```

0-7,500 gallons - \$1.936 per 1,000 gallons

7,501-15,000 - \$2.581 per 1,000 gallons

15,001-25,000 - \$3.227 per 1,000 gallons

Excess of 25,000 - \$4.840 per 1,000 gallons

## **Outside City Limits**

Customer Charge - \$15.03

0-7,500 gallons - \$2.420 per 1,000 gallons

7,501-15,000 - \$3.227 per 1,000 gallons

15,001-25,000 - \$4.003 per 1,000 gallons

Excess of 25,000 - \$6.051 per 1,000 gallons

b. When was it adopted?

February 1, 2018

c. Any additional rate adjustments planned? If so, when?

FY19 2.5%, FY20 2.5%, FY21 5%, FY22 5% (FY19 & 20 already approved by City, FY21 & 22 shown to City, not approved yet)

d. What is the average monthly residential water bill?

Inside City Limits - \$29.25

Outside City Limits - \$37.69

- 2. Please provide information on your current sewer rate structure
  - a. What is the current residential rate?

### **Water Service Provided by NBU**

Minimum Monthly Charge - \$15.31

Rate per 1,000 gallons - \$4.103

## **Water Service Not Provided by NBU**

Residential Sewer Only - \$47.60

b. When was it adopted?

January 1, 2018

c. Any additional rate adjustments planned? If so, when?

FY21 5%, FY22 5% (shown to City, not approved yet)

d. What is the average monthly residential sewer bill?

\$34.18

## **City of Lockhart**

- 1. Please provide information on your current water rate structure.
  - a. What is the current residential rate?

### Residential

\$22.10 fixed monthly charge (includes 2M gal usage)/per living unit

\$3.90 between 2,001 – 6,000 gallons

\$4.15 between 6,001 – 8,000 gallons

\$4.40 between 8,001 - 10,000 gallons

\$5.15 greater than 10,000 gallons

### **All Others**

\$32.83 fixed monthly charge (includes 2M gal usage)/per unit and/or living unit

\$3.90 between 2,001 - 6,000

\$4.40 between 6,001 - 8,000

```
$4.65 between 8,001 - 10,000
```

\$5.15 greater than 10,000

Customers outside of the city limits will be charged a fixed monthly rate of \$2.00 in addition to the rates set above.

b. When was it adopted?

June 2013

c. Any additional rate adjustments planned? If so, when?

Raise rates starting in October 2018 to cover lease payments of \$50,000 per month and begin saving funds to cover debt payments in 2023.

d. What is the average monthly residential water bill?

\$41.64

- 2. Please provide information on your current sewer rate structure
  - a. What is the current residential rate?

Residential – average water usage for December, January and February or (3,000)X
\$4.67 per 1,000 gallons greater than 2000=plus base charge (\$15.51/living unit) =Total
Multi-family – monthly water usageX \$4.67 per 1,000 gallons greater than 2000=plus base charge (\$15.51/living unit) =Total
All Others – base charge \$19.13/per unit fee plus monthly water usage:
\$4.77 per 1,000 gallons greater than 2000

b. When was it adopted?

June 2013

c. Any additional rate adjustments planned? If so, when?

None planned within next 3 years

d. What is the average monthly residential sewer bill?

\$30.21

## GoForth

- 1. Please provide information on your current water rate structure.
  - a. What is the current residential rate?

Base Rate \$31.16

b. When was it adopted?

May 28, 2014 approved by Board, rate billed January 2017

c. Any additional rate adjustments planned? If so, when?

Yes, 2019

d. What is the average monthly residential water bill?

\$65.00

- 2. Please provide information on your current sewer rate structure
  - a. What is the current residential rate?

Shadow Creek Sub. \$36.00 Flat Base Rate

Sunfield Sub \$45.00 Flat Base Rate @ \$4.25 per 1,000 gallons

b. When was it adopted?

Shadow Creek Sub Agreement signed October 31, 2005 rate billed January 31, 2006 Sunfield Sub Agreement signed May 26, 2010 rate billed June 30, 2012

c. Any additional rate adjustments planned? If so, when?

Not to my knowledge

d. What is the average monthly residential sewer bill?

Shadow Creek Sub \$36.00

Sunfield Sub \$87.50

## Water Customers

	NBU	Goforth SUD	Lockhart
2018	38,126	7,839	
2017	36,140	7,511	4,838
2016	33,550	6,812	4,797
2015	31,415	6,174	4,662
2014	29,089	5,560	4,552
2013	21,942	5,204	4,453

	Water and	Water and Wastewater Revenue Ratings			
	NBU	Goforth	Lockhart		
Fitch	AA	NR	NR		
Moody's	Aa1	NR	NR		
S&P	AA	NR	NR		

## **FDR**

## Carrizo Groundwater Supply Project

Engineering Feasibility Report Including GBRA and ARWA-GBRA Facilities

Guadalupe-Blanco River Authority

May 4, 2018





HDR ENGINEERING, INC. TEXAS REGISTERED ENGINEERING FIRM F-754



HDR ENGINEERING, INC. TEXAS REGISTERED ENGINEERING FIRM F-754

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## **GBRA** | Carrizo Groundwater Supply Project Engineering Feasibility Report



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May 2018 iii

## **FDS**

## **Executive Summary**

#### Introduction

For more than a decade, the Guadalupe-Blanco River Authority (GBRA) and the Alliance Regional Water Authority (ARWA, formerly the Hays Caldwell Public Utility Agency) have been independently developing multi-phased water supply projects intended to meet rapidly growing demands in the Interstate Highway (IH) 35 and State Highway (SH) 130 corridors between Austin and San Antonio. As ARWA and GBRA are each poised to undertake final design and construction of source well fields and water treatment and transmission facilities, they have jointly engaged in supplemental groundwater supply option evaluations focusing on opportunities for ARWA-GBRA shared facilities to explore the possibility that such shared facilities might reflect economies of scale reducing both capital and annual operations and maintenance costs for each entity. The results of these supplemental evaluations, as briefly described in this Executive Summary, indicate that significant savings could accrue to each entity through cooperative implementation and operations of the initial phase of each project.

## **GBRA Project**

Relying on its source well field located primarily in northern Gonzales County, GBRA plans to provide up to 15,000 acft/yr to customers including the cities of New Braunfels and Lockhart, Goforth Special Utility District, and others served by the existing GBRA Treated Water Delivery System (TWDS) east of IH 35 (Figure ES.1). As GBRA's customers each have reliable alternative sources of water supply, GBRA has included no peaking capacity and proposes to treat and deliver water at a uniform rate equal to average day demand. Estimated project capital costs through permitting, design, and construction for GBRA initial phase facilities including well field, collection, treatment, and transmission are about \$182.2 million with direct pipeline service to the New Braunfels area.

### **ARWA Project**

From its source well field located primarily in eastern Caldwell County, ARWA ultimately plans to provide up to 37,810 acft/yr to its members including the cities of San Marcos, Kyle, and Buda as well as Canyon Regional Water Authority member special utility districts Crystal Clear, Green Valley, and County Line. The initial phase of the ARWA project includes 15,000 acft/yr service to its members with peaking capacity to meet 1.5 times average day demand. Estimated project capital cost through permitting, design, and construction for ARWA initial phase facilities including well field, collection, treatment, and transmission is about \$190 million. This estimate excludes spurs for service to Kyle, County Line SUD, San Marcos Delivery Point 2, Green Valley Delivery Point 2; as these spurs do not currently represent an opportunity for shared facilities with GBRA.

## **ARWA-GBRA Shared Facilities**

Should ARWA and GBRA choose cooperative implementation of the initial phases of their respective projects, significant economies of scale could be realized through shared treatment and transmission facilities. As shown in Figure ES.2, such shared facilities could include a groundwater treatment plant between the ARWA and GBRA well fields and transmission facilities originating at the groundwater treatment plant and delivering a total of 30,000 acft/yr to Lockhart, San Marcos, Goforth SUD, Crystal Clear SUD, Green Valley SUD, and New Braunfels. The estimated project capital costs through permitting, design, and construction of well fields and shared facilities are about \$286.1 million with GBRA direct pipeline service to the New Braunfels area.





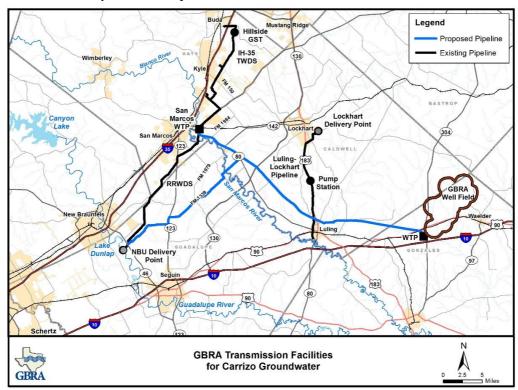
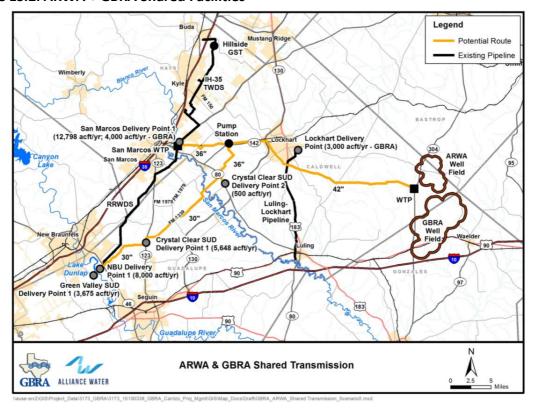


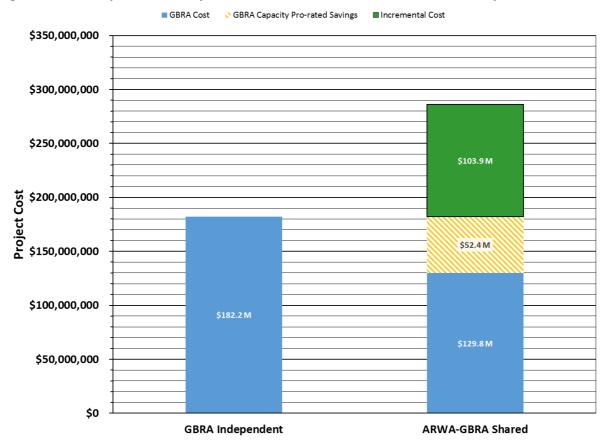
Figure ES.2. ARWA + GBRA Shared Facilities



## **Potential Savings**

Assuming project capital costs of shared facilities are pro-rated on the basis of treatment and transmission capacity desired by ARWA (1.5 times average day) and GBRA (1.0 times average day), one may assess potential savings to each entity realized by cooperative, rather than independent, project implementation. From a GBRA perspective, as illustrated in Figure ES.3, savings associated with shared facilities are about \$52.4 million. Additional savings would continue to accrue to ARWA and GBRA on an annual basis through reduced interest paid during the debt service period and through reduced operations and maintenance costs throughout project life.

Figure ES. 1. Comparison of Project Costs with Shared Facilities to GBRA Independent



## **GBRA** | Carrizo Groundwater Supply Project Engineering Feasibility Report





## 1. Introduction / Project Description

The Guadalupe-Blanco River Authority (GBRA) has been studying and refining its Mid-Basin Water Supply Project (MBWSP) for more than a decade considering available surface water and groundwater sources along with surface and aquifer storage opportunities to develop reliable new water supplies for customers within GBRA's statutory district. In April 2018, GBRA completed its Mid-Basin Water Supply Project Study which included technical evaluations of many options and resulted in recommendation of the MBWSP – Conjunctive Use with Aquifer Storage & Recovery water management strategy currently included in the 2017 State Water Plan. Phase 1 of this recommended strategy, identified herein as the Carrizo Groundwater Supply Project (CGSP) will produce 15,000 acft/yr of firm groundwater supply from the Carrizo Aquifer in Gonzales and Caldwell Counties under planned wells operating under current leases owned by GBRA. This groundwater will be treated in a planned water treatment plant near the well field and delivered through planned and improved existing transmission systems to make water available to contracted customers, including the cities of New Braunfels and Lockhart and the Goforth Special Utility District (SUD).

In recent months, GBRA has entered into discussions with Alliance Regional Water Authority (ARWA) regarding potential participation in shared treatment and transmission facilities serving the initial phase of their respective projects. GBRA's current expectation is that these discussions will result in an agreement between ARWA and GBRA under which each entity would develop its own well field, raw water collection system, and delivery point facilities and the two entities would share in ownership of the groundwater treatment and treated water transmission facilities. As such an agreement has yet to be executed, information provided in this report focuses on GBRA's independent project and a project including shared treatment and transmission facilities in order to quantify potential savings associated with such cooperative development of new groundwater supplies.

## 2. Population and Water Demand

This section summarizes the population, water demand, and water supply projections for GBRA's Carrizo Groundwater Supply Project customers: New Braunfels, Lockhart, and Goforth SUD. As of the date of this report, the Texas Water Development Board (TWDB) has approved population and water demand projections for the 2022 State Water Plan, but approved existing drought supply estimates are available only from the 2017 State Water Plan. Hence, approved data from these two plans is used herein to estimate needs for additional water supply and these data are presented by customer in Section 2.1. In addition to the long-term State Water Plan projections, population and water demand projections provided by New Braunfels, Lockhart, and Goforth SUD are presented in Section 2.2.

## 2.1 Data from State Water Plans

## **New Braunfels**

As shown in Table 1, the population of New Braunfels is expected to grow from 75,462 in 2020 to 167,339 by 2070 (a 122% increase). Over this same time period, the water demand for the City is expected to grow from 15,412 acft/yr to 33,074 acft/yr (a 115% increase). New Braunfels obtains water supply from Canyon Reservoir (through a contract with GBRA), run-of-river surface water rights, reuse, and groundwater from the Edwards and Trinity Aquifers. The total reliable supply from these sources is estimated to be 17,399

acft/yr. The City is expected to have a water need (demand greater than supply) before 2030. That water need is projected to grow to 15,675 acft/yr by 2070.

Table 1. Summary of Population, Demand, Supply & Need for New Braunfels

Item	2020	2030	2040	2050	2060	2070
Population <sup>1</sup>	75,462	93,398	112,241	130,879	149,453	167,339
Demand (acft/yr)¹	15,412	18,749	22,323	25,913	29,552	33,074
Supply <sup>2</sup>						
Canyon Reservoir	9,720	9,720	9,720	9,720	9,720	9,720
Reuse	107	107	107	107	107	107
Edwards Aquifer	5,528	5,528	5,528	5,528	5,528	5,528
Run-of-River	1,294	1,294	1,294	1,294	1,294	1,294
Trinity Aquifer	750	750	750	750	750	750
Total Supply <sup>2</sup>	17,399	17,399	17,399	17,399	17,399	17,399
Need	0	(1,350)	(4,924)	(8,514)	(12,153)	(15,675)

<sup>&</sup>lt;sup>1</sup> 2022 State Water Plan.

### Lockhart

As shown in Table 2, the population of Lockhart is expected to grow from 15,726 in 2020 to 33,038 by 2070 (a 110% increase). Over this same time period, the water demand for the City is expected to grow from 2,258 acft/yr to 4,477 acft/yr (a 98% increase). Lockhart obtains water supply from the Carrizo Aquifer and interruptible run-of-river surface water rights on the San Marcos River. That total reliable supply from the Carrizo Aquifer is estimated to be 2,063 acft/yr. The City is expected to have a water need (demands greater than supply) before 2020. That water need is projected to grow to 2,414 acft/yr by 2070.

Table 2. Summary of Population, Demand, Supply & Need for Lockhart

Item	2020	2030	2040	2050	2060	2070
Population <sup>1</sup>	15,726	19,254	22,734	26,176	29,654	33,038
Demand <sup>1</sup>	2,258	2,683	3,114	3,557	4,021	4,477
Supply <sup>2</sup>						
Carrizo Aquifer	2,063	2,063	2,063	2,063	2,063	2,063
Total Supply <sup>2</sup>	2,063	2,063	2,063	2,063	2,063	2,063
Need	(195)	(620)	(1,051)	(1,494)	(1,958)	(2,414)

 $<sup>^{\</sup>rm 1}\,2022$  State Water Plan.

<sup>&</sup>lt;sup>2</sup> 2017 State Water Plan.

<sup>&</sup>lt;sup>2</sup> 2017 State Water Plan.

### **Goforth SUD**

As shown in Table 3, the population served by Goforth SUD is expected to grow from 25,116 in 2020 to 90,340 by 2070 (a 260% increase). Over this same time period, the water demand for the SUD is expected to grow from 2,813 acft/yr to 9,572 acft/yr (a 240% increase). Goforth SUD obtains water supply from Canyon Reservoir (through a contract with GBRA) and groundwater from the Edwards and Trinity Aquifers. The total reliable supply from these sources is estimated to be 4,282 acft/yr. The SUD is expected to have a water need (demands greater than supply) before 2032. That water need is projected to grow to 5,290 acft/yr by 2070.

Table 3. Summary of Population, Demand, Supply & Need for Goforth SUD

Item	2020	2030	2040	2050	2060	2070
Population <sup>1</sup>	25,116	37,944	50,868	63,931	77,082	90,340
Demand <sup>1</sup>	2,813	4,122	5,444	6,795	8,174	9,572
Supply <sup>2</sup>						
Canyon Reservoir	1,050	1,050	1,050	1,050	1,050	1,050
Edwards Aquifer	122	122	122	122	122	122
Trinity Aquifer	3,110	3,110	3,110	3,110	3,110	3,110
Total Supply <sup>2</sup>	4,282	4,282	4,282	4,282	4,282	4,282
Need	0	0	(1,162)	(2,513)	(3,892)	(5,290)

<sup>&</sup>lt;sup>1</sup> 2022 State Water Plan.

### **Summary**

The total population of the three entities is projected to be 116,304 in 2020 and 290,717 by 2070 (a 150% increase). Over this same time period, the water demand for these entities is expected to grow from 20,483 acft/yr to 47,123 acft/yr (a 130% increase). The total estimated reliable supply currently available to all three entities combined is 23,744. As a group, these entities are expected to have a water need (demands greater than supply) by 2026. That water need is projected to grow to 23,379 acft/yr by 2070.

## 2.2 Population and Water Demand Data Supplied by Customers

Each GBRA CGSP customer was asked to provide its current information concerning future population and water demands for the 2017-2032 period. Responses are summarized in the following paragraphs and Figures 1 and 2.

### **New Braunfels**

New Braunfels Utilities (NBU) projects that its population served will grow from 79,391 in 2017 to 160,158 by 2032 (a 102% increase). Over this same time period, NBU projects that its water demand will grow from 14,940 acft/yr to 25,161 acft/yr (a 68% increase).

## **Lockhart**

The City of Lockhart projects that its population served will grow from 13,250 in 2017 to 26,764 by 2032 (a 102% increase). Over this same time period, Lockhart projects that its water demand will grow from 2,800 acft/yr to 7,484 acft/yr (a 167% increase).

<sup>&</sup>lt;sup>2</sup> 2017 State Water Plan.



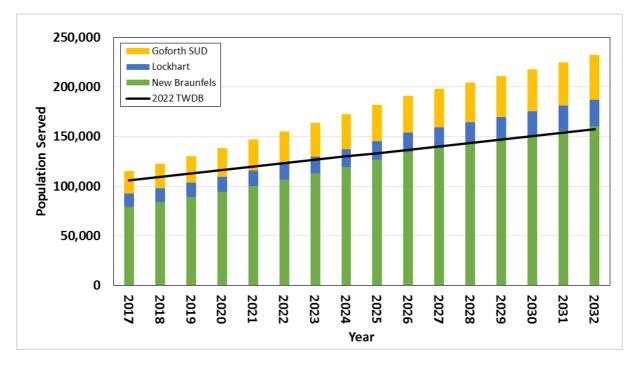
## **Goforth SUD**

Goforth SUD projects that its population served will grow from 22,533 in 2017 to 45,348 by 2032 (a 101% increase). Over this same time period, Goforth SUD projects that its water demand will grow from 3,555 acft/yr to 8,462 acft/yr (a 138% increase).

### **Summary**

The total population served by the three GBRA CGSP customers is estimated to be 115,174 in 2017 and is projected to be 232,270 by 2032 (a 102% increase) (Figure 1). Over this same time period, these entities expect their water demand to grow from 21,296 acft/yr to 41,107 acft/yr (a 93% increase) (Figure 2). As is apparent in Figures 1 and 2, the customers' projections of population and water demand appear reasonably consistent with TWDB projections approved for use in the 2022 State Water Plan.

Figure 1. Projected Service Population Supplied by GBRA Customers



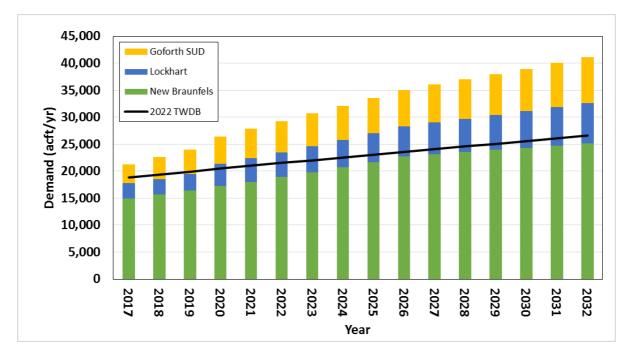


Figure 2. Projected Water Demands Supplied by GBRA Customers

## 3. Technical and Costing Assumptions

This report relies on the results of previous GBRA and ARWA studies focused on quantifying potential cost savings from shared project facilities relative to independent implementation of GBRA's project. To effectively compare implementation scenarios, it is critical to evaluate all scenarios on a similar cost basis and subject to similar technical assumptions. The following list details the technical and cost assumptions used in this report.

- a) Delivery of specified quantities to GBRA customers is assumed to occur at a uniform rate throughout the year with no assigned transmission capacity for seasonal, daily, or instantaneous peaking included.
- b) Delivery of specified quantities to ARWA customers is assumed to occur with a 1.5 peaking factor.
- c) HDR relied on information provided by ARWA and its consultants for pipeline routes, water delivery volumes and locations, and well locations.
- d) Factors considered in identification of transmission pipeline routes and estimates of cost include:
  - i) Length.
  - ii) River, stream, highway, railroad, and other bored or horizontal directional drilled crossings.
  - iii) Stream, roadway, and other crossings.
  - iv) Conflicts with existing water, product, and power transmission facilities.
  - v) Construction and maintenance access (e.g., proximate roads, floodplain).
  - vi) Mapped environmental/cultural resources (e.g., endangered & threatened species, wetlands, historic/archaeological sites).

- e) HDR relied on information presented in the MBWSP Study technical memoranda for water quality characteristics of the Carrizo Aquifer and blending considerations with other GBRA supplies.
- f) Annual lease costs for groundwater and purchase of leases are not included in the project costs reported herein.
- g) To the extent practicable, capital and annual operations & maintenance cost estimates were prepared using the Unified Costing Model (UCM) developed by HDR Engineering, Inc. for the Texas Water Development Board (TWDB)<sup>1</sup> to promote consistency in the regional water planning process. Subject to professional judgment and experience (including previous preliminary engineering analyses), UCM results were supplemented or replaced as necessary and appropriate. Costs are based on UCM unit cost curves indexed to January 2017 prices using Engineering News Record (ENR) indices. Table 4 summarizes other specific parameters used for costing purposes in the UCM.

**Table 4. UCM Costing Assumptions** 

Parameter	Unified Cost Model Assumptions
Cost Basis Date	January 2017
Peaking	Uniform Delivery for GBRA supplies and 1.5 for ARWA supplies
Debt Service	5%, 30 years
Interest During Construction	4%, 1% ROI
Construction Period	2 years
Right of Way	50 ft permanent & 50 ft temporary easements w/ GBRA advanced land cost methodology
Land Cost	\$8,500/acre
Energy Costs	\$0.12/kW-hr
Hazen Williams C factor	130
Environmental Mitigation	Model default costs
Purchase of Leases	Not included
Lease Water Cost	Not included
Well Field & Collection System	GBRA costs calculated based on TWA permit under previous GCUWCD rules. ARWA costs provided by ARWA under revised rules.
Water Treatment Plant	Filtration
Delivery Point Storage Tanks	Not included

## 4. Groundwater Supply Alternatives Evaluations

## 4.1 GBRA Independent Alternative

For the GBRA Independent project alternative, 15,000 acft/yr is produced in GBRA's Carrizo well field in Gonzales and Caldwell Counties, treated nearby, then delivered to Lockhart, the San Marcos Water Treatment Plant (WTP), Goforth SUD, and New Braunfels using planned and modified existing facilities

May 2018 10

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<sup>&</sup>lt;sup>1</sup>http://www.twdb.texas.gov/waterplanning/rwp/planningdocu/2016/doc/current\_docs/project\_docs/20130530 UnifiedCostingModel\_UsersGuide.pdf

(Figure 3). Table 5 summarizes the delivery amounts for which GBRA's customers have contracted. The existing GBRA IH-35 Treated Water Delivery System (TWDS), with planned upgrades to the High Service Pump Station (HSPS)<sup>2</sup>, will be used to convey new supplies to Goforth SUD from the San Marcos WTP. Two potential transmission system routes were evaluated for the GBRA Independent alternative, but only the more economical of the two is presented in the following sub-sections.

Wimberley

Figure 3. GBRA Independent Alternative

Delivery of new supplies to Lockhart will likely be accomplished by connection to the existing GBRA 14-inch diameter pipeline that conveys treated surface water supplies from the Luling WTP to Lockhart. Based on a 2009 evaluation by TRC<sup>3</sup>, the Luling-Lockhart pipeline capacity could be increased to 4 mgd with pump station upgrades and a booster pump station.

Table 5. Summary of Delivery Amounts for GBRA Independent Alterative

Delivery Point	GBRA Project Delivery Amount (acft/yr)
Lockhart	3,000
Goforth SUD	4,000
New Braunfels	8,000
Total	15,000

<sup>&</sup>lt;sup>2</sup> TRC, "IH 35 Water System Report," WaterCAD scenario modeling, May 4, 2017.

<sup>&</sup>lt;sup>3</sup> TRC, "Luling/Lockhart Water Transmission Main WaterCAD Models," September 15, 2009.



The GBRA Carrizo well field infrastructure costs are based on the well field layout as submitted for the TWA permit application to the Gonzales County Underground Water Conservation District (GCUWCD) for 13 production wells to a depth of 1,500 ft with a maximum production of 15,000 acft/yr, four monitoring wells, and two contingency wells. Wells are assumed to operate at 715 gpm for uniform delivery. Based on previous studies, the production wells are assumed to be separated by 6,000 ft on leased property<sup>4</sup>. Collection lines are routed along apparent property lines and roadways. Pipe sizes for laterals and trunk lines are based on a target velocity of 5 fps. A total of 24.7 miles of collection line is necessary based on 6,000 ft well spacing and delivery to the proposed WTP location. Costs include construction of all-weather access roads where necessary for well access and road crossings for the collection system. Test drilling and mitigation fees are included in the project costs for the well field.

Two alternative routes were evaluated for delivery of supplies from the proposed Carrizo WTP location to Lockhart, the San Marcos WTP, and New Braunfels. The South route (Figure 3) following the alignment recommended in MBWSP Technical Memorandum 10/11 (April 2018) is selected as the preferred route based on length, horsepower requirements, and crossings. The uniform delivery of 3,000 acft to Lockhart and 4,000 acft to the San Marcos WTP requires 27.3 miles of 30-inch diameter pipeline and 7 miles of 20-inch diameter pipeline. The Luling-Lockhart pipeline with pump station improvements is used to deliver water to Lockhart. The GBRA IH-35 TWDS, with pump station improvements, will convey 4,000 acft/yr to the GBRA Hillside Ground Storage Tanks (GSTs) immediately adjacent to existing Goforth SUD GSTs. Figure 4 shows the HGL for delivery from the Carrizo WTP to the San Marcos WTP along the recommended route. A 24-inch diameter, 20.3 mile pipeline will diverge from the main transmission line east of the San Marcos WTP for delivery of 8,000 acft/yr to the assumed New Braunfels delivery point. Figure 5 shows the HGL for the pipeline serving New Braunfels. This route is the same as that used by ARWA in the scenario described in Section 3.2.

<sup>&</sup>lt;sup>4</sup> Revised District rules provide flexibility for spacing wells based on lease boundaries rather than distance from other proposed wells.



Figure 4. Hydraulic Grade Line for GBRA Independent Delivery to San Marcos WTP

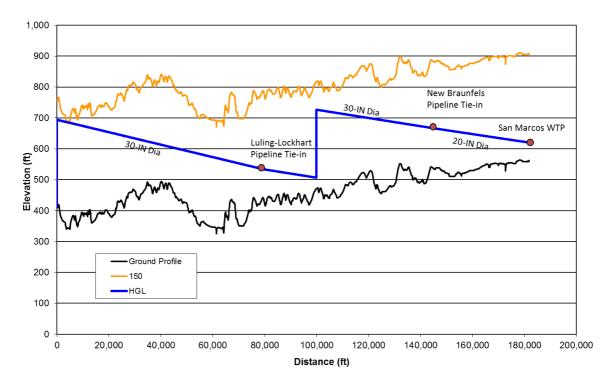
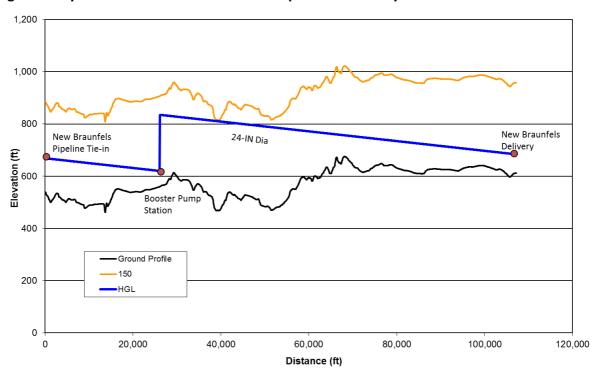


Figure 5. Hydraulic Grade Line for GBRA Independent Delivery to New Braunfels



Total project and annual costs to deliver water under the GBRA Independent alternative are summarized in Table 6. Estimated total project cost for production, treatment, and uniform delivery of 15,000 acft/yr is \$182.2 million.

Table 6. Cost Estimate Summary for GBRA Independent Alternative (January 2017 Prices)

Item	Estimated Cost for Facilities
CAPITAL COST	
TWA Well Fields (Wells, Pumps, and Piping)	\$26,291,000
Water Treatment Plant (14.1 MGD)	\$26,967,000
Transmission (30 in dia., 24 in dia., 20 in dia., 55 miles)	\$45,610,000
Transmission Pump Station(s) & Storage Tank(s)	\$10,865,000
Luling-Lockhart Pump Station Improvements	\$5,384,000
TWDS Pump Station (Upgrade to 15.4 MGD)	\$3,287,000
Integration Facilities	\$2,000,000
TOTAL COST OF FACILITIES	\$120,404,000
Engineering and Feasibility Studies, Legal Assistance, Financing, Bond	****
Counsel, and Contingencies (30% for pipes & 35% for all other facilities)	\$39,861,000
Environmental & Archaeology Studies and Mitigation	\$1,599,000
Test Drilling and Mitigation	\$775,000
Land Acquisition and Surveying (359 acres)	\$7,684,000
Interest During Construction (4% for 2 years with a 1% ROI)	<u>\$11,923,000</u>
TOTAL COST OF PROJECT	\$182,246,000

#### 4.2 ARWA - GBRA Shared Facilities Alternative

One shared treatment and transmission alternative for the ARWA and GBRA projects is evaluated in this report with general reliance on the ARWA planned Phase 1 transmission system configuration. GBRA groundwater supplies are assumed to be treated and delivered in shared facilities at a uniform rate while ARWA supplies are treated and delivered with a 1.5 peaking factor. Table 7 summarizes delivery amounts by scenario. The shared facilities alternative used for comparison to the independent GBRA project delivers a total supply of 30,000 acft/yr with service to ARWA Members, Lockhart, GBRA TWDS (for Goforth SUD), and New Braunfels.

Factors relevant to water treatment and alternatives for treatment and transmission to the Maxwell Pump Station are discussed in Section 4.3.1 and 4.3.2, respectively.

Table 7. Delivery Amounts for ARWA-GBRA Shared Facilities Alternative

Delivery Point	ARWA / GBRA Project Delivery Amounts (acft/yr) <sup>1</sup>
Lockhart	0 / 3,000
Maxwell PS	15,000 / 13,000
San Marcos DP1	12,798 / 0
Goforth SUD	0 / 4,000
Crystal Clear SUD DP 2	500 / 0
Crystal Clear SUD DP 1	5,648 / 0
New Braunfels	0 / 8,000
Green Valley SUD DP1	3,675 / 0
Total	15,000 / 15,000

<sup>&</sup>lt;sup>1</sup>Some ARWA Phase 1 segments are oversized for delivery point flexibility or ultimate capacity. Therefore, the sum of ARWA delivery amounts exceeds the total quantity to be delivered on an annual basis.

#### 4.2.1 Water Treatment

GBRA and ARWA have developed project costs for independent treatment facilities proximate to their well field locations. This alternative includes preliminary selection of one water treatment plant location providing service to both well fields and refinement of pipeline alignments from the WTP location to the proposed Maxwell Pump Station. A combined treatment plant would likely use the same treatment processes as envisioned for the independent projects and is assumed to be sized to provide a 1.5 peaking factor for ARWA supplies and a 1.0 peaking factor for GBRA supplies. Land required for a combined treatment plant with capacity of 33.5 mgd (37,500 acft/yr) is at least 23 acres. A brief review of water treatment requirements is included herein to verify assumptions used in previous GBRA studies and potentially refine costs.

#### 4.2.1.1 Plant Locations

Two locations (Central and South) are evaluated herein for a shared 33.5 mgd WTP. Proposed WTP locations should be above the 100 year floodplain, be near conceptual pipeline transmission routes and well fields, have reasonable access to power service, minimize existing utility conflicts, and have paved road access. The ARWA Independent alternative was based on a preliminary location in Caldwell County near the intersection of FM 713 and SH 304 in Rosanky, Texas. However, since the analysis of the ARWA Independent alternative, ARWA has purchased a large tract 3 miles south of the preliminary site along SH 304 and Wolf Run Rd. Figure 6 shows the location of the purchased WTP site (Central) along with other geographic information relevant to site selection.

The South WTP site is the initially proposed GBRA WTP site in the GBRA Independent alternative and is located on a 48 acre parcel in Gonzales County in the southwestern portion of the Carrizo well field north of IH 10. The site borders CR 438 to the west with access to SH 304 to the east. An existing Bluebonnet Electric Cooperative transmission line borders the site the south. Figure 7 shows the location of the South WTP site along with other geographic information relevant to site selection.





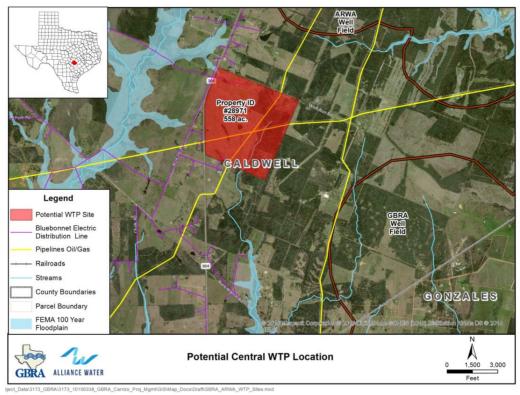
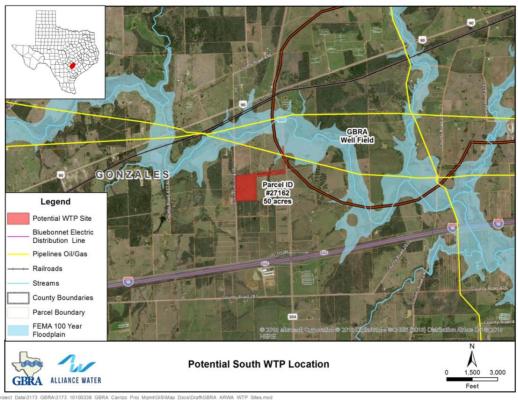


Figure 7. Potential South WTP Location



#### 4.2.1.2 Water Quality and Treatment Requirements

Potential water quality concerns to be addressed in treatment of groundwater from the Carrizo Aquifer in Gonzales County are high metal (Iron, Manganese) concentrations and corrosivity. Groundwater quality characteristics in Gonzales County are summarized in Table 8. Reported values of iron and manganese consistently exceed the secondary drinking water standards. Corrosivity concerns are due to low alkalinity, hardness, and pH levels which can damage pumps and treatment tanks. The groundwater will need to be stabilized as part of the treatment process.

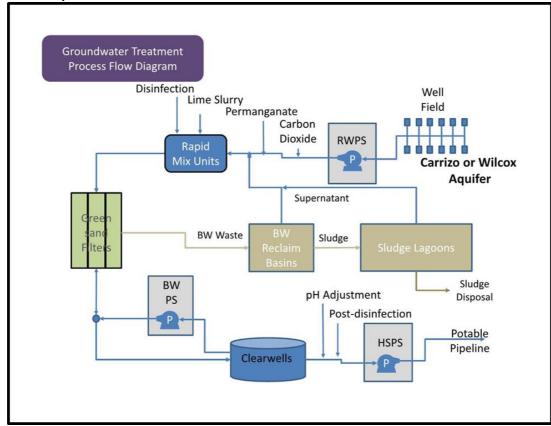
The proposed treatment process to address water quality concerns for the groundwater is detailed in Figure 8. The specific process includes rapid mix units, greensand filters, backwash reclaim basins, sludge lagoons, and clearwells. Water will be pH adjusted and disinfected prior to transmission. Greensand media is recommended for oxidation and removal of iron and manganese. Note that the availability of greensand media has become very limited. Manufacturers are now offering other types of manganese oxide coated media instead. Schertz-Seguin Local Government Corporation (SSLGC) operates a similar plant treating similar groundwater quality.

Table 8. Water Quality for Carrizo Aquifer in Gonzales County

		Regulatory		s County V	Vells
Parameter	Units	Limits	Average	Rar	nge
pH (field)	s.u.	6.5-8.5	6.2	5.83	6.87
Temp (field)	°C	N/A	27.8	26.7	29.1
CO <sub>2</sub> (field)	mg/L	N/A	58.7	44	64.7
Total Hardness as CaCO3	mg/L	N/A	70.9	30.3	164
Total Alkalinity as CaCO3	mg/L	N/A	32.6	17.5	67.5
Total Iron	mg/L	0.30*	1.24	0.875	2.14
Total Manganese	mg/L	0.05*	0.0875	0.0467	0.14
Calculated Corrosion Indices		Recommended	Average	Rar	nge
Aggressive Index		>12	9.3	8.4	10.7
Ryznar Index		6.5-7.0	11	8.8	12.4
Langelier Index		>0	-2.4	-3.3	-1
Larson's Ratio		>5.0	0.6	0.3	1.2

<sup>\*</sup> Indicates Secondary MCL





**Figure 8. Proposed Groundwater Treatment Process** 

#### 4.2.2 Alternatives for Treatment and Transmission to Maxwell Pump Station

Considering the two potential WTP locations for shared treatment, alternative transmission pipeline routes to the Maxwell Pump Station have been evaluated. Pipeline routes were identified using GIS and evaluated using hydraulic modeling with the objectives of minimizing cost and impact. Key cost drivers include total length, utility conflicts, stream and road crossings, construction and maintenance access (proximity to roads), and topography. Pipeline alignments parallel roads or existing easements where possible; however, cross country routing is used where it is expected to reduce project costs. Figure 9 shows the original ARWA Segment 1 alignment from the preliminary WTP site and the two alternative shared transmission alignments based on the Central and South WTP sites.

Hydraulic analyses were performed to determine pipeline diameters and pump station requirements to support efficient transmission from the proposed WTP locations. Hydraulic assumptions included delivery of 27,000 acft/yr (15,000 acft/yr ARWA + 12,000 acft/yr GBRA) to the Maxwell Pump Station and 3,000 acft/yr to the Luling-Lockhart Pipeline serving Lockhart. High service pump station and transmission pipeline capacities reflect a 1.5 peaking factor for ARWA and uniform delivery for GBRA. Pipeline lengths and pump station horsepower requirements are summarized in Table 9. The Central alternative pipeline route is 2.7 miles shorter than the ARWA Segment 1 route. The Central alternative has the least cost for combined treatment and transmission to the Maxwell Pump Station. Hence, the Central alternative is

WTP



selected for evaluations of shared facilities service to ARWA members, Lockhart, GBRA TWDS, and New Braunfels summarized in Section 4.3.3.

Mustang Legend Hillside GST Potential Route **Existing Pipeline** BASTROP Lockhart Delivery Original ARWA Alternative Lockhart Pump Station CALDWELL ARW RWDS Central WTP Luling-Lockhart Pipeline FM 1979 GBRA South

Figure 9. Alternative Treatment Sites and Transmission Routes to Proposed Maxwell Pump Station

**Table 9. Routing Alternatives from Combined WTP Sites** 

GBRA ALLIANCE WATER

Route	Length (LF)	Dia (IN)	НР	Peak Flowrate (MGD)
ARWA Segment 1	149,440	42	3,529	33.5
Central WTP	135,005	42	3,543	33.5
South WTP	158,824	42	4,647	33.5

## 4.2.3 ARWA-GBRA Shared Facilities Alternative (Service to ARWA Members, Lockhart, GBRA TWDS, and New Braunfels)

For this shared facilities alternative, GBRA and ARWA are assumed to use the Central WTP location and deliver a total of 30,000 acft/yr to ARWA Members, Lockhart, GBRA TWDS (Goforth SUD), and New Braunfels. A conceptual layout of the ARWA - GBRA Shared Facilities alternative is provided in Figure 10. Annual delivery volumes are summarized in Table 7. GBRA will share capacity with ARWA in the Central WTP, Segment 1 between the Carrizo WTP and the Maxwell PS, the Spur 1 pipeline between the Maxwell



PS and the San Marcos WTP, and the Segment 3 pipeline between the Maxwell PS and Green Valley SUD DP1.

The GBRA Carrizo well field infrastructure costs and assumptions are similar to those used in the GBRA Independent alternative (Section 4.1), however, collection system costs have been revised from the GBRA Independent for delivery to the Central WTP location. ARWA well field costs are assumed equal to those used in the ARWA Independent alternative because the Central WTP location is immediately adjacent to the ARWA well field.

The Luling-Lockhart pipeline is used to deliver water to Lockhart. With pump station improvements, the IH-35 TWDS has sufficient capacity to convey 4,000 acft/yr to the GBRA Hillside GSTs for Goforth SUD connection. A 42-inch diameter pipeline will convey treated water from the Central WTP site to the Maxwell Pump Station. Spur 1 to the San Marcos WTP will need to be sized at 36 inches in diameter for the required delivery amounts and rates associated with peaking. ARWA Independent alternative pipeline diameters are upsized along Segment 3 to convey GBRA deliveries for New Braunfels. Figure 11 shows the hydraulic grade line for delivery from the shared Central WTP site to the San Marcos WTP along the recommended route and Figure 12 shows the hydraulic grade line for delivery from the Maxwell PS to the New Braunfels area.

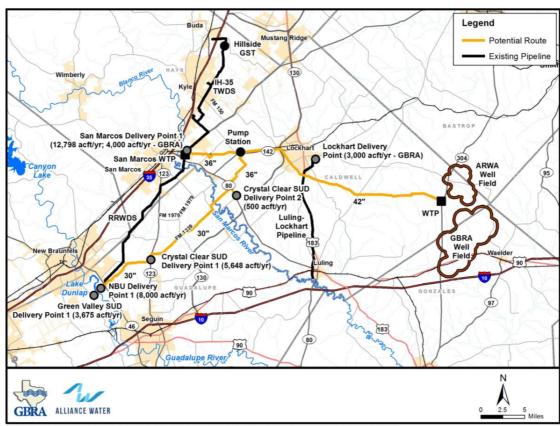


Figure 10. ARWA-GBRA Shared Facilities Alternative

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Figure 11. Hydraulic Grade Line for Delivery from Central WTP to San Marcos WTP (ARWA-GBRA Shared Facilities)

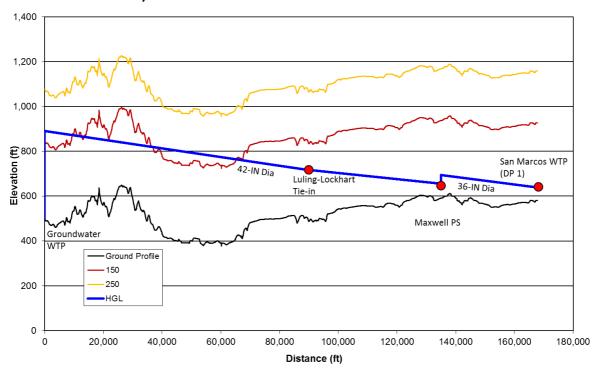
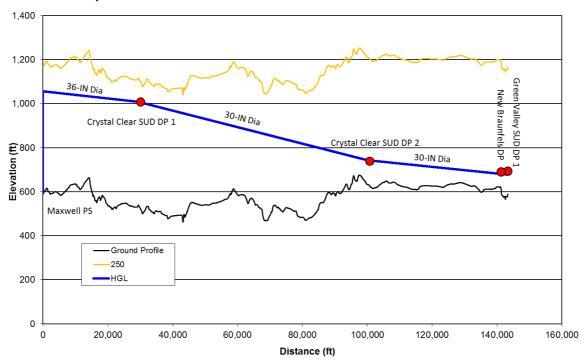


Figure 12. Hydraulic Grade Line for Delivery from Maxwell PS to GVSUD DP1 (ARWA-GBRA Shared Facilities)





Total project and annual costs to deliver water under the ARWA-GBRA Shared Facilities alternative are summarized in Table 10. Costs for the Maxwell Pump Station are included in Table 13 as separate line items associated with delivery through Spur 1 and Segment 3. Estimated total project cost for production, treatment, and delivery of 30,000 acft/yr is \$286.1 million.

Table 10. Cost Estimate Summary for ARWA - GBRA Shared Facilities Alternative (January 2017 Prices)

Item	Estimated Cost for Facilities
CAPITAL COST	70.7 40
ARWA Well Fields (Wells, Pumps, and Piping) <sup>1</sup>	\$12,444,000
GBRA Well Fields (Wells, Pumps, and Piping)	\$26,710,000
Water Treatment Plant (33.5 MGD)	\$55,367,000
High Service Pump Station (33.5 MGD)	\$8,774,000
Transmission Pipeline Segment 1 (42 in dia., 25.6 miles)	\$38,402,000
Transmission Pump Station 2 to San Marcos DP1	\$2,807,000
Transmission Pipeline Spur 1 to San Marcos DP1 (36 in dia., 6 miles)	\$6,146,000
Transmission Pump Station 3 to GVSUD DP1	\$5,688,000
Transmission Pipeline Segment 3 to GVSUD DP1 (36 in dia., 30 in dia. 27 miles)	\$31,297,000
GBRA TWDS Improvements	\$3,287,000
GBRA Integration Facilities	\$2,000,000
TOTAL COST OF FACILITIES	\$192,922,000
Engineering and Feasibility Studies, Legal Assistance, Financing, Bond Counsel,	
and Contingencies (30% for pipes & 35% for all other facilities)	\$63,731,000
Environmental & Archaeology Studies and Mitigation	\$2,348,000
Land Acquisition and Surveying (508 acres)	\$8,415,000
Interest During Construction (4% for 2 years with a 1% ROI)	<u>\$18,720,000</u>
TOTAL COST OF PROJECT	\$286,136,000

<sup>&</sup>lt;sup>1</sup> Costs provided by Graham Moore (August 16, 2017). 35 percent for engineering and contingencies has been backed out of the capital costs, but recalculated in the other project costs.

### 5. Potential Cost Savings with Shared Facilities

### 5.1 Comparison to GBRA Independent Alternative

Total project cost for the GBRA Independent alternative (as described in Section 4.1), which includes direct service to New Braunfels, is \$182.2 million. Conveying an additional 15,000 acft/yr of ARWA supplies under the ARWA-GBRA Shared Facilities alternative would add \$103.9 million for a total project cost of \$286.1 million.

Assuming project capital costs of shared facilities are pro-rated on the basis of treatment and transmission capacity desired by ARWA (1.5 peaking factor) and GBRA (uniform delivery), one may assess potential savings to each entity realized by cooperative, rather than independent, project implementation. A summary of the capacity proration assumptions by scenario is in Table 11. From a GBRA perspective, as illustrated in Figure 13, savings associated with shared facilities are about \$52.4 million.

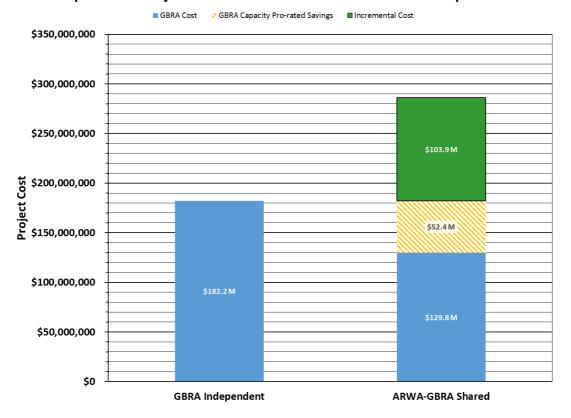
Additional savings would continue to accrue to ARWA and GBRA on an annual basis through reduced interest paid during the debt service period and through reduced operations and maintenance costs throughout project life.

Table 11. Capacity Proration for ARWA-GBRA Shared Facilities

ltem	GBRA Capacity (MGD) <sup>1</sup>	ARWA Capacity (MGD) <sup>2</sup>	GBRA Capacity Percentage
GBRA TWDS Improvements	3.57	0.00	100%
Transmission Pump Station 1	13.39	20.09	40%
Transmission Pipeline Segment 1	13.39	20.09	40%
Transmission Pump Station 2	3.57	17.14	17%
Transmission Pipeline Segment Spur 1	3.57	17.14	17%
Transmission Pipeline Segment 3	7.14	13.16	36%
Transmission Pump Station 3	7.14	13.16	36%
GBRA Well Fields	13.39	0.00	100%
ARWA Well Fields	0.00	20.09	0%
Water Treatment Plant	13.39	20.09	40%

<sup>&</sup>lt;sup>1</sup> Uniform delivery or 1.0 peaking factor for GBRA supplies.

Figure 13. Comparison of Project Costs with Shared Facilities to GBRA Independent Alternative



<sup>&</sup>lt;sup>2</sup> Includes 1.5 peaking factor for ARWA supplies.

### 5.2 Budget and Timing

Estimated project costs by category and time incurred for the GBRA portion of the ARWA-GBRA Shared Facilities alternative project are shown in Table 12. The timing of costs incurred shown in Table 12 is consistent with the project implementation schedule in Appendix A. Category totals in Table 12 are consistent with TWDB Form 1201 submitted with the SWIFT application for this project and include well field lease purchase and payments, GCUWCD fees, and supplemental contingencies.

Table 12. Proposed Multi-Year Commitment Schedule for GBRA's Portion of ARWA-GBRA Shared Facilities Alternative

Schedule of Estimated		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Costs <sup>1</sup>	Total	2018	2019	2020	2021	2022	2023
Construction	\$87,574,000	\$516,667	\$7,674,083	\$5,780,250	\$16,387,250	\$37,756,778	\$19,458,972
Basic Engineering	¢12 719 206	¢1 964 716	¢2 107 567	¢2 424 524	\$1,993,843	\$1,282,494	\$1,038,242
Fees Special	\$12,718,396	\$1,864,716	\$3,107,567	\$3,431,534	\$1,993,643	\$1,202,49 <del>4</del>	\$1,036,242
Services	\$1,878,000	\$1,218,249	\$605,660	\$24,091	\$30,000	\$0	\$0
Other	\$35,381,262	\$31,208,263	\$1,724,732	\$2,146,484	\$301,783	\$0	\$0
Fiscal Services	\$4,719,529	\$1,956,593	\$0	\$1,279,123	\$1,483,813	\$0	\$0
Contingency	\$23,303,812	\$0	\$1,736,034	\$7,452,163	\$7,277,163	\$3,796,163	\$3,042,289
Totals	\$165,574,999	\$36,764,488	\$14,848,076	\$20,113,645	\$27,473,852	\$42,835,435	\$23,539,503

<sup>&</sup>lt;sup>1</sup> Costs in January 2017 Prices.

### 6. Environmental

#### 6.1 Environmental Constraints Evaluation

HDR conducted a desktop evaluation of environmental constraints for the preliminary GBRA well field configuration which is currently permitted and used as a basis for conceptual engineering and cost evaluation in this report. Under new GCUWCD rules adopted in 2017, however, production wells may be installed closer to one another with higher production rates than previously allowed thereby reducing the costs of a collection system and avoidance or mitigation of environmental impacts. While actual locations for well installation will ultimately be determined during the design phase of CGSP implementation, HDR has tentatively identified a concentrated well field configuration compliant with current GCUWCD rules and conducted a desktop evaluation of environmental constraints for it as well. Database information for streams, wetlands, cultural resources, soil types, FEMA designated floodplains, and state/federal species of concern were evaluated using Geographic Information Systems (GIS). While the preliminary configuration included approximately 25 miles of pipeline, the concentrated layout would only require approximately 5.5 miles of pipeline, which could result in an approximately 78% reduction in length of pipeline required for the project as illustrated in Figure 14.



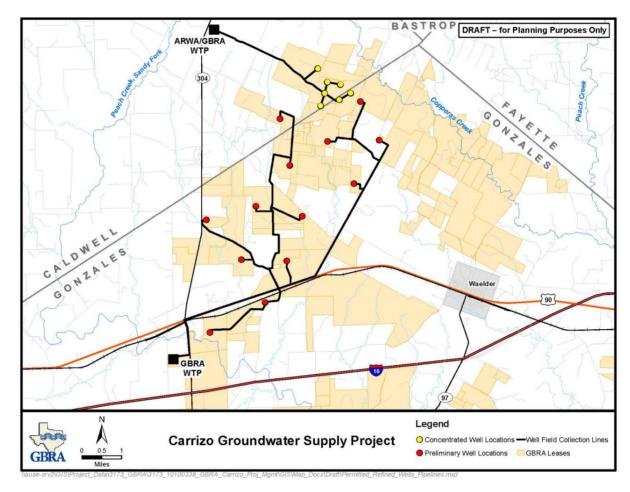


Figure 14: Preliminary and Concentrated Well Locations and Well Field Collection Lines

### Stream Crossings and Potential Waters of the U.S.

The number of streams crossed by a project (Table 13) is an important factor in evaluating environmental impacts, costs, and the potential for wildlife and unknown cultural resources. The concentrated configuration would allow a substantial (91%) reduction of stream crossings in comparison to the preliminary configuration, as shown in Figure 15. Also, higher order intermittent stream crossings are estimated to be reduced from five for the preliminary configuration to zero for the concentrated configuration.

**Table 13. Summary of Stream Crossings** 

Stream Type	Preliminary Configuration	Concentrated Configuration
Ephemeral	29	3
Intermittent	5	0
Total	34	3

#### **Native Woodlands**

As indicated in Table 14 and illustrated in Figure 15, the concentrated well field configuration would substantially reduce estimated construction and right-of-way impacts (87%) to native woodland (Post Oak Savannah, Riparian Forests).

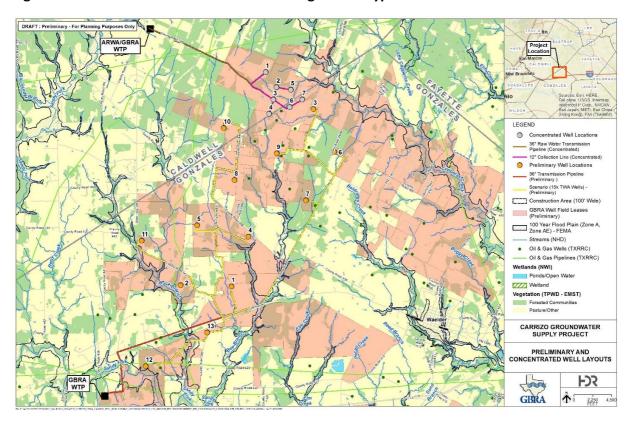
**Table 14. Summary of Predominant Vegetation Types** 

Туре	Preliminary Configuration (Acres)	Concentrated Configuration (Acres)
Forested Communities	72.1	9.7
Pasture / Other	230.6	56.8
Total	302.7	66.5

#### **Cultural Resources**

No known cultural resource sites are located within the anticipated project area of either well field configuration; however, the reduction of ground disturbance area by approximately 236 acres and the avoidance of intermittent stream crossings associated with well field concentration will minimize the potential for encountering unknown cultural resources.

Figure 15: Waters of the United States and Vegetation Types



#### 6.2 TWDB Environmental Review

HDR anticipates that the proposed GBRA CGSP may qualify for a split State-level environmental review. The locations and configuration of the delivery points to Lockhart, San Marcos WTP (for Goforth SUD), and New Braunfels Utilities are currently being coordinated with GBRA's customers. HDR believes this portion of the project will qualify for a Determination of No Effect (DNE) due to the fact that the delivery points are anticipated to be in previously disturbed locations as a result of agriculture and infrastructure development. Additionally, the delivery points may be considered a minor extension of existing facility sites. Following completion of preliminary layout development, HDR intends to submit a DNE Request form, including full project description and project location maps, to the TWDB for review. HDR will coordinate with the TWDB Environmental Reviewer to confirm that this project component qualifies for a DNE.

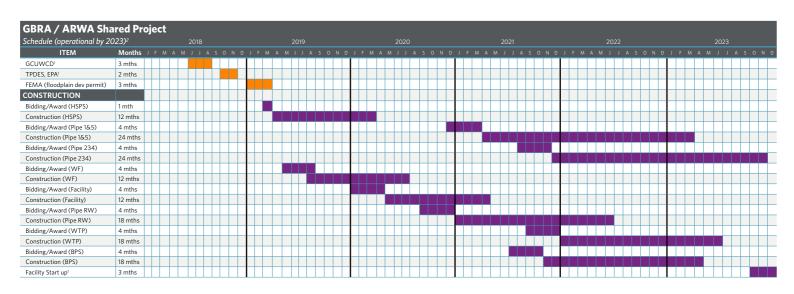
HDR will prepare an Environmental Data Form (EDF) for the well field and raw water collection system portion of the project following the conclusion of GBRA and ARWA negotiations, alternatives analysis, and planning level design evaluations. Where practicable, it is anticipated that GBRA and ARWA may share easements for parallel segments of their raw water collection/transmission lines to the WTP. It is currently anticipated that ARWA and its consultants will be responsible for preparing the EDFs for the shared treatment and treated water transmission facilities.

### Appendix A – Project Implementation Schedule

### Mid-Basin Carrizo Groundwater Supply Project Timeline



### Mid-Basin Carrizo Groundwater Supply Project Timeline



## Associated PIF PDF

The following document is for associated PIF #12577



OLA ID 984252 PIF No. 12577

Entity Name: Guadalupe Blanco RA

Project Name: Mid-Basin Water Supply Project

(MBWSP) - Conjunctive Use

with Aquifer Storage &

Recovery (ASR)

### TABLE OF CONTENTS

**General Information** 

**Contact Information** 

Service Area

**Project Description** 

Document - WaterSystemList

Readiness to Proceed to Construction

**Estimated Costs** 

**Document - AnticipatedCommitments** 

Submittal

### **General Information**

**Project Information** 

Funding Type: SWIFT

### **Contact Information**

County: Guadalupe

Entity Contact Information	Engineering Firm Contact Information
Name of Entity: Guadalupe Blanco RA	Name of New Entity:
Prefix: Mr.	Prefix:
First Name: Darrell	First Name:
Last Name: Nichols	Last Name:
Addr 1: 933 E Court St	Addr 1:
Addr 2:	Addr 2:
City: Seguin	City:
State: TX	State: TX
Zip: 78155-0000	Zip:
Phone: (830) 379-5822	Phone:
Fax:	Fax:
Suffix:	Suffix:
OrgName:	OrgName:
DeptName:	DeptName:
Title: Senior Deputy General Manager	Title:
Email: dnichols@gbra.org	Email:
	Firm Name:
Make Changes: Y	Make Changes: Y
No Entity TxWISE Id	No Engineering TxWISE Id

### Service Area

Population Served: 237,900

### **Project Description**

Project Name: Mid-Basin Water Supply Project (MBWSP) - Conjunctive Use with Aquifer Storage

& Recovery (ASR)

Where can Project be found in the most recent Regional Water Plan?

Project listed on page: : 5.2.32-15

Capital costs on page: : 5.2.32-13

Region: L - SOUTH CENTRAL TEXAS

Phase(s) Applied For

Planning: Y Acquisition: Y Design: Y

Construction: Y

### **Emergency**

Applicant/entity's water supply will last less than 180 days.: N

Applicant has received or applied for Federal emergency funding.: N

None of the above.: Y

Agricultural Efficiency Project?: N

Estimated average annual residential water bill: \$544.92

Annual Median Household Income: \$59,600

Project will produce water: N Project will conserve water: N

Please provide the volume of water anticipated to be produced or conserved by the project per

decade:

2020	2030	2040	2050	2060	2070
0	15000	15000	15000	15000	15000

Project will address water loss: N

Description of Proposed Project Components: GBRA's Mid-Basin Water Supply Project (MBWSP) is a multi-phased and multi-sourced project intended to meet the immediate and projected needs of GBRA's existing customers and other entities within its statutory district. Phase 1 of the MBWSP will produce 15,000 acft/yr of firm groundwater supply from the Carrizo Aquifer in Gonzales and Caldwell Counties using planned wells operating under current leases owned by GBRA and current permits from the Gonzales County Underground Water Conservation District held by GBRA. This groundwater will be treated in a planned water treatment plant near the well field and delivered through planned and improved existing transmission systems to make water available to contracted customers, including the cities of New Braunfels and Lockhart and the Goforth Special Utility District.

Phase 2 of the MBWSP is planned to deliver an additional firm supply of 27,000 acft/yr based on surface water diversions from

the Guadalupe Rivernear Gonzales under Water Use Permit #12378 pending before the Texas

### Commission on Environmental

Quality. Interruptible run-of-river diversions under this permit will be made firm using aquifer storage &recovery (ASR) and/or off channel reservoir storage. Majorproject components planned for this phase of the MBWSP include river intake & pump station, raw water transmission, off-channel reservoir storage, treatment, aquifer storage &recovery (ASR), and treated water transmission

facilities. These newsupplies are expected to meet projected needs within Caldwell, Comal, Gonzales, Guadalupe, and Hays Counties.



# Abridged Application Due February 2, 2018 by 5:00pm

Submit via email: SWIFT@twdb.texas.gov

By submitting this abridged application, you understand and confirm that the information provided is true and correct to the best of your knowledge and further understand that the failure to submit a complete abridged application by the stated deadlines, or to respond in a timely manner to additional requests for information, may result in the withdrawal of the abridged application without review.

NOTE: You may also complete and submit your Abridged Application online at https://ola.twdb.texas.gov/.

GENERAL INFORMATION					
	Name of Entity	County	Regional Water Planning Area		
	Guadalupe-Blanco River Authority	Caldwell, Calhoun, Comal, Dewitt, Gonzales, Guadalupe, Hays, Kendall, Refugio, Victoria	South Central Texas (Region L)		

		Entity Co	ntact Information				
6	Name	Darrell Nichols		19:	Ferm		
Contact Person	Title	Senior Deputy General Manag	er				
		933 East Court Street					
Mailing Add	ress	Seguin, Texas 78155			1, 12/11		
			144				
Phone Number (830) 37		(830) 379-5822	Fax Number	(830) 379-9718			
Email Addr	ess	dnichols@gbra.org					

PROJECT DESCRIPTION						
Name of Project (As it appears in the 2017 State Water Plan)	Mid-Basin Water Supply Project (MBWSP) – Conjunctive Use with Aquifer Storage & Recovery (ASR)					
Where can the project be found in the most recent Regional Water Plan?	Project described on pages:	Substitution Addendum pp. 5.1-8 & 5.1.9 and Regional Water Plan pp. 5.2.32-1 to 5.2.32-15	Capital costs listed on page:	Regional Water Plan p. 5.2.32-13		
Phase(s) Applied For		□ Acquisition	□ Design	□ Construction		
Population Served When Fully Operational	127,200 @ 2030 ar	nd 237,900 @ 2070 pe	er 2017 State Water	Plan data.		



10:5 CL 8107



### **Abridged Application**

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#### **Description of Proposed Project Components**

GBRA's Mid-Basin Water Supply Project (MBWSP) is a multi-phased and multi-sourced project intended to meet the immediate and projected needs of GBRA's existing customers and other entities within its statutory district.

Phase 1 of the MBWSP will produce 15,000 acft/yr of firm groundwater supply from the Carrizo Aquifer in Gonzales and Caldwell Counties using planned wells operating under current leases owned by GBRA and current permits from the Gonzales County Underground Water Conservation District held by GBRA. This groundwater will be treated in a planned water treatment plant near the well field and delivered through planned and improved existing transmission systems to make water available to contracted customers, including the cities of New Braunfels and Lockhart and the Goforth Special Utility District.

Phase 2 of the MBWSP is planned to deliver an additional firm supply of 27,000 acft/yr based on surface water diversions from the Guadalupe River near Gonzales under Water Use Permit #12378 pending before the Texas Commission on Environmental Quality. Interruptible run-of-river diversions under this permit will be made firm using aquifer storage & recovery (ASR) and/or off-channel reservoir storage. Major project components planned for this phase of the MBWSP include river intake & pump station, raw water transmission, off-channel reservoir storage, treatment, aquifer storage & recovery (ASR), and treated water transmission facilities. These new supplies are expected to meet projected needs within Caldwell, Comal, Gonzales, Guadalupe, and Hays Counties.

Emergency (select all that apply)		☐ Applicant	☐ Applicant has received or applied for Federal emergency funding.				
Agricultural Efficienc	y Project?	□ Yes ⊠ No					
Household Cost Factor  (Household Cost Factor for SWIFT prioritization is calculated by dividing the service area's average residential water bill by its annual median household income.  For regional projects, these should represent the combined service areas of all participating entities.)							
Estimated average ar residential water bill	nnual N/A - GBR	A is Wholesale	Annual Median Household Income:		9,600 @ 2016		
The proposed project	t addresses:	☐ Conservation ☐	] Water Loss ⊠ N/A				
	Volume o	of Water Produced/Cor	nserved (in Acre/Feet per Year	)			
2020	2030	2040	2050	2060	2070		
0	15,000	15,000	15,000	15,000	15,000		
Readiness to Proceed  (select all that apply)  Preliminary planning or design work (30% of total project) has be completed or is not required.  Applicant is prepared to begin implementation or construction we months of application deadline.  Applicant has acquired all water rights associated with the proportion or construction we month the proportion of application deadline.					truction within 18		



ESTIMATED C	OSTS						
Low-interest Loan	Low-interest Loan	\$39,815,833					
	Deferred Loan	\$12,693,600					
	Other:	\$0					
	Total Estimated Project Costs	\$216,772,766					
	ticipated Commitments If schedule for multi-year commitments	☐ One-Time Commitment	☑ Multi-Year Commitments				
	ated Debt Service Structure xplanation if requesting non-level debt service.	☐ Level	☑ Other Request				

### Required Attachments:

- A list of all water systems served by Phase 1 of the proposed project:
  - a) New Braunfels Utilities (City of New Braunfels);
  - b) Goforth Special Utility District; and
  - c) City of Lockhart.
- Proposed multi-year commitment schedule for Phase 1 of the proposed project:

Schedule of Estimated Cos for GBRA's MBWSP	ts <sup>1</sup> Total	Year 1 2018	Year 2 2019	Year 3	Year 4 2021	Year 5 2022
Land Acquisition	\$5,772,000	\$2,000,000	\$3,772,000	\$0	\$0	\$0
Planning and Design	\$12,693,600	\$12,693,600	\$0	\$0	\$0	\$0
Construction	\$193,307,166	\$31,443,136	\$41,446,136	\$78,328,770	\$42,089,124	\$0
Tot	als \$211,772,766	\$46,136,736	\$45,218,136	\$78,328,770	\$42,089,124	\$0

<sup>&</sup>lt;sup>1</sup> Costs in January 2017 Prices.

See the attached project timeline consistent with the above schedule of estimated costs.

Explanation of requested debt service structure (if applicable)

This project involves the development of a well field located primarily in Gonzales County to provide up to 15,000 acft/yr of treated water to New Braunfels Utilities, Goforth Special Utility District, and the City of Lockhart. The project includes multiple wells, a water treatment plant, pump stations, and more than 50 miles of transmission lines. Board Participation is being requested as the project is a long term water supply in the State Water Plan with infrastructure that is being right-sized for ultimate capacity and most of that capacity will not be utilized within the first 8 to 10 years.

### Readiness to Proceed to Construction

Preliminary planning or design work (30% of total project) has been completed or is not required.: N

Applicant is prepared to begin implementation or construction within 18 months of application deadline.: Y

Applicant has acquired all water rights associated with the proposed project, or none will be required.: Y

### **Estimated Costs**

**TWDB Requested Amount** 

Low-Interest Loan Amount: \$39815833.00

Deferred Loan Amount: \$12693600.00

Board Participation Amount: \$159263333.00

Local Contribution Amount: \$5000000.00

Other Amount: Other Desc:

Total Estimated Project Costs: \$216772766.00

Anticipated Debt Service for 2018 Loan Closing is anticipated to be:: OTHER-REQUEST

If not anticipating level debt service, please explain: [Space reserved for applicant]



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GENERAL I	NFORMATION	(5) (1) (2) (4) (4) (4) (4) (4) (4)		
	Name of Entity  Guadalupe-Blanco River Authority	County	Regional Water Planning Area	
	Guadalupe-Blanco River Authority	Caldwell, Calhoun, Comal, Dewitt, Gonzales, Guadalupe, Hays, Kendall, Refugio, Victoria	South Central Texas (Region L)	

		Entity Co	ntact Information				
6	Name	Darrell Nichols		19:	Ferm		
Contact Person	Title	Senior Deputy General Manag	er				
		933 East Court Street					
Mailing Add	ress	Seguin, Texas 78155			1, 12/11		
			144				
Phone Number (830) 37		(830) 379-5822	Fax Number	(830) 379-9718			
Email Addr	ess	dnichols@gbra.org					

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10:5 CL 8107



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### **Submittal**

I, NO SUBMITTED NAME ENTERED, as the designated authorized representative of the Guadalupe Blanco RA, hereby approve and authorize the submission of this project information form to the Texas Water Development Board. I certify that all information contained herein is true and correct to the best of my knowledge. I understand the failure to submit a complete project information form by the stated deadlines may result in the withdrawal of the form without review.

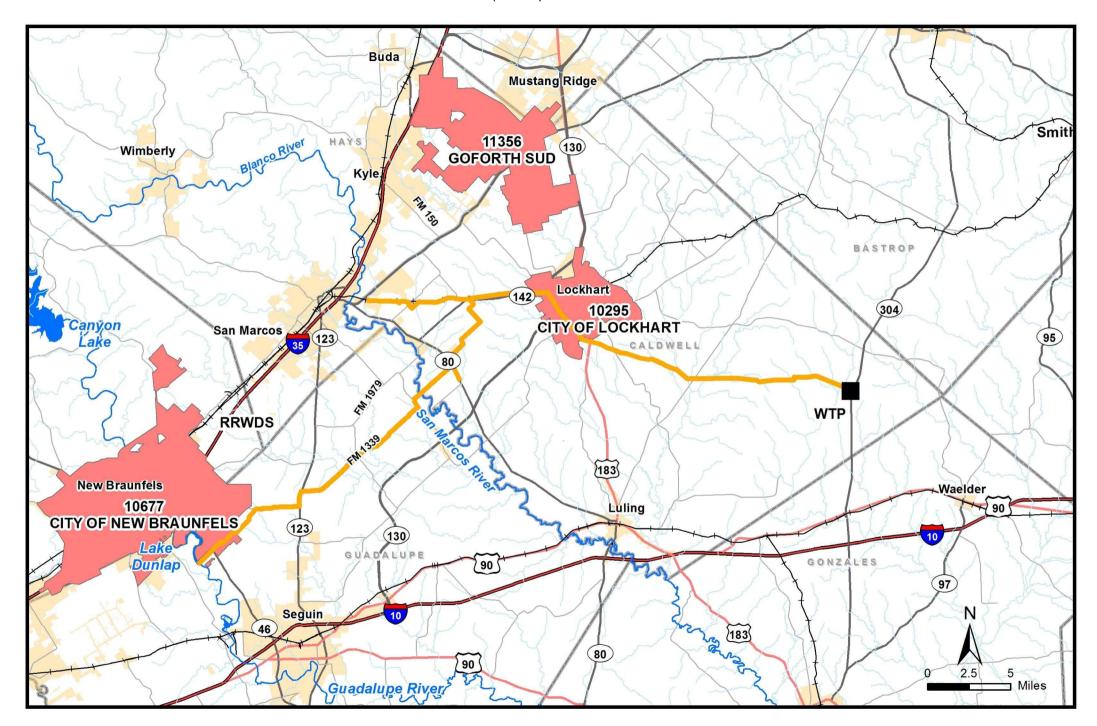
Submitted by: NO SUBMITTED NAME ENTERED

Telephone Number: NO SUBMIT PHONE NUMBER ENTERED

Submitted date: NO SUBMIT DATE ENTERED

		Те		r Developme roject Inform						
A. Project Name GBRA Mid-Basin Water Supply Proj Carrizo Groundwater Supply Project		B. Project				C. (	C. County			
D. Program(s) SWIFT		E. Date 5/4/2018	3			F. I	Regional Planning	Group (A-P)		
G. Water Project Description: (Multi GBRAs Mid-Basin Water Supply needs of GBRAs existing customers groundwater supply from the Carr GBRA and current permits from th a planned water treatment plant in available to contracted customers,	Project (MBW s and other en izo Aquifer in ( e Gonzales Co lear the well fi	SP) is a m tities with Sonzales a unty Unde eld and de	ulti-phase in its statuand Caldword Caldword Verground Velivered the Braun area affect	d and multi-s atory district. ell Counties i Vater Consei rough planno fels and Lock cted by Proje	Phase 1 cusing planne vation Distred and imprehent the contraction of	ect in of the of the oved oved occurrent over oved occurrent over over over over over over over over	ntended to meet to meet to meet to MBWSP will pro- ells operating undueld by GBRA. This existing transmis orth Special Utilitumentation.	the immediate duce 15,000 ac er current lease groundwater wasion systems to y District.	ft/yr of firm s owned by ill be treated in make water	
H. Is an Inter Basin Transfer potenti  Yes □ No □	-		I. Is proje Yes □	ct located in	a Groundwa	iter D	istrict (If yes, iden	, ,	ame)? No □	
J. Service Area Projected	Current F	opulation	n		F	Proie	cted Population			
<b>Population</b> for at least a 20 year period:	Year:	2017		2020	2025	,.	2030	2035	2040	
(if different from Planning Area, discuss in separate attachment)	Population:									
Project Design Year: (Year for which project will be size	red)	20	Design Population: (Population served by project on the design year)							
K. Is the proposed project included (If <b>Yes</b> , please specify on w		•					't Know □ Substit e Number: RWP		• •	
L. What type of water source is ass	ociated direc	ly with th	e propos	ed project?	Surface Wa	ater [	☐ Groundwate	er □ Reuse		
M. Will the project increase the volu	ıme of water sı	upply?	Yes □	No □						
N. What volume of water is the project	ect anticipated	to deliver	/ treat per	year?			Acre-Feet/Yea	ar		
O. Current Water Supply Informatio		0 00				_			111.9	
Surface Water Supply Source / Pro	vider Names	Certifica	ite No.		Source	rce County		Annual Vo	Annual Volume and Unit	
Groundwater Supply Aquifer		Well Fie	eld location	1	Source	ce County Annual Volum		lume and Unit		
Reuse Water		Certifica	ate No.		Annual	Amo	unt Used and Uni	t		
P. Proposed Water Supply Associa				ect	l					
Surface Water Supply Source / Pro	vider Names	Certifica	ate No.		Source	Cou	nty	Annual Vo	lume and Unit	
Groundwater Supply Aquifer Well Field location Source County Annual Volume at					lume and Unit					
Reuse Water		Certifica	ite No.		Annual	Amo	unt Used and Uni	t		
Q. Consulting Engineer Name		ı	Telepho	ne No.	L		E-mail address			
R. Applicant Contact Name, Title			Telepho	ne No.			E-mail address			

All boxes on this form must be filled out for the application to be administratively complete. Items may be marked as N/A if appropriate.



### GBRA Carrizo Groundwater Supply Project Current Water Supply Information for GBRA Customers

Table 1. Surface Water

Entity	Supply Source	Certificate	Source County	Annual Volume (acft/yr)
New Braunfels	Canyon Reservoir	CA#18-2074	Comal	9,720
	·	CA#18-3823		
New Braunfels	Run-of-River	CA#18-3824	Comal	1,294
		CA#18-3896		
Lockhart	Run-of-River*	P#5234, P#3600	Caldwell	1120*
Goforth SUD	Canyon Reservoir	CA#18-2074	Comal	1,050

<sup>\*</sup> Interruptible Supply

Table 2. Groundwater

		Well Field		Annual Volume
Entity	Supply Aquifer	Location	Source County	(acft/yr)1
New Braunfels	Edwards Aquifer	Comal County	Comal	5,528
		Comal, Bexar		
New Braunfels	Trinity Aquifer	Counties	Comal, Bexar	750
Lockhart	Carrizo Aquifer	Caldwell County	Caldwell	2,063
		Hays, Travis		
Goforth SUD	Edwards Aquifer	Counties	Hays, Travis	122
Goforth SUD	Trinity Aquifer	Hays County	Hays	3,110

<sup>1 -</sup> As reported on the TWDB interactive 2017 Texas State Water Plan website.

Table 3. Reuse

			Annual Volume
Entity	Source	Certificate	(acft/yr)¹
New Braunfels	Reuse	N/A	107

<sup>1 -</sup> As reported on the TWDB interactive 2017 Texas State Water Plan website.