

# RETIREMENT PLAN FOR EMPLOYEES OF GUADALUPE-BLANCO RIVER AUTHORITY

ANNUAL FINANCIAL REPORT

AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015

**abip**

CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**

RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

To the Administrative Committee of  
the Retirement Plan for Employees of  
Guadalupe- Blanco River Authority

**Report on the Financial Statements**

We have audited the accompanying statements of fiduciary net position of the Retirement Plan for Employees of Guadalupe- Blanco River Authority (the Plan) as of December 31, 2016 and 2015, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, which collectively comprise the Plan'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 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. Those standards require that we plan and perform the audits 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 Plan'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 Plan'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 qualified audit opinion.

## **Basis for Qualified Opinion**

The Plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 4, which was certified by Wells Fargo Bank, the trustee of the Plan, except for comparing the information with the related information included in the financial statements and supplemental schedules. We have been informed by the Plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The Plan administrator has obtained a certification from the trustee as of December 31, 2016 and 2015, and for the year ended December 31, 2016, that the information provided to the Plan administrator by the trustee is complete and accurate.

## **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the fiduciary net position of the Retirement Plan for Employees of Guadalupe- Blanco River Authority as of December 31, 2016 and 2015, and the changes in fiduciary net position 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 schedule of changes in net pension liability, schedule of net pension liability and ratios, schedule of plan contributions, and the schedule of investment returns 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

ABIP, PC

Certified Public Accountants  
San Antonio, Texas

July 25, 2017

RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
STATEMENTS OF FIDUCIARY NET POSITION  
DECEMBER 31.

<u>ASSETS</u>	2016	2015
<u>INVESTMENTS</u>		
Cash Equivalents	\$ 1,637,862	\$ 1,273,099
Bank Pooled Funds at Fair Value	4,812,671	5,339,872
Equity Securities	12,352,565	12,352,757
Fixed Income Securities	4,076,496	2,735,184
Alternative Investments	3,746,766	4,062,257
Accrued Interest Receivable	6,015	4,991
TOTAL ASSETS	\$ 26,632,375	\$ 25,768,160
<u>LIABILITIES AND FIDUCIARY NET POSITION</u>		
<u>LIABILITIES</u>	\$ -	\$ -
<u>FIDUCIARY NET POSITION</u>		
Net Position Restricted for Pensions	26,632,375	25,768,160
TOTAL LIABILITIES AND FIDUCIARY NET POSITION	\$ 26,632,375	\$ 25,768,160

RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED DECEMBER 31,

<u>ADDITIONS</u>	<u>2016</u>	<u>2015</u>
Additions to Fiduciary Net Position Attributed to		
Investment Income		
Net Gain on Sale of Investments	\$ 550,950	\$ 772,235
Interest Income	115,185	76,862
Dividends	230,838	142,691
Employer Contributions	<u>1,338,202</u>	<u>1,733,464</u>
Total Additions	<u>2,235,175</u>	<u>2,725,252</u>
 <u>DEDUCTIONS</u>		
Deductions to Fiduciary Net Position Attributed to		
Net Decrease in Fair Value of Investments	185,716	1,357,812
Benefits Paid to Participants	1,124,173	841,560
Trustee Fees	<u>61,071</u>	<u>74,207</u>
Total Deductions	<u>1,370,960</u>	<u>2,273,579</u>
Net Increase	864,215	451,673
 <u>FIDUCIARY NET POSITION</u>		
Beginning of Period	<u>25,768,160</u>	<u>25,316,487</u>
FIDUCIARY NET POSITION - END OF PERIOD	<u>\$ 26,632,375</u>	<u>\$ 25,768,160</u>

RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 1: DESCRIPTION OF PLAN

The following brief description of the Retirement Plan for Employees of Guadalupe- Blanco River Authority (GBRA) (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

A. General

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 benefits 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.

All full- time GBRA employees who were hired before January 1, 2011 participate in the Plan. The table below summarizes the membership of the Plan included in the January 1, 2016 and 2015 actuarial valuation of the Plan, the most recently completed annual actuarial valuations.

	<u>2016</u>	<u>2015</u>
Retirees and Beneficiaries Currently Receiving Benefits	66	55
Terminated Members Entitled to Benefits but Not Yet Receiving Them	42	41
Active Participants (Vested and Nonvested)	<u>103</u>	<u>111</u>
	212	207

Employees are 100% vested in the accrued benefit upon completion of five (5) years of service. Employees with less than five (5) years of service are not vested. Normal retirement age is 65. An unreduced benefit is also provided for retirement at ages 60 to 64 with the sums of age and service equal to or greater than 85. 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.

There is no provision for automatic post- retirement benefit increases. The Plan has the authority to provide, and has periodically in the past provided, ad hoc post- retirement benefit increases.

B. Pension Benefits

The standard pension benefit is monthly payments for life or 120 months whichever is longer. Members can elect not to take the standard benefit; instead they may receive actuarially equivalent benefits of:

- A monthly annuity for life of the member with no payment made after the death of the member,

RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015

NOTE 1: DESCRIPTION OF PLAN (CONTINUED)

B. Pension Benefits (Continued)

- A monthly annuity for the life of the member with 60, 180, or 240 months certain payments,
- A monthly annuity for the life of the member with 50%, 66 2/3%, or 100% of such monthly income continuing after the members death, or
- A single lump- sum provided that the actuarial equivalent of the benefit payable to the member does not exceed \$20,000 at the time of the distribution.

C. Death Benefits

Death benefits are payable to the member's beneficiary as if the beneficiary were a member. If the member's death occurs before their normal retirement date, the benefit is the actuarial equivalent of the member's vested interest as determined on the member's date of death. If the member's death occurs before they have commenced receiving payments under the Plan and the actuarially equivalent present value of the member's vested benefit does not to exceed \$5,000, the member's beneficiary may request a lump- sum payout of the vested benefit.

D. Tax Status

The Plan is not subject to the Employee Retirement Income Security Act because Guadalupe- Blanco River Authority is a governmental entity, and as such the information return (Form 5500) is not required to be filed.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Plan are prepared using the accrual method of accounting. Because GBRA is a government entity, the applicable GASB pronouncements are followed.

B. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.



RETIREMENT PLAN FOR EMPLOYEES OF  
 GUADALUPE- BLANCO RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Investment Policy

The Plan's investment policy was adopted and may be amended by the Retirement and Benefit Committee of the Guadalupe- Blanco River Authority. The policy outlines the prudent and acceptable investment philosophy of the Plan to make clear the understanding of the investment objectives and management practices. The Plans single investment objective is to achieve the actuarial assumed rate of return over a reasonable period of time while maintaining sufficient liquidity to timely meet all payment obligations of the Plan. The following are the minimum and maximum authorized investment exposures to the various asset classes:

<u>Asset Class</u>	<u>Exposure</u>	<u>Percentage of Plan</u>
Domestic Equities	Maximum	60%
	Minimum	25%
International Equities	Maximum	25%
	Minimum	0%
Alternatives	Maximum	25%
	Minimum	0%
Real Estate	Maximum	10%
	Minimum	0%
Global Fixed Income	Maximum	50%
	Minimum	20%
Short- Term Investments	Maximum	25%
	Minimum	0%

There were no changes to the policy during 2016 and 2015.

D. Investment Valuation and Income Recognition

The Plan's investment assets, income, schedule of investments and reportable transactions, if any, have been certified by the Plan's Trustee as being complete and accurate.

Investments in cash equivalents, pooled funds, equity securities, and fixed income securities are valued based on quoted market prices from active markets. Alternative investments and real estate funds are valued at net asset value at the date of the valuation. There have been no changes in methodologies used at December 31, 2016 and 2015.

Purchases and sales of securities are recorded on a trade- date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex- dividend date.

RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Payment of Benefits

Benefits are recorded when paid.

F. 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 years ending December 31, 2016 and 2015 was \$1,038,202 and \$1,033,464, respectively. This amount will fund both the Plan's normal cost for the year and the amount expected to amortize the UAAL as a level percent of employee compensation over nine years. There are no required contributions by the participants.

GBRA has also made periodic supplemental contributions to the Plan in an effort to improve the funding status of the Plan and accelerate the amortization of the Plan's net pension liability. During 2016 and 2015 reporting periods, the supplemental contributions were \$300,000 and \$700,000, respectively.

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 years ending December 31, 2016 and 2015, the money-weighted rate of return on pension plan investments was 2.58% and - 1.75%, respectively. 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.

RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015

NOTE 3: INFORMATION PREPARED AND CERTIFIED BY TRUSTEE

The information included in the accompanying financial statements and supplemental schedules was obtained from data that has been prepared and certified as to being complete and accurate by the trustee.

NOTE 4: INVESTMENTS REPRESENTING 5% OF FIDUCIARY NET POSITION:

	2016		2015	
	MARKET VALUE	PERCENT OF TOTAL	MARKET VALUE	PERCENT OF TOTAL
Pooled Funds:				
Brandywine Global Opp Fixed Income Fund	\$ 2,980,683	11.19%	\$ 3,514,284	13.64%
Equity Securities:				
Oppenheimer International Growth Fund	2,809,475	10.55%	3,354,280	13.02%
Touchstone Small Cap Core Fund	1,742,848	6.54%	1,562,435	6.06%
Wells Fargo Advantage Growth Fund	3,284,774	12.33%	3,303,161	12.82%
Fixed Income Securities:				
Aberdeen Emerging Markets Debt Fund	1,826,025	6.86%	1,586,268	6.16%
Alternative Investments:				
Ironwood Institutional Multi- Strategy Fund, LLC	2,489,161	9.35%	2,458,432	9.54%
RMK Global Timberland Resources Fund, LLC	901,731	3.39%	1,383,225	5.37%

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RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015

NOTE 5: INVESTMENTS HELD

Investments held are as follows:

	2016		2015	
	MARKET VALUE	PERCENT OF TOTAL	MARKET VALUE	PERCENT OF TOTAL
Cash and Cash Equivalents	\$ 1,637,862	6.15%	\$ 1,273,099	4.94%
Bank Pooled Funds:				
Brandywine Global Opp Fixed Income Fund	\$ 2,980,683	11.19%	\$ 3,514,284	13.64%
Tarracap Partners LP	850,214	3.19%	882,696	3.43%
LMCG Collective Trust	981,774	3.69%	942,892	3.66%
TOTAL POOLED FUNDS	\$ 4,812,671	18.07%	\$ 5,339,872	20.72%
Equity Securities:				
Abbvie Inc	\$ 134,320	0.50%	\$ 127,070	0.49%
Alliance Data Sys Corp	63,295	0.24%	82,418	0.32%
AES Corp	151,955	0.57%	-	0.00%
Affiliated Managers Group, Inc Com	68,146	0.26%	-	0.00%
Altria Group Inc	134,158	0.50%	155,304	0.60%
American Express Co	131,122	0.49%	123,104	0.48%
Ameriprise Finl Inc	75,328	0.28%	-	0.00%
Apache Corp	-	0.00%	75,466	0.29%
Apartment Invt & MGT Co	-	0.00%	120,530	0.47%
Apple Inc.	129,023	0.48%	128,628	0.50%
Franklin Resources Inc	-	0.00%	81,004	0.31%
Campbell Soup Co	82,662	0.31%	36,575	0.14%
CBOE Holdings Inc.	126,943	0.48%	155,760	0.60%
CBRE Group Inc	141,137	0.53%	-	0.00%
Celanese Corp	52,520	0.20%	-	0.00%
CF INDS Holdings Inc.	-	0.00%	70,397	0.27%
Halliburton Co	-	0.00%	28,389	0.11%
Accenture PLC	93,821	0.35%	91,333	0.35%
Devon Energy Corporation	122,670	0.46%	-	0.00%
Discover Financial Services	143,674	0.54%	106,865	0.41%
Eaton Vance Corp	115,338	0.43%	89,312	0.35%

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 5: INVESTMENTS HELD (CONTINUED)**

	2016		2015	
	MARKET VALUE	PERCENT OF TOTAL	MARKET VALUE	PERCENT OF TOTAL
Equity Securities Continued:				
Federated Investors Inc	\$ 82,012	0.31%	\$ -	0.00%
Gilead Sciences Inc.	104,264	0.39%	90,059	0.35%
Harris Corp Del	108,618	0.41%	100,630	0.39%
Hewlett Packard Enterprise	113,988	0.43%	22,648	0.09%
HP Inc	70,520	0.26%	17,642	0.07%
Jazz Pharmaceuticals PLC	-	0.00%	125,239	0.49%
Kroger Co	46,209	0.17%	-	0.00%
Mastercard Inc	89,208	0.33%	91,810	0.36%
Lyondellbasell Industries	136,476	0.51%	94,982	0.37%
Lockheed Martin Corp	110,224	0.41%	174,590	0.68%
Marathon Petroleum Corp	88,415	0.33%	149,973	0.58%
McGraw- Hill Financial Inc.	-	0.00%	118,296	0.46%
Moodys Corp	100,020	0.38%	106,461	0.41%
Tesoro Corp	47,223	0.18%	100,523	0.39%
Mylan Labs Inc,	144,855	0.54%	45,743	0.18%
Newmarket Corp	109,351	0.41%	98,228	0.38%
Omnicom Group	67,322	0.25%	-	0.00%
Noble Corp PLC	-	0.00%	105,036	0.41%
Phillip Morris International Co.	141,169	0.53%	135,645	0.53%
Rockwell Collins	100,459	0.38%	99,961	0.39%
Ross Stores Inc.	49,659	0.19%	31,156	0.12%
S&P Global Inc.	129,048	0.48%	-	0.00%
SM Energy Corp	-	0.00%	44,885	0.17%
Synchrony Financial	142,868	0.54%	-	0.00%
TJX Companies Inc	101,200	0.38%	157,278	0.61%
United Parcel Service	108,793	0.41%	130,969	0.51%
United Rental Inc Com	134,298	0.50%	42,291	0.16%
Valero Energy Corp	72,419	0.27%	136,400	0.53%
Verisk Analytics Inc.	-	0.00%	111,245	0.43%
Verizon Communications	96,244	0.36%	-	0.00%
Waddell & Reed Financial Inc.	-	0.00%	102,975	0.40%
Western Digital Corp	116,602	0.44%	83,049	0.32%
Western Union Co	92,484	0.35%	103,054	0.40%
Yum Brands Inc.	45,408	0.17%	39,958	0.16%
Oppenheimer International Growth Fund	2,809,475	10.55%	3,354,280	13.02%
Touchstone Small Cap Core Fund	1,742,848	6.54%	1,562,435	6.06%
Wells Fargo Advantage Growth Fund	<u>3,284,774</u>	<u>12.33%</u>	<u>3,303,161</u>	<u>12.82%</u>
TOTAL EQUITY SECURITIES	<u>\$ 12,352,565</u>	<u>46.38%</u>	<u>\$ 12,352,757</u>	<u>47.94%</u>

RETIREMENT PLAN FOR EMPLOYEES OF  
 GUADALUPE- BLANCO RIVER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2016 AND 2015

NOTE 5: INVESTMENTS HELD (CONTINUED)

	<u>2016</u>		<u>2015</u>	
	<u>MARKET VALUE</u>	<u>PERCENT OF TOTAL</u>	<u>MARKET VALUE</u>	<u>PERCENT OF TOTAL</u>
Fixed Income Securities:				
Aberdeen Emerging Markets Debt Fund	\$ 1,826,025	6.86%	\$ 1,586,268	6.16%
JIC Institutional Bond III	973,313	3.65%	-	0.00%
Ridgeworth Seix Floating Rate Fund	<u>1,277,158</u>	<u>4.80%</u>	<u>1,148,916</u>	<u>4.46%</u>
 TOTAL FIXED INCOME SECURITIES	 <u>\$ 4,076,496</u>	 <u>15.31%</u>	 <u>\$ 2,735,184</u>	 <u>10.61%</u>
 Alternative Investments:				
Ironwood Institutional Multi- Strategy Fund, LLC	\$ 2,489,161	9.35%	\$ 2,458,432	9.54%
RMK Global Timberland Resources Fund, LLC	901,731	3.39%	1,383,225	5.37%
Courage Credit Opportunities Onshore	<u>355,874</u>	<u>1.34%</u>	<u>220,600</u>	<u>0.86%</u>
 TOTAL ALTERNATIVE INVESTMENTS	 <u>\$ 3,746,766</u>	 <u>14.07%</u>	 <u>\$ 4,062,257</u>	 <u>15.76%</u>
 Accrued Interest	 <u>\$ 6,015</u>	 <u>0.02%</u>	 <u>\$ 4,991</u>	 <u>0.02%</u>
 TOTAL INVESTMENTS	 <u>\$ 26,632,375</u>	 <u>100.00%</u>	 <u>\$ 25,768,160</u>	 <u>100.00%</u>

RETIREMENT PLAN FOR EMPLOYEES OF  
 GUADALUPE- BLANCO RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015

NOTE 6: ANNUAL MONEY- WEIGHTED RATE OF RETURN

For the years ended December 31, 2016 and 2015, the annual money- weighted rate of return on pension plan investments, net of pension plan investment expenses, was 2.58% and - 1.75%, respectively. The money- weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 7: NET PENSION LIABILITY

A. 2016 Plan Year

The Plan'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 the roll forward procedure of the total pension liability in the actuarial valuation as of January 1, 2016 and rolled forward to December 31, 2016.

Total pension liability	\$33,846,373
Plan fiduciary net position	<u>( 26,632,375)</u>
Plan's net pension liability	<u>\$ 7,213,998</u>

Plan fiduciary net position as a  
 percentage of the total pension liability      78.7%

a. Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.00%, plus merit and promotion increases that vary by age and service
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP- 2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

RETIREMENT PLAN FOR EMPLOYEES OF  
 GUADALUPE- BLANCO RIVER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2016 AND 2015

NOTE 7: NET PENSION LIABILITY (CONTINUED)

A. 2016 Plan Year (Continued)

a. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation 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 real rates of return by the target asset allocation percentage (currently resulting in 4.25%) and by adding expected inflation (3.00%). In addition the 7.00% assumption was selected by “rounding down” and thereby reflects a reduction of 0.25% 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:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	30%	5.65%
Small cap domestic	5	5.93
International developed	10	6.06
Emerging markets	3	7.06
Hedge fund of funds	10	2.75
Real estate	10	3.31
Fixed income	35	1.96
Cash	<u>0</u>	0.35
Total	100%	
Weighted Average		4.25%

b. 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, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability in nine years. Because of the nine year amortization period, 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.



RETIREMENT PLAN FOR EMPLOYEES OF  
 GUADALUPE- BLANCO RIVER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2016 AND 2015

NOTE 7: NET PENSION LIABILITY (CONTINUED)

A. 2016 Plan Year (Continued)

c. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability	\$11,002,221	\$7,213,998	\$3,974,032

B. 2015 Plan Year

The Plan's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of January 1, 2015 and rolled forward to December 31, 2015.

Total pension liability	\$ 31,325,282
Plan fiduciary net position	<u>( 25,768,160)</u>
Plan's net pension liability	<u>\$ 5,557,122</u>

Plan fiduciary net position as a  
 percentage of the total pension liability      82.3%

a. Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.50%, plus merit and promotion increases that vary by age and service
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

RETIREMENT PLAN FOR EMPLOYEES OF  
 GUADALUPE- BLANCO RIVER AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2016 AND 2015

NOTE 7: NET PENSION LIABILITY (CONTINUED)

B. 2015 Plan Year (Continued)

a. Actuarial Assumptions (Continued)

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 for each biennial actuarial valuation 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 3.95%) and by adding expected inflation (3.50%). In addition, the final 7.25% assumption was selected by “rounding down” and thereby reflects a reduction of 0.20% 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:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	30%	5.65%
Small cap domestic	5	5.90
International developed	10	6.05
Hedge fund of funds	10	2.25
Real estate	10	3.95
Fixed income	35	2.09
Cash	<u>0</u>	0.35
Total	100%	
Weighted Average		3.95%

RETIREMENT PLAN FOR EMPLOYEES OF  
 GUADALUPE- BLANCO RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015

NOTE 7: NET PENSION LIABILITY (CONTINUED)

B. 2015 Plan Year (Continued)

b. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. No projection of cash flows was used to determine the discount rate because the January 1, 2015 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in eight years. That UAAL was based on an actuarial value of assets that was only 1% more than the plan fiduciary net position as of December 31, 2014. Because of the eight-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 7.25% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

c. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.25%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1- percentage- point lower (6.25%) or 1- percentage- point higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Plan's net pension liability	\$9,100,495	\$5,557,122	\$2,254,158

NOTE 8: PLAN TERMINATION

The Board of Directors of GBRA may terminate the Plan at anytime. In the event the Plan terminates, the vested interest of each member will be 100%, effective on the termination date. The assets of the trust fund will be liquidated and allocated to provide non- forfeitable benefits to be paid out as noted above. The employer will receive any remaining amounts resulting from variations between actual requirements and actuarially expected requirements.

RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015

NOTE 9: RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect Plan net position and the amounts reported in the statement of Plan position.

Plan contributions are made and the actuarial present value of accumulated Plan benefits are reported based on certain assumptions pertaining to interest rates, employee demographics and inflation rates which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is reasonably possible that changes in these estimates in the near term would be material to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
DECEMBER 31\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	\$ 363,322	\$ 383,725	\$ 370,825
Interest	2,251,021	2,146,004	2,046,056
Difference Between Expected and Actual Experience	553,030	54,130	-
Changes in Assumptions	477,891	605,445	-
Benefit Payments	<u>(1,124,173)</u>	<u>(841,560)</u>	<u>(698,521)</u>
Net Change in Total Pension Liability	2,521,091	2,347,744	1,718,360
Total Pension Liability - Beginning	<u>31,325,282</u>	<u>28,977,538</u>	<u>27,259,178</u>
Total Pension Liability - Ending	<u>\$ 33,846,373</u>	<u>\$ 31,325,282</u>	<u>\$ 28,977,538</u>
Plan Fiduciary Net Position			
Contributions by the Employer	\$ 1,338,202	\$ 1,733,464	\$ 1,684,302
Net Investment Income	650,186	(440,231)	486,549
Benefit Payments	<u>(1,124,173)</u>	<u>(841,560)</u>	<u>(698,521)</u>
Net Change in Plan Fiduciary Net Position	864,215	451,673	1,472,330
Plan Fiduciary Net Position - Beginning	<u>25,768,160</u>	<u>25,316,487</u>	<u>23,844,157</u>
Plan Fiduciary Net Position - Ending	<u>26,632,375</u>	<u>25,768,160</u>	<u>25,316,487</u>
Plan's Net Pension Liability - Ending	<u>\$ 7,213,998</u>	<u>\$ 5,557,122</u>	<u>\$ 3,661,051</u>

\* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
SCHEDULE OF NET PENSION LIABILITY AND RATIOS  
DECEMBER 31\*

<u>YEAR</u>	<u>TOTAL PENSION LIABILITY</u>	<u>FIDUCIARY NET POSITION</u>	<u>NET PENSION LIABILITY</u>	<u>FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</u>	<u>ANNUAL COVERED EMPLOYEE PAYROLL</u>	<u>NET PENSION LIABILITY AS A PERCENTAGE OF ANNUAL COVERED EMPLOYEE PAYROLL</u>
2016	\$ 33,846,373	\$ 26,632,375	\$7,213,998	78.69%	\$7,096,581	101.65%
2015	31,325,282	25,768,160	5,557,122	82.26%	7,566,022	73.45%
2014	28,977,538	25,316,487	3,661,051	87.37%	7,423,408	49.32%

\* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
SCHEDULE OF PLAN CONTRIBUTIONS  
DECEMBER 31, 2016 AND LAST NINE YEARS\*

FISCAL YEAR ENDED AUGUST 31,	ACTUARIALLY DETERMINED CONTRIBUTION EMPLOYER	ACTUAL CONTRIBUTION	ACTUARIALLY DETERMINED LESS ACTUAL	ANNUAL COVERED PAYROLL	ACTUAL CONTRIBUTION AS A PERCENTAGE OF ANNUAL COVERED PAYROLL
2016	\$ 1,038,202	\$ 1,338,202	\$ 300,000	\$ 7,096,581	19%
2015	1,033,464	1,733,464	700,000	7,566,022	23%
2014	984,302	1,684,302	700,000	7,428,025	23%
2013	993,893	1,593,893	600,000	7,661,304	21%
2012	1,011,297	1,511,297	500,000	8,203,042	18%
2011	1,014,388	1,620,832	606,444	8,447,077	19%
2010	970,248	3,970,248	3,000,000	8,506,931	47%
2009	764,425	1,264,425	500,000	8,573,185	15%
2008	707,443	707,443	-	8,201,393	9%
2007	662,796	662,796	-	7,840,665	8%

\* This schedule is intended to show information for 10 years.



RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
SCHEDULE OF INVESTMENT RETURNS  
DECEMBER 31\*

<u>YEAR</u>	<u>ANNUAL MONEY - WEIGHTED</u> <u>NET REAL RATE OF RETURN</u>
2016	2.58%
2015	- 1.75%
2014	2.05%
2013	13.64%

\* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

RETIREMENT PLAN FOR EMPLOYEES OF  
GUADALUPE- BLANCO RIVER AUTHORITY  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2016 AND 2015

NOTE 1: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:

<u>ACTUARIAL VALUATION DATE</u>	<u>JANUARY 1, 2016</u>	<u>JANUARY 1, 2015</u>	<u>JANUARY 1, 2014</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open
Amortization Period	9 Years	8 Years	10 Years
Asset Valuation Method	5 Year Adjusted Market Value	5 Year Adjusted Market Value	5 Year Adjusted Market Value
Actual Assumptions:			
Investment Return*	7.00%	7.25%	7.50%
Projected Salary Increase*	3.00% Plus Merit**	3.95% Plus Merit**	3.75% Plus Merit**
Inflation	3.00%	3.95%	3.75%
Cost- of- Living Adjustments	0.00%	0.00%	0.00%

\* Includes inflation at the stated rate

\*\* Merit increases range from 0.0% to 5.0%