

# **Baytown Area Water Authority**

Annual Financial Report

(A Component Unit of the City of Baytown, Texas)

For the Fiscal Year Ended September 30, 2024

**Baytown Area Water Authority**  
 Annual Financial Report  
 For the Fiscal Year Ended September 30, 2024  
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# BAYTOWN AREA WATER AUTHORITY

7425 Thompson Rd  
Baytown, TX 77521  
(281) 420-5310

## Transmittal Letter

January 29, 2025

To the President and Members of  
the Baytown Area Water Authority Board and  
Baytown Area Water Authority:

The financial statements of the Baytown Area Water Authority (the "Authority") for the year ended September 30, 2024 are hereby submitted. The Authority is presented as a discrete component unit of the City of Baytown (the "City") in the City's Annual Comprehensive Financial Report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with management. We believe the information, as presented, is accurate in all material respects. It is presented in a manner designed to set forth fairly, in all material respects, the financial position and results of operations of the Authority as measured and reported by its financial activity. All disclosures necessary to enable the reader to gain an adequate understanding of the Authority's financial affairs have been included.

Weaver & Tidwell, LLP, has audited the financial records of the Authority for the fiscal year ended September 30, 2024, and their opinion is included in this report. The financial statements are the responsibility of the Authority. The responsibility of the independent public accountant is to express an opinion on the Authority's financial statements based on their audit. An audit is conducted in accordance with generally accepted auditing standards. Those standards require that the audit be planned and performed in a manner to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

The timely preparation of this report could not have been accomplished without the efforts and dedication of the staff. We would like to express our appreciation to our staff and other personnel who assisted in its preparation. In addition, we would like to thank the Board of Directors for their interest and support in its planning and conducting the financial operations of the Authority in a responsible and progressive manner.

Respectfully submitted,

  
Jason Reynolds  
General Manager

  
Teresa McKenzie  
Director of Finance

# **Financial Section**

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## Independent Auditor's Report

The Board of Directors of the  
Baytown Area Water Authority of the  
City of Baytown, Texas

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Baytown Area Water Authority (the "Authority"), a component unit of the City of Baytown, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2024, 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.

#### Basis for Opinion

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

#### Other Matter

The financial statements of the Authority for the year ended September 30, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on January 31, 2024.

#### Responsibility of Management for the Financial Statements

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with GAAS, 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.

The Board of Directors of the  
Baytown Area Water Authority of the  
City of Baytown, Texas

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Texas Supplementary Information Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not required part of the basic financial statements.

The Texas Supplementary Information 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 GAAS. In our opinion, the Texas Supplementary Information Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information Included in the Annual Financial Report**

Management is responsible for the other information included in the annual financial report. The other information comprises the transmittal letter and other supplementary information, as listed in the table of contents, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas  
January 27, 2025

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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 Board of Directors of the  
Baytown Area Water Authority of the  
City of Baytown, Texas

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 Baytown Area Water Authority (the "Authority"), a component unit of the City of Baytown, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 27, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority'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 or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

The Board of Directors of the  
Baytown Area Water Authority of the  
City of Baytown, Texas

**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

The Woodlands, Texas  
January 27, 2025

## Management's Discussion and Analysis

As management of Baytown Area Water Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended September 30, 2024 and September 30, 2023. Please read the discussion and analysis in conjunction with the Authority's financial statements, which follow this section.

### Financial Highlights

- The assets exceeded liabilities at the close of the most recent fiscal year by \$76,223,155 (net position). The unrestricted net position of \$13,294,117 may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net position increased by \$4,097,422. The increase is due primarily to an increase in sales of treated water.
- Operating revenues increased by \$2.0 million.
- Operating expenses increased by \$3.9 million.
- Construction in progress decreased by \$ 5.0 million.
- Long-term liabilities (net of current portion) increased by \$20.6 million (52.6%) during the current fiscal year due to the issuance of \$21.5 million of Water Supply Contract Revenue Bonds, Series 2024.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements include the financial statements and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information in addition to the basic financial statements themselves.

The financial statements provide both long-term and short-term information about the Authority's financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units on an accrual basis. Under this, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred.

The Statement of Net Position includes all of the Authority's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. The Statement of Revenues, Expenses, and Changes in Net Position reports the Authority's net position and how it has changed. Net position is the difference between the sum of the Authority's assets and any deferred outflows of resources and the sum of liabilities and any deferred inflows of resources.

The Statement of Cash Flows presents the Authority's cash receipts, cash disbursements and net changes in cash resulting from operating, investing, and financing activities. This statement provides answers to such questions as where cash came from, what cash was used for, and what the changes in cash balances were during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to the comparison of the original adopted budget, the amended budget, and the actual amounts for the fiscal year. The required supplementary information can be found as noted in the table of contents of this report.

**Financial Analysis of the Authority**

Net position may serve over time as a useful indicator of the Authority's financial position. In the fiscal year 2024, the Authority's total net position increased from \$72,125,733 to \$76,223,155 (5.7 percent).

Unrestricted net position increased \$4,423,495 from a balance of \$8,870,632 to \$13,294,117 (49.9 percent) at the end of the fiscal year. Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants and enabling legislation.

**Baytown Area Water Authority's Net Position**

	2024	2023	2022
Current and other assets	\$ 16,657,497	\$ 9,949,496	\$ 8,458,552
Restricted assets	28,828,142	4,231,861	3,271,984
Capital assets, net	98,487,316	100,797,875	99,790,832
<b>Total assets</b>	<b>143,972,955</b>	<b>114,979,232</b>	<b>111,521,368</b>
Current liabilities	8,015,825	3,720,945	4,000,777
Noncurrent liabilities	59,733,975	39,132,554	41,306,040
<b>Total liabilities</b>	<b>67,749,800</b>	<b>42,853,499</b>	<b>45,306,817</b>
Net position:			
Net investment in capital assets	58,955,612	59,660,321	56,514,792
Restricted	3,973,426	3,594,780	2,599,778
Unrestricted	13,294,117	8,870,632	7,099,981
<b>Total net position</b>	<b>\$ 76,223,155</b>	<b>\$ 72,125,733</b>	<b>\$ 66,214,551</b>

## Baytown Area Water Authority's Change in Net Position

	2024	2023	2022
Operating revenues	\$ 20,165,789	\$ 18,161,488	\$ 14,986,099
Operating expenses	(15,070,575)	(11,168,223)	(12,113,967)
Nonoperating revenues (expenses)	(997,792)	(1,082,083)	(1,342,594)
Change in net position	4,097,422	5,911,182	1,529,538
Beginning net position	72,125,733	66,214,551	64,685,013
<b>Ending net position</b>	<b>\$ 76,223,155</b>	<b>\$ 72,125,733</b>	<b>\$ 66,214,551</b>

Key elements of this increase are as follows:

- Operating revenues increased \$2,004,301 or 11.0 percent primarily due to an increase in rates and consumer consumption.
- Nonoperating revenues increased \$650,021 or 195.1 percent primarily due to interest earnings on unspent bond proceeds.

In fiscal year 2023, the Authority's total net position increased from \$66,214,551 to \$72,125,733 (8.9 percent).

Unrestricted net position increased \$1,770,651 from a balance of \$7,099,981 to \$8,870,632 (24.9 percent) at the end of the fiscal year.

Key elements of this increase are as follows:

- Operating revenues increased \$3,175,389 or 21.2 percent primarily due to an increase in rates.
- Capital assets, net of accumulated depreciation, increased \$1,007,043 or 1.0 percent primarily due to the addition of construction in progress.

### Budgetary Highlights

- Operating revenues were \$3,669,681 over the budget due to more than expected water sales to the City.
- Operating expenses were \$1,129,438 over budget due primarily to higher than anticipated raw water purchases and other supplies.

### Capital Assets

The Authority's plants operate at an average demand flow of 15.99 million gallons per day (MGD). The peak capacity of the plant is 32.0 MGD. The Authority is in compliance with all rules and regulations of the Environmental Protection Agency, Texas Commission on Environmental Quality, and Texas Department of State Health Services applicable to surface water treatment, analysis, and operations.

At year end, the Authority had invested \$98,487,316 in capital assets, net of accumulated depreciation. More detailed information about the Authority's capital assets is presented in Note 5 to the financial statements.

## Long-term Debt

The Authority has sufficient reserves established for debt service requirements. The Authority's revenue bonds carry the rating of "Aa3" with Moody's Investors Service and "AA-" with Standard & Poor's. At year end, the Authority had \$58,100,000 in revenue bonds outstanding versus \$38,580,000 last year. The increase is due to the issuance of \$21.5 million of Water Supply Contract Revenue Bonds, Series 2024. More detailed information about the Authority's long-term liabilities is presented in Note 6 to the financial statements.

## Economic Factors and Next Year's Budget

The 2023-2024 proposed budget projected sales of \$16,497,108 for an average of 13.5 million gallons per day (MGD). The existing rate structure for the Authority is \$3.44 per 1,000 gallons for the City of Baytown and \$3.67 per 1,000 gallons for customers outside the City. The rates consist of a 6% increase to cover the cost of operations, including debt service, the purchase of raw water, and provide funds for future capital projects. The City of Houston adjusts its rates by any increase in the Producers Price Index over the prior year. Rate changes are effective April 1 of each year. The schedule of the City of Houston rate increases over the years follows:

Year	Rate	%
2015	\$ 0.65060	4.40%
2016	\$ 0.65970	1.40%
2017	\$ 0.68210	3.40%
2018	\$ 0.70120	2.80%
2019	\$ 0.72080	2.80%
2020	\$ 0.74600	3.50%
2021	\$ 0.75730	1.50%
2022	\$ 0.90000	1.88%
2023	\$ 0.98020	0.89%
2024	\$ 0.98020	0.00%

The 2024-2025 proposed budget estimates sales of \$21,151,830 for an average of 15.97 MGD. The existing Authority rate structure is \$3.44 per 1,000 gallons for the City of Baytown and \$3.67 per 1,000 gallons for customers outside the City. The rates will consist of a 6% increase to \$3.65 per 1,000 gallons for the City of Baytown and \$3.88 per 1,000 gallons for customers outside the City for the 2024-2025 budget.

Total operating expenditures for the proposed 2024-2025 budget are \$9,715,377 which is a decrease of \$244,695 from the 2023-2024 budget. An increase of \$500,000 over current year estimate in the untreated water supplies is included in the budget due to the City of Houston's raw water supply contract. This budget includes a \$350,000 payment to the City for administrative services such as human resources, fiscal operations, legal and information technology services. Highlights of major operating changes are as follows:

- Increase in personnel services of \$244,391
- Decrease in supplies of \$491,064
- Increase in maintenance of \$39,500
- Decrease in services of \$15,612
- Increase to debt service of \$1,325,289
- Increase to capital improvement of \$3,000,000

## **Contacting the Authority's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Baytown Finance Department, 2401 Market Street, Baytown, Texas 77522. A copy of the budget is available to the public at the Sterling Municipal Library and at the City of Baytown's City Clerk office.

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# **Basic Financial Statements**

# Baytown Area Water Authority

## Statement of Net Position September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,452,691	\$ 9,793,030
Receivables	204,806	156,466
	<hr/>	<hr/>
Total current assets - unrestricted	16,657,497	9,949,496
Current assets - restricted:		
Cash and cash equivalents	28,828,142	4,231,861
	<hr/>	<hr/>
Total current assets - restricted	28,828,142	4,231,861
Noncurrent assets:		
Nondepreciable capital assets:		
Land	2,877,960	2,877,960
Construction in progress	969,838	6,009,060
Depreciable capital assets:		
Plant and equipment	131,382,661	125,293,812
Less accumulated depreciation	<u>(36,743,143)</u>	<u>(33,382,957)</u>
	<hr/>	<hr/>
Total noncurrent assets	98,487,316	100,797,875
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 143,972,955</u>	<u>\$ 114,979,232</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 4,028,329	\$ 793,547
Retainage payable	-	285,317
Accrued interest payable	942,496	637,081
Bonds payable due within one year	<u>3,045,000</u>	<u>2,005,000</u>
	<hr/>	<hr/>
Total current liabilities	8,015,825	3,720,945
Noncurrent liabilities:		
Bonds payable due in more than one year	<u>59,733,975</u>	<u>39,132,554</u>
	<hr/>	<hr/>
Total noncurrent liabilities	59,733,975	39,132,554
	<hr/>	<hr/>
Total liabilities	67,749,800	42,853,499
<b>NET POSITION</b>		
Net investment in capital assets	58,955,612	59,660,321
Restricted for:		
Debt service	3,973,426	3,594,780
Unrestricted	<u>13,294,117</u>	<u>8,870,632</u>
	<hr/>	<hr/>
<b>TOTAL NET POSITION</b>	<u>\$ 76,223,155</u>	<u>\$ 72,125,733</u>

The Notes to the Financial Statements are an integral part of this statement.

# Baytown Area Water Authority

## Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>OPERATING REVENUES</b>		
Sales of treated water:		
City of Baytown	\$ 18,401,642	\$ 16,466,818
Municipal utility districts	1,764,147	1,694,670
	<u>20,165,789</u>	<u>18,161,488</u>
<b>OPERATING EXPENSES</b>		
Raw water purchases and other supplies	7,844,514	3,931,863
Contracted personnel costs	2,021,979	1,950,242
Maintenance	330,049	480,397
Services	1,492,968	1,592,531
Depreciation	3,381,065	3,213,190
	<u>15,070,575</u>	<u>11,168,223</u>
Operating income	5,095,214	6,993,265
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	883,121	209,842
Intergovernmental	100,000	123,258
Interest expense and fiscal agent fees	(1,980,913)	(1,415,183)
	<u>(997,792)</u>	<u>(1,082,083)</u>
Change in net position	4,097,422	5,911,182
Net position - beginning	72,125,733	66,214,551
<b>NET POSITION - ENDING</b>	<u>\$ 76,223,155</u>	<u>\$ 72,125,733</u>

The Notes to the Financial Statements are an integral part of this statement.

# Baytown Area Water Authority

## Statement Of Cash Flows

For the Fiscal Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers for sale of treated water	\$ 20,117,449	\$ 18,122,487
Cash payments to suppliers for goods and services	(6,718,066)	(6,319,623)
Cash payments to contract personnel for services	(2,021,979)	(1,950,242)
Net cash provided by (used for) operating activities	11,377,404	9,852,622
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Intergovernmental revenues received	100,000	123,258
Net cash provided by (used for) noncapital financing activities	100,000	123,258
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Construction of capital assets	(1,070,506)	(4,220,233)
Proceeds from issuance of bonds	23,929,401	-
Principal paid on capital debt	(2,005,000)	(1,970,000)
Bond issuance costs	(429,401)	-
Interest and bank fees	(1,529,077)	(1,583,669)
Net cash provided by (used for) by capital and related financing activities	18,895,417	(7,773,902)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	883,121	209,842
Net cash provided by (used for) investing activities	883,121	209,842
Net increase (decrease) in cash and cash equivalents	31,255,942	2,411,820
Cash and cash equivalents at beginning of year	14,024,891	11,613,071
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 45,280,833</u>	<u>\$ 14,024,891</u>
<b>RECONCILIATION TO STATEMENT OF NET POSITION</b>		
Unrestricted cash and cash equivalents	\$ 16,452,691	\$ 9,793,030
Restricted cash and cash equivalents	28,828,142	4,231,861
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 45,280,833</u>	<u>\$ 14,024,891</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Operating income	\$ 5,095,214	\$ 6,993,265
Depreciation	3,381,065	3,213,190
Changes in assets and liabilities:		
(Increase) decrease in current assets:		
Receivables, net	(48,340)	(39,001)
Increase (decrease) in current liabilities:		
Accounts payable	3,234,782	(471,521)
Accrued interest payable	-	(35,125)
Retainage payable	(285,317)	191,814
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 11,377,404</u>	<u>\$ 9,852,622</u>

The Notes to the Financial Statements are an integral part of this statement.

## **Baytown Area Water Authority**

### Notes to the Financial Statements

#### **Note 1. Creation of Authority**

The Baytown Area Water Authority (the "Authority") was created by House Bill No. 967 of the Texas Legislature on June 15, 1973. The Authority was created to purchase and distribute surface and/or underground water supplies to persons, corporations, municipal corporations, political subdivisions, and others. The boundaries of the Authority include all of the City of Baytown, Texas (the "City") and most of the City's extraterritorial jurisdiction in East Harris County, Texas. Presently, the Authority provides water to eight municipal entities which in turn service a total population area of 106,801 people. Administration of the Authority is vested in the Board of Directors (the "Board"), which held its first meeting on September 20, 1973. The Board is appointed by the City Council. The first Authority bonds were sold in May 1977. The water treatment plant and a portion of the water transmission lines were completed in 1981 and actual operations and sale of treated water began in April 1981.

#### **Note 2. Summary of Significant Accounting Policies**

The accompanying financial statements and accounting policies of the Authority are prepared in conformity with generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's significant accounting policies are described below.

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

The City exercises significant influence over the operations of the Authority and, as a result, the Authority is a discretely presented component unit of the City. The Authority's financial statements are included as a discrete component unit in the government-wide financial statements of the City. The Authority has no component units and is presented on a stand-alone basis.

The Authority has no employees. Personnel employed by the City are responsible for the physical operation and maintenance of the water treatment plant. The City's personnel perform the purchasing and accounting functions of the Authority. The Authority reimburses the City for payroll costs and related fringe benefits of personnel assigned to the water treatment plant operations and for goods and services purchased on its behalf.

##### **B. Basis of Accounting**

Under GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — For State and Local Governments*, the Authority qualifies as a special-purpose government engaged only in business-type activities, and accordingly, only the financial statements required for an enterprise fund are presented as basic financial statements.

The Authority's activities are accounted for on the flow of economic resources measurement focus with the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable. Expenses are recognized 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 net position is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

## **Baytown Area Water Authority**

### Notes to the Financial Statements

#### **C. Budget**

The general manager for the Authority formulates a budget for the Authority's fiscal year beginning on October 1 and ending on September 30. Both the Authority's Board and the City Council approve the annual budget.

#### **D. Comparative Data**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of the changes in the Authority's financial position and operations.

#### **E. Deposits and Investments**

The Authority's cash and cash equivalents are considered to be cash on hand, equity in the City's pooled cash account, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Authority considers temporary investments with maturity of three months or less when purchased to be cash equivalents.

Investments, except for certain investment pools and commercial paper, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost.

The Authority has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the Authority is authorized to invest in the following:

- Direct obligations of the U.S. government
- Fully collateralized certificates of deposit
- Fully collateralized repurchase agreements
- Bankers' acceptances that meet certain criteria
- Commercial paper that meets certain criteria
- Mutual funds of specific type
- Collateralized guaranteed investment contract
- Statewide investment pools

#### **F. Receivables and Payables**

All receivables are shown at full value and are expected to be 100 percent collected. The Authority reports payables as obligations that are expected to be financed with current, available financial resources.

#### **G. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water lines), have been recorded at cost. Such 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**Baytown Area Water Authority**  
 Notes to the Financial Statements

Property, plant, and equipment of the Authority are depreciated using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings	25 to 50 years
Improvements other than buildings	10 to 50 years
Machinery and equipment	5 to 30 years

**H. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority did *not* recognize deferred outflows or inflows for the years ended 2024 and 2023.

**I. Long-term Obligations**

The Authority reports long-term debt as a liability on the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

**J. Net Position Flow Assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**K. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**L. Operating and Nonoperating Revenues**

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses for the Authority 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.

## **Baytown Area Water Authority**

### Notes to the Financial Statements

#### **M. Implementation of New Accounting Standards**

GASB Statement No. 99, Omnibus 2022 (GASB 99), enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB statements and 2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases were implemented in the Authority's fiscal year 2022 financial statements in conjunction with GASB 87. The requirements related to PPPs and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. These requirements for GASB 99 were implemented in the Authority's fiscal year 2023 financial statements in conjunction with GASB 94 and GASB 96. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. These requirements for GASB 99 were implemented in the Authority's fiscal year 2024 financial statements with no impact to amounts previously reported.

GASB Statement No. 100, Accounting Changes and Error Corrections (GASB 100), enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement 1) defines accounting changes and corrections of errors; 2) prescribes the accounting and financial reporting for each type of accounting change and error corrections; and 3) clarifies required note disclosures. The requirements of this statement are effective for reporting periods beginning after June 15, 2023, with earlier application encouraged. GASB 100 was implemented in the Authority's fiscal year 2024 financial statements with no impact to amounts previously reported.

#### **N. Recent Accounting Pronouncements**

GASB Statement No. 101, Compensated Absences (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 will be implemented in the Authority's fiscal year 2025 financial statements and the impact has not yet been determined.

GASB Statement No. 102, Certain Risk Disclosures (GASB 102), improves financial reporting by providing users of financial statements with essential information regarding certain concentrations of constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, with earlier application encouraged. GASB 102 will be implemented in the Authority's fiscal year 2025 financial statements and the impact has not yet been determined.

GASB Statement No. 103, Financial Reporting Model Improvements (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 103 will be implemented in the Authority's fiscal year 2026 financial statements and the impact has not yet been determined.

**Baytown Area Water Authority**  
Notes to the Financial Statements

GASB Statement No. 104, Disclosure of Certain Capital Assets (GASB 104), establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 104 will be implemented in the Authority's fiscal year 2026 financial statements and the impact has not yet been determined.

**Note 3. Deposits and Investments**

*Deposits* – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of the state of Texas (the "State") or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The Authority's deposits, including those held in the City's depository in the City's name as agent for the Authority, were fully insured or collateralized as required by the state statutes at year end.

The Authority held the following deposits and investments as of September 30, 2024:

Type	Value	Weighted Average Maturity (Days)	Credit Rating
Investments measured at amortized cost:			
Investment pool:			
TexPool	\$ 18,271,505	26	AAAm
Investments measured at net asset value:			
Investment pool:			
Texas Class	<u>23,909,033</u>	<u>83</u>	AAAm
Total investments	42,180,538		
Equity in the City's pooled cash account	3,085,678		
Other cash deposits	<u>14,617</u>		
<b>Total cash and cash equivalents</b>	<u><u>\$ 45,280,833</u></u>		
<b>Portfolio weighted average maturity</b>		58	

*Interest Rate Risk* – In compliance with the Authority's investment policy, the Authority minimized the interest rate risk related to the decline in market value of securities due to rising interest rates in the portfolio by limiting the weighted average maturity not to exceed five years; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to ensure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in shorter term securities or similar government investment pools.

*Credit Risk* – In compliance with the Authority's investment policy, the Authority minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities; prequalifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the Authority will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized. The credit rating for each investment is noted in the preceding table.

**Baytown Area Water Authority**

Notes to the Financial Statements

**TexPool**

TexPool is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds.

TexPool transacts at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by a nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. The investment pool has a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

**Texas CLASS**

Texas CLASS is an external investment pool measured at fair value, i.e. net asset value. The investment pool's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short term marketable securities. There are no unfunded commitments related to the investment pool. Texas CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. The Texas CLASS portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; AAA rated money market mutual funds; and commercial paper.

**Note 4. Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents include reserves held to satisfy the debt service requirements of the Authority's bond ordinances and proceeds from the sale of bonds issued for construction.

The restricted cash and cash equivalents at year end are as follows:

Bond reserve funds	\$ 4,915,922
Construction funds	<u>23,912,220</u>
<b>Total</b>	<u><u>\$ 28,828,142</u></u>

**Baytown Area Water Authority**  
Notes to the Financial Statements

**Note 5. Capital Assets**

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,877,960	\$ -	\$ -	\$ 2,877,960
Construction in progress	6,009,060	969,838	(6,009,060)	969,838
 Total capital assets, not being depreciated	 8,887,020	 969,838	 (6,009,060)	 3,847,798
Capital assets, being depreciated:				
Buildings	59,216,042	-	-	59,216,042
Improvements other than buildings	58,914,226	6,011,236	-	64,925,462
Machinery and equipment	7,163,544	98,492	(20,879)	7,241,157
 Total capital assets, being depreciated	 125,293,812	 6,109,728	 (20,879)	 131,382,661
Less accumulated depreciation for:				
Buildings	(3,626,894)	(1,204,236)	-	(4,831,130)
Improvements other than buildings	(24,390,769)	(1,732,806)	-	(26,123,575)
Machinery and equipment	(5,365,294)	(444,023)	20,879	(5,788,438)
 Total accumulated depreciation	 (33,382,957)	 (3,381,065)	 20,879	 (36,743,143)
 Total capital assets, being depreciated, net	 91,910,855	 2,728,663	 -	 94,639,518
 <b>Total capital assets, net</b>	 <b>\$ 100,797,875</b>	 <b>\$ 3,698,501</b>	 <b>\$ (6,009,060)</b>	 <b>\$ 98,487,316</b>

**Construction Commitments**

The Authority has active construction projects as of September 30, 2024. At year-end, the Authority's significant commitments with contractors include the construction of the East Surface Water Treatment Plant Phase 2 Expansion, with a remaining commitment balance of \$4,363,182. The remaining construction commitment will be provided by the proceeds of revenue bonds issued in the current year.

**Note 6. Revenue Bonds Payable**

Outstanding bonds are payable using revenues generated from the sale of treated water to the City and other entities. The City also guarantees payment of bonds and such bonds may be redeemed prior to their scheduled maturity. The Authority is in compliance with all bond resolutions. The resolutions provide that reserves are sufficient to pay the current portion of the principal and interest payments.

**Redemption Provisions**

**2012 Series Baytown Area Water Authority Water Supply Contract Revenue and Refunding Bonds** issued for \$8,315,000. The Authority reserves the right, at its option, to redeem bonds having stated maturities on or after May 1, 2023, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof; on May 1, 2022, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

**Baytown Area Water Authority**  
Notes to the Financial Statements

**2018 Series Baytown Area Water Authority Water Supply Contract Revenue Bonds** issued for \$22,040,000. The Authority reserves the right, at its option, to redeem bonds having stated maturities on or after May 1, 2028, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof; on May 1, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

**2019 Series Baytown Area Water Authority Water Supply Contract Revenue Bonds** issued for \$17,315,000. The Authority reserves the right, at its option, to redeem bonds having stated maturities on or after May 1, 2029, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof; on May 1, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

**2024 Series Baytown Area Water Authority Water Supply Contract Revenue Bonds** issued for \$21,525,000. The Authority reserves the right, at its option, to redeem bonds having stated maturities on or after May 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof; on May 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

The following is a summary of changes in bonds payable for the year ended September 30, 2024:

Series	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2012	2.00 - 3.50%	\$ 3,140,000	\$ -	\$ (310,000)	\$ 2,830,000	\$ 315,000
2018	4.00 - 5.00%	20,700,000	-	(1,000,000)	19,700,000	1,000,000
2019	3.00 - 4.00%	14,740,000	-	(695,000)	14,045,000	725,000
2024	5.00%	-	21,525,000	-	21,525,000	1,005,000
Total bonds		38,580,000	21,525,000	(2,005,000)	58,100,000	3,045,000
Plus net (discount) and premium		2,557,554	2,404,401	(282,980)	4,678,975	-
<b>Total long-term liabilities</b>		<b>\$ 41,137,554</b>	<b>\$ 23,929,401</b>	<b>\$ (2,287,980)</b>	<b>\$ 62,778,975</b>	<b>\$ 3,045,000</b>

As of year end, the debt service requirements on bonds outstanding for the next five years and thereafter are as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 3,045,000	\$ 2,414,285	\$ 5,459,285
2026	3,030,000	2,380,220	5,410,220
2027	3,120,000	2,242,770	5,362,770
2028	3,210,000	2,100,900	5,310,900
2029	3,350,000	1,954,588	5,304,588
2030-2034	19,110,000	7,415,614	26,525,614
2035-2039	21,355,000	3,023,050	24,378,050
2040	1,880,000	94,000	1,974,000
<b>Totals</b>	<b>\$ 58,100,000</b>	<b>\$ 21,625,427</b>	<b>\$ 79,725,427</b>

**Baytown Area Water Authority**  
Notes to the Financial Statements

**Note 7. Net Position**

The Authority's net position has been reported net of related outstanding debt. The three components of net position (net investment in capital assets, restricted net position for debt service, and unrestricted net position) are detailed below:

	<u>2024</u>	<u>2023</u>
Net investment in capital assets:		
Capital assets, net of accumulated depreciation	\$ 98,487,316	\$ 100,797,875
Outstanding debt that applies to capital assets	(62,778,975)	(41,137,554)
Unspent bond proceeds	23,912,220	-
Capital asset related payables	<u>(664,949)</u>	<u>-</u>
Net investment in capital assets	58,955,612	59,660,321
Restricted debt service:		
Debt service restricted assets	4,915,922	4,231,861
Accrued interest	<u>(942,496)</u>	<u>(637,081)</u>
Restricted net position for debt service	3,973,426	3,594,780
Unrestricted net position:	<u>13,294,117</u>	<u>8,870,632</u>
<b>Total net position</b>	<u><u>\$ 76,223,155</u></u>	<u><u>\$ 72,125,733</u></u>

**Note 8. Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority cooperatively purchases commercial insurance and participates in a public entity risk pool with the City. The Authority and the City participate along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pool (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The Authority has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The Authority has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

**Note 9. Contingent Liabilities**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the Authority could result. The Authority periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS. The Authority has estimated that it does not have any arbitrage liability as of September 30, 2024.

**Baytown Area Water Authority**  
Notes to the Financial Statements

**Note 10. Commitments and Contingencies**

On October 24, 1994, the Authority entered into a 26-year agreement with the City of Houston (the "Agreement") to purchase raw water for treatment. The Agreement was amended in January 2005 to increase the maximum obligation of the City of Houston to provide water from 11.9 MGD to 15.8 MGD and to extend the termination date to December 31, 2040. A second amendment was approved in February 2007 to increase the maximum obligation of the City of Houston to provide water from 15.8 MGD to 20.0 MGD. A third amendment was approved in December 2015 to increase the maximum obligation of the City of Houston to provide water from 20.0 MGD to 26.0 MGD. A fourth amendment was approved in September 2023 to increase the maximum obligation of the City of Houston to provide water from 26.0MGD to 32.0 MGD. The Authority may reserve additional monthly quantities of untreated water by giving 30 days' notice to the City of Houston. Should the consumption exceed the contract quantity by ten percent, a five percent surcharge shall be charged against that portion of the consumption that exceeds the contract quantity.

The Authority is contractually obligated to provide treated water to the City. As with the City of Houston Agreement, the Authority increased the maximum obligation to provide treated water to the City from 10.71 MGD to 14.22 MGD and extended the term of the contract through calendar year 2040. On May 9, 2024, the sixth amendment was brought into effect, increasing contract quantity to 28.6 MGD. The Authority is also obligated to provide 2.55 MGD to other municipal entities, making the total obligation 31.15 MGD.

**Note 11. Related Parties, Concentrations, and Economic Dependency**

The Authority is a discretely presented component unit of the City. In addition, approximately 91.25 percent of the Authority's operating revenues are attributable to the sale of treated water to the City.

## **Required Supplementary Information**

# Baytown Area Water Authority

## Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual - Budgetary Basis For the Fiscal Year Ended September 30, 2024

	<u>Original</u>	<u>Final</u>	<u>2024 (Budget Basis)</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>				
Sale of treated water:				
City of Baytown	14,943,573	14,943,573	\$ 18,401,642	\$ 3,458,069
Municipal utility districts	1,552,535	1,552,535	1,764,147	211,612
	<u>16,496,108</u>	<u>16,496,108</u>	<u>20,165,789</u>	<u>3,669,681</u>
<b>OPERATING EXPENSES</b>				
Raw water purchases and other supplies	6,345,594	6,308,789	7,844,514	(1,535,725)
Contracted personnel costs	2,048,060	2,048,060	2,021,979	26,081
Maintenance	389,850	503,845	330,049	173,796
Services	1,754,658	1,699,378	1,492,968	206,410
	<u>10,538,162</u>	<u>10,560,072</u>	<u>11,689,510</u>	<u>(1,129,438)</u>
Operating income	5,957,946	5,936,036	8,476,279	2,540,243
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Interest income*	1,000	1,000	386,757	385,757
Intergovernmental	100,000	100,000	100,000	-
Other expenses	(5,502,284)	(5,502,284)	(5,502,284)	-
	<u>(5,401,284)</u>	<u>(5,401,284)</u>	<u>(5,015,527)</u>	<u>385,757</u>
<b>CHANGE IN NET POSITION - BUDGETARY BASIS</b>	<u>\$ 556,662</u>	<u>\$ 534,752</u>	<u>\$ 3,460,752</u>	<u>\$ 2,926,000</u>
<b>RECONCILIATION OF BUDGET BASIS TO GAAP</b>				
Depreciation			(3,381,065)	
Interest expense and fiscal agent fees			(1,980,913)	
Interest income from restricted bonds			496,364	
Adjustment to remove net effect of combined funds			5,502,284	
			<u>4,097,422</u>	
<b>CHANGE IN NET POSITION</b>			<u>\$ 4,097,422</u>	

\* Interest income does not include restricted interest income on bond funds.

### Notes to Required Supplementary Information

1. The annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP), with the exception of the reconciling items noted above.

### Excess expenses over appropriations

1. Raw water purchases exceeded the amount budgeted due to an increase in system demand.

## **Supplementary Information**

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**Baytown Area Water Authority**  
Texas Supplementary Information Schedules  
September 30, 2024

Page

(Schedules included are checked or explanatory notes provided for omitted schedules.)

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# Baytown Area Water Authority

## TSI-1 Services and Rates

For the Fiscal Year Ended September 30, 2024

1. **Service Provided by the Authority** Wholesale Water

2. **a. Retail Rates Based on 5/8" Meter:** Retail Rates Not Applicable

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons over Minimum</u>	<u>Usage Levels</u>
<b>WATER:</b>					
City of Baytown	\$3.46 per 1000 gallons	N/A	N	N/A	N/A
Other districts	\$3.67 per 1000 gallons	N/A	N	N/A	N/A
<b>SURCHARGE:</b>					
City of Baytown	5% on that portion that exceeds contract quantity				
Other districts	Surcharge varies per municipal entity				

**b. Retail Service Providers:** Number of wholesale water connections within the Authority as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

	<u>Active Connections</u>	<u>Active ESFC</u>	<u>Inactive Connections (ESFC)</u>
Wholesale			
Cities and MUD's	8	-	-
Total	8	-	-

3. **Total Water Consumption During the Fiscal Year:**

Gallons pumped into system:	5,829,195,443	Water Accountability Ratio:
Gallons billed to customers:	5,829,195,443	1.000

4. **Standby Fees: Does the Authority assess standby fees?** No

5. **Location of the Authority:**

Counties in which the Authority is located:	Harris and Chambers Counties
Is the Authority located entirely within one county?	No
Is the Authority located within a city?	Partially
City in which the Authority is located:	Baytown
Is the Authority located within a city's extraterritorial jurisdiction (ETJ)?	Partially
ETJs in which the Authority is located:	Baytown
Is the general membership of the Board appointed by an office outside the Authority?	Yes
If Yes, by whom?	City of Baytown City Council

**Baytown Area Water Authority**  
 TSI-2 Schedule of Operating Expenses  
 For the Fiscal Year Ended September 30, 2024

<b>Professional Fees</b>	\$ 21,039
<b>Other Services</b>	993,489
<b>Purchases of Raw Water</b>	5,230,570
<b>Contracted Personnel Services</b>	2,021,979
<b>Utilities</b>	475,585
<b>Repairs and Maintenance</b>	330,049
<b>Chemicals</b>	2,444,456
<b>Administrative Expenses</b>	172,343
<b>Depreciation</b>	<u>3,381,065</u>
<b>Total Expenses</b>	<u><u>\$ 15,070,575</u></u>

The Authority has no employees; however, 25 full-time City of Baytown employees are contracted to the Authority.

**Baytown Area Water Authority**  
 TSI-3 Schedule of Temporary Investments  
 For the Fiscal Year Ended September 30, 2024

	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
JPMorgan Chase	Checking Acct	Various	N/A	\$ 3,100,295	\$ -
Texas Class	Investment	Various	N/A	23,909,033	-
TexPool	Investment	Various	N/A	<u>18,271,505</u>	-
<b>Total Cash and Investments</b>				<u>\$ 45,280,833</u>	

**Baytown Area Water Authority**

TSI-5 Long-Term Debt Service Requirements by  
 Years (All Bonded Debt Services)  
 For the Fiscal Year Ended September 30, 2024

**Annual Requirements for All Series**

<u>Due During Fiscal Year Ending</u>	<u>Principal Due 5/01</u>	<u>Interest Due 5/01</u>	<u>Interest Due 11/01</u>	<u>Total</u>
2025	\$ 3,045,000	\$ 1,259,460	\$ 1,154,825	\$ 5,459,285
2026	3,030,000	1,190,110	1,190,110	5,410,220
2027	3,120,000	1,121,385	1,121,385	5,362,770
2028	3,210,000	1,050,450	1,050,450	5,310,900
2029	3,350,000	977,294	977,294	5,304,588
2030	3,500,000	900,944	900,944	5,301,888
2031	3,655,000	825,250	825,250	5,305,500
2032	3,815,000	745,863	745,863	5,306,726
2033	3,980,000	662,800	662,800	5,305,600
2034	4,160,000	572,950	572,950	5,305,900
2035	4,330,000	487,700	487,700	5,305,400
2036	4,510,000	398,850	398,850	5,307,700
2037	4,690,000	306,175	306,175	5,302,350
2038	4,880,000	209,675	209,675	5,299,350
2039	2,945,000	109,125	109,125	3,163,250
2040	1,880,000	47,000	47,000	1,974,000
	<u>\$ 58,100,000</u>	<u>\$ 10,865,031</u>	<u>\$ 10,760,396</u>	<u>\$ 79,725,427</u>

**Series 2012**

<u>Due During Fiscal Year Ending</u>	<u>Principal Due 5/01</u>	<u>Interest Due 5/01</u>	<u>Interest Due 11/01</u>	<u>Total</u>
2025	\$ 315,000	\$ 46,185	\$ 46,185	\$ 407,370
2026	325,000	41,460	41,460	407,920
2027	335,000	36,585	36,585	408,170
2028	345,000	31,350	31,350	407,700
2029	360,000	25,744	25,744	411,488
2030	370,000	19,894	19,894	409,788
2031	385,000	13,650	13,650	412,300
2032	395,000	6,913	6,913	408,826
	<u>\$ 2,830,000</u>	<u>\$ 221,781</u>	<u>\$ 221,781</u>	<u>\$ 3,273,562</u>

**Baytown Area Water Authority**

TSI-5 Long-Term Debt Service Requirements by  
 Years (All Bonded Debt Services) - Continued  
 For the Fiscal Year Ended September 30, 2024

**Series 2018**

<b>Due During Fiscal Year Ending</b>	<b>Principal Due 5/01</b>	<b>Interest Due 5/01</b>	<b>Interest Due 11/01</b>	<b>Total</b>
2025	\$ 1,000,000	\$ 444,825	\$ 444,825	\$ 1,889,650
2026	1,000,000	419,825	419,825	1,839,650
2027	1,000,000	394,825	394,825	1,789,650
2028	1,000,000	369,825	369,825	1,739,650
2029	1,040,000	344,825	344,825	1,729,650
2030	1,095,000	318,825	318,825	1,732,650
2031	1,145,000	291,450	291,450	1,727,900
2032	1,210,000	262,825	262,825	1,735,650
2033	1,675,000	232,575	232,575	2,140,150
2034	1,760,000	190,700	190,700	2,141,400
2035	1,830,000	155,500	155,500	2,141,000
2036	1,905,000	118,900	118,900	2,142,800
2037	1,980,000	80,800	80,800	2,141,600
2038	2,060,000	41,200	41,200	2,142,400
	<u>\$ 19,700,000</u>	<u>\$ 3,666,900</u>	<u>\$ 3,666,900</u>	<u>\$ 27,033,800</u>

**Series 2019**

<b>Due During Fiscal Year Ending</b>	<b>Principal Due 5/01</b>	<b>Interest Due 5/01</b>	<b>Interest Due 11/01</b>	<b>Total</b>
2025	\$ 725,000	\$ 230,325	\$ 230,325	\$ 1,185,650
2026	755,000	215,825	215,825	1,186,650
2027	785,000	200,725	200,725	1,186,450
2028	815,000	185,025	185,025	1,185,050
2029	850,000	168,725	168,725	1,187,450
2030	880,000	151,725	151,725	1,183,450
2031	910,000	138,525	138,525	1,187,050
2032	935,000	124,875	124,875	1,184,750
2033	965,000	110,850	110,850	1,186,700
2034	995,000	96,375	96,375	1,187,750
2035	1,025,000	81,450	81,450	1,187,900
2036	1,055,000	66,075	66,075	1,187,150
2037	1,085,000	50,250	50,250	1,185,500
2038	1,115,000	33,975	33,975	1,182,950
2039	1,150,000	17,250	17,250	1,184,500
	<u>\$ 14,045,000</u>	<u>\$ 1,871,975</u>	<u>\$ 1,871,975</u>	<u>\$ 17,788,950</u>

**Baytown Area Water Authority**

TSI-5 Long-Term Debt Service Requirements by  
 Years (All Bonded Debt Services) - Continued  
 For the Fiscal Year Ended September 30, 2024

**Series 2024**

<b>Due During Fiscal Year Ending</b>	<b>Principal Due 5/01</b>	<b>Interest Due 5/01</b>	<b>Interest Due 11/01</b>	<b>Total</b>
2025	\$ 1,005,000	\$ 538,125	\$ 433,490	\$ 1,976,615
2026	950,000	513,000	513,000	1,976,000
2027	1,000,000	489,250	489,250	1,978,500
2028	1,050,000	464,250	464,250	1,978,500
2029	1,100,000	438,000	438,000	1,976,000
2030	1,155,000	410,500	410,500	1,976,000
2031	1,215,000	381,625	381,625	1,978,250
2032	1,275,000	351,250	351,250	1,977,500
2033	1,340,000	319,375	319,375	1,978,750
2034	1,405,000	285,875	285,875	1,976,750
2035	1,475,000	250,750	250,750	1,976,500
2036	1,550,000	213,875	213,875	1,977,750
2037	1,625,000	175,125	175,125	1,975,250
2038	1,705,000	134,500	134,500	1,974,000
2039	1,795,000	91,875	91,875	1,978,750
2040	1,880,000	47,000	47,000	1,974,000
	<u>\$ 21,525,000</u>	<u>\$ 5,104,375</u>	<u>\$ 4,999,740</u>	<u>\$ 31,629,115</u>

# Baytown Area Water Authority

TSI-6 Changes in Long-Term Bonded Debt  
 For the Fiscal Year Ended September 30, 2024

<u>Revenue Bonds</u>	<u>Interest Rate</u>	<u>Amount of Issue</u>	<u>Bonds Outstanding October 2023</u>	<u>Bonds Sold During the Fiscal Year</u>	<u>Bonds Retired During the Fiscal Year</u>	<u>Bonds Outstanding September 2024</u>
Series 2012	2.00 - 3.50%	\$ 8,315,000	\$ 3,140,000	\$ -	\$ 310,000	\$ 2,830,000
Series 2018	4.00 - 5.00%	22,040,000	20,700,000	-	1,000,000	19,700,000
Series 2019	3.00 - 4.00%	17,315,000	14,740,000	-	695,000	14,045,000
Series 2024	5.00%	21,525,000	-	21,525,000	-	21,525,000
			<u>\$ 38,580,000</u>	<u>\$ 21,525,000</u>	<u>\$ 2,005,000</u>	<u>\$ 58,100,000</u>

**Paying Agent's Name and City:**

Series 2012	Bank of New York Mellon Trust Company, Dallas, Texas
Series 2018	Bank of New York Mellon Trust Company, Dallas, Texas
Series 2019	Bank of New York Mellon Trust Company, Dallas, Texas
Series 2024	BOK Financial, Dallas, Texas

Debt service cash and investment balances as of September 30, 2024 \$ 4,915,922

Average annual debt service payment (principal and interest) for remaining term of all debt \$ 4,982,839

<b>Interest Due 05/01</b>	<b>Interest Due 11/01</b>	<b>Total Interest Paid During the Fiscal Year</b>
\$ 50,447	\$ 50,447	\$ 100,894
469,825	469,825	939,650
244,225	244,225	488,450
-	-	-
<u>\$ 764,497</u>	<u>\$ 764,497</u>	<u>\$ 1,528,994</u>

# Baytown Area Water Authority

## TSI-7 Comparative Schedule of Revenues and Expenses

For the Fiscal Year Ended September 30, 2024

	AMOUNTS				
	2024	2023	2022	2021	2020
<b>OPERATING REVENUES</b>					
Sale of treated water:					
City of Baytown	\$ 18,401,642	\$ 16,466,818	\$ 13,511,028	\$ 12,472,111	\$ 12,559,655
Municipal utility districts	1,764,147	1,694,670	1,475,071	1,394,136	1,479,575
 Total operating revenues	 20,165,789	 18,161,488	 14,986,099	 13,866,247	 14,039,230
 <b>OPERATING EXPENSES</b>					
Raw water purchases and other supplies	7,844,514	3,931,863	5,448,723	5,595,282	4,898,337
Contracted personnel costs	2,021,979	1,950,242	1,720,147	1,603,278	1,534,472
Maintenance	330,049	480,397	506,836	410,984	235,491
Services	1,492,968	1,592,531	1,228,335	1,320,303	1,081,417
Depreciation	3,381,065	3,213,190	3,209,926	2,242,403	1,481,436
 Total operating expenses	 15,070,575	 11,168,223	 12,113,967	 11,172,250	 9,231,153
 Operating income (loss)	 5,095,214	 6,993,265	 2,872,132	 2,693,997	 4,808,077
 <b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	883,121	209,842	18,178	7,465	269,397
Intergovernmental	100,000	123,258	123,258	117,227	111,036
Interest expense and fiscal agent fees	(1,980,913)	(1,415,183)	(1,504,030)	(1,548,535)	(1,594,184)
Miscellaneous	-	-	20,000	-	244
 Total nonoperating revenues (expenses)	 (997,792)	 (1,082,083)	 (1,342,594)	 (1,423,843)	 (1,213,507)
 <b>CHANGE IN NET POSITION</b>	 \$ 4,097,422	 \$ 5,911,182	 \$ 1,529,538	 \$ 1,270,154	 \$ 3,594,570
 Total active wholesale water connections	 8	 8	 8	 8	 8

**PERCENTAGE OF TOTAL OPERATING REVENUES**

<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
%	%	%	%	%
91.3	90.7	90.2	89.9	89.5
8.7	9.3	9.8	10.1	10.5
100.0	100.0	100.0	100.0	100.0
38.9	21.6	36.4	40.4	34.9
10.0	10.7	11.5	11.6	10.9
1.6	2.6	3.4	3.0	1.7
7.4	8.8	8.2	9.5	7.7
16.8	17.7	21.4	16.2	10.6
74.7	61.5	80.8	80.6	65.8
25.3	38.5	19.2	19.4	34.2
4.4	1.2	0.1	0.1	1.9
0.5	0.7	0.8	0.8	0.8
(9.8)	(7.8)	(10.0)	(11.2)	(11.4)
-	-	0.1	-	0.0
(4.9)	(6.0)	(9.0)	(10.3)	(8.6)
20.3	32.5	10.2	9.2	25.6

# Baytown Area Water Authority

## TSI-8 Board Members and Administrative Personnel For the Fiscal Year Ended September 30, 2024

**Complete Authority Mailing Address:** 2401 Market Street, Baytown, Texas, 77522  
**Authority Business Telephone Number:** (281) 420-5310

**Submission Date of the Most Recent Authority Registration form (TWC Sections 36.054 and 49.054):** Not Applicable

**Limit on Fees of Office that a Director May Receive During a year** Not Applicable

	<u>Term of Office or Date Hired</u>	<u>Elected/ Appointed</u>	<u>Fees of Office Paid 9/30/2024</u>	<u>Expenses Reimbursed 9/30/2024</u>	<u>Title at Year End</u>
<b>Board Members:</b>					
Brenda Bradley-Smith	9/1/24-8/31/26	Appointed	N/A	N/A	President
Frank McKay III	9/1/23-8/31/25	Appointed	N/A	N/A	Vice President
Alyssa Linares	9/1/24-8/31/26	Appointed	N/A	N/A	Director
Jimmy Smith	9/1/23-8/31/25	Appointed	N/A	N/A	Secretary
David Start, Jr.	9/1/23-8/31/25	Appointed	N/A	N/A	Director
City Clerk, Angela Jackson	9/1/23-8/31/25	Appointed	N/A	N/A	Non-member/ City Staff

**Note:** No Board member is disqualified from serving on this Board under the Texas Water Code. The Board members do not receive any form of compensation for their services.

**Key Administration (contracted through the City of Baytown):**

Jason Reynolds	08/01/22	N/A	N/A	\$ -	General Manager
Frank Simoneaux	11/09/15	N/A	N/A	-	Plant Manager
Scott Lemond	06/20/22	N/A	N/A	-	City Attorney
Teresa McKenzie	11/22/21	N/A	N/A	-	Director of Finance

**Consultants:**

Weaver and Tidwell, LLP	09/12/24	N/A	N/A	\$ -	Auditor
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## **Other Information**

## Baytown Area Water Authority

Analysis of Changes in Property, Plant, and Equipment  
For the Fiscal Year Ended September 30, 2024

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Deletions and Reclassifications</b>	<b>Ending Balances</b>
<b>PHYSICAL FACILITIES</b>				
Land	\$ 2,877,960	\$ -	\$ -	\$ 2,877,960
Building	59,216,042	-	-	59,216,042
Basins	3,614,845	-	-	3,614,845
Pump station	12,999,541	-	-	12,999,541
Mixing chamber	1,084,986	-	-	1,084,986
Distribution system	38,624,537	2,176	6,009,060	44,635,773
Office furniture and office equipment	602,809	-	-	602,809
Machinery and equipment	6,384,687	98,492	(20,879)	6,462,300
Motor vehicles	174,118	-	-	174,118
Radio and testing equipment	1,930	-	-	1,930
Other	966,172	-	-	966,172
	<u>126,547,627</u>	<u>100,668</u>	<u>5,988,181</u>	<u>132,636,476</u>
Total physical facilities				
Capitalized interest	1,624,145	-	-	1,624,145
Construction in progress	6,009,060	969,838	(6,009,060)	969,838
	<u>134,180,832</u>	<u>1,070,506</u>	<u>(20,879)</u>	<u>135,230,459</u>
<b>TOTAL PROPERTY, PLANT, AND EQUIPMENT</b>	<b>\$ 134,180,832</b>	<b>\$ 1,070,506</b>	<b>\$ (20,879)</b>	<b>\$ 135,230,459</b>
<b>AMOUNTS PROVIDED BY</b>				
Revenue bond proceeds	\$ 90,873,901	\$ 664,950	\$ (20,879)	\$ 91,517,972
Revenues	43,276,531	405,556	-	43,682,087
Grants	30,400	-	-	30,400
	<u>134,180,832</u>	<u>1,070,506</u>	<u>(20,879)</u>	<u>135,230,459</u>
<b>TOTAL AMOUNTS PROVIDED</b>	<b>\$ 134,180,832</b>	<b>\$ 1,070,506</b>	<b>\$ (20,879)</b>	<b>\$ 135,230,459</b>

# Baytown Area Water Authority

## Revenue Bond Coverage

### For the Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2015	\$ 12,205,494	\$ 6,179,948	\$ 6,025,546	\$ 1,915,000	\$ 511,402	\$ 2,426,402	2.48
2016	13,192,165	6,256,498	6,935,667	1,980,000	453,572	2,433,572	2.85
2017	13,411,387	7,033,852	6,377,535	2,030,000	393,392	2,423,392	2.63
2018	14,315,866	7,094,523	7,221,343	2,090,000	694,694	2,784,694	2.59
2019	14,503,886	6,801,326	7,702,560	2,165,000	1,131,356	3,296,356	2.34
2020	14,419,907	7,749,717	6,670,190	1,930,000	1,745,515	3,675,515	1.81
2021	13,990,939	8,929,847	5,061,092	1,780,000	1,735,370	3,515,370	1.44
2022	15,147,535	8,904,041	6,243,494	1,835,000	1,676,706	3,511,706	1.78
2023	18,494,588	7,955,033	10,539,555	1,970,000	1,613,294	3,583,294	2.94
2024	21,148,910	11,689,510	9,459,400	2,005,000	1,528,994	3,533,994	2.68

(1) Total operating expenses do not include depreciation expense.