LOWER COLORADO RIVER AUTHORITY

FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
June 30, 2019, and 2018

With Report of Independent Auditors

Lower Colorado River Authority
Financial Statements
As of and for the
Years Ended
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Table of Contents

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Report of Independent Auditors

To the Board of Directors
Lower Colorado River Authority

We have audited the accompanying financial statements of the Lower Colorado River Authority (LCRA), which consist of the balance sheets as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position, and of cash flows, and the related notes to the financial statements for the years then ended, which collectively comprise the Lower Colorado River Authority's financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lower Colorado River Authority as of June 30, 2019 and 2018, and its changes in net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company adopted GASB 83 and changed the manner in which it accounts for Asset Retirement Obligations in 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) on pages 3 through 8 and 59 through 61 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 the 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2019 on our consideration of the Lower Colorado River Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lower Colorado River Authority's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

September 12, 2019

Financial Statements Overview

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, the Lower Colorado River Authority (LCRA) is considered a special-purpose government engaged only in business-type activities. GASB Statement No. 34 requires the following components in a governmental entity's annual report:

Management's Discussion and Analysis

This section provides an objective and easily readable analysis of financial activities based on currently known facts, decisions or conditions.

Balance Sheet

The presentation of assets and liabilities of proprietary funds should distinguish between current and noncurrent assets and liabilities. Deferred inflow of resources and deferred outflow of resources are reported as separate line items.

Statements of Revenues, Expenses and Changes in Net Position

These statements provide the operating results broken into the categories of operating revenues and expenses, nonoperating revenues and expenses, costs to be (prior costs) recovered from revenues, and capital contributions.

Statements of Cash Flows

Sources and uses of cash are classified using the direct method as resulting from operating, noncapital financing, capital and related financing or investing activities.

Notes to Financial Statements

The notes explain information in the financial statements and provide additional details.

Adoption of GASB No. 83

In FY 2019, LCRA implemented GASB Statement No. 83, *Asset Retirement Obligations (ARO).* The objective of this statement is to address accounting and financial reporting requirements for certain AROs. The standard required retroactive application to the most recent preceding year for comparative financial statements. LCRA's ARO amounts at June 30, 2019, and 2018, were $17.8 million. The majority of LCRA's AROs relate to required state and federal environmental cleanup activities at retirement for LCRA's generation plants and related facilities. For additional detail of the impact, see Note 1, Newly Adopted Standards for FY 2019.

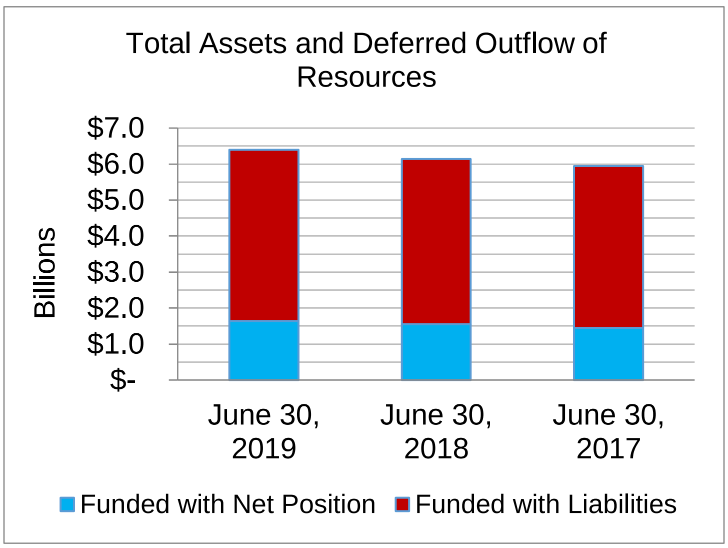
Financial Highlights

Condensed Balance Sheet
(Dollars in Millions)

	June 30, 2019	June 30, 2018	June 30, 2017	2019 vs. 2018	2018 vs. 2017
Current assets	$ 640.2	$ 580.7	$ 561.5	10.2%	3.4%
Capital assets, net	4,709.0	4,429.5	4,244.3	6.3%	4.4%
Other noncurrent assets	830.4	943.3	925.1	(12.0%)	2.0%
Total Assets	6,179.6	5,953.5	5,730.9	3.8%	3.9%
Total Deferred Outflow of Resources	214.3	187.4	211.5	14.4%	(11.4%)
Total Assets and Deferred Outflow of Resources	$ 6,393.9	$ 6,140.9	$ 5,942.4	4.1%	3.3%
Current liabilities	$ 660.5	$ 634.0	$ 545.5	4.2%	16.2%
Noncurrent liabilities	3,966.8	3,848.5	3,919.1	3.1%	(1.8%)
Total Liabilities	4,627.3	4,482.5	4,464.6	3.2%	0.4%
Total Deferred Inflow of Resources	130.5	109.9	29.1	18.7%	277.7%
Net investment in capital assets	1,002.6	859.8	796.4	16.6%	8.0%
Restricted net position	159.8	78.8	78.6	102.8%	0.3%
Unrestricted net position	473.7	609.9	573.7	(22.3%)	6.3%
Total Net Position	1,636.1	1,548.5	1,448.7	5.7%	6.9%
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 6,393.9	$ 6,140.9	$ 5,942.4	4.1%	3.3%

Balance Sheet Overview

LCRA continues to be a capital asset-driven business with approximately 76.2% of its assets being capital assets. The other assets primarily exist to support the capital assets and their activities. See details in the Capital Asset Activity section on Page 7. LCRA uses long-term debt to finance most of its capital activity. The Debt Activity section on Page 8 provides additional details. The adjacent chart shows total assets and deferred outflow of resources for each of the last three years. It also identifies the amount of the assets and deferred outflow of resources funded by liabilities versus net position.



2019 Compared to 2018

Total assets and deferred outflow of resources increased by $253.0 million, or 4.1%, from the prior year. This was primarily caused by a $279.5 million, or 6.3%, increase in net capital assets. Total current liabilities increased by $26.5 million, or 4.2%, from the prior period primarily due to an increase in tax exempt commercial paper outstanding and the current portion of bonds payable. Total deferred inflows increased by $20.6 million, or 18.7%, from the prior period primarily due to an increase in regulatory credits related to the implementation of a depreciation study.

2018 Compared to 2017

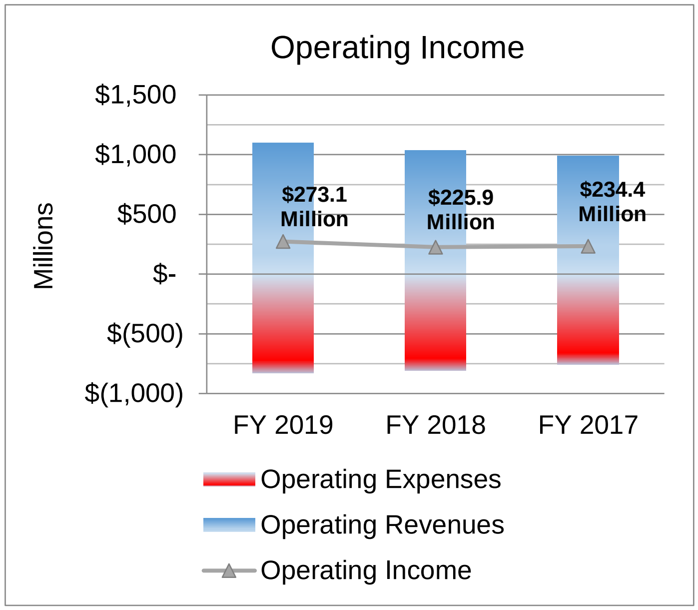
Total assets and deferred outflow of resources increased by $198.5 million, or 3.3%, from the prior year. This was primarily caused by a $185.2 million, or 4.4%, increase in net capital assets. Total current liabilities increased by $88.5 million, or 16.2%, from the prior period primarily due to an increase in security deposits for construction projects and tax-exempt commercial paper outstanding. Total noncurrent liabilities decreased by $70.6 million, or 1.8%, from the prior year primarily due to a reduction of other post-employment benefits of $128.1 million, which was partially offset by a $60.1 million increase in the noncurrent portion of bonds payable and a $17.8 million increase in asset retirement obligations. Total deferred inflows increased by $80.8 million, or 277.7%, from the prior year primarily due to a $50.4 million deferred gain on telecommunications capital assets. For additional details, see Note 6 of the Notes to the Financial Statements.

Condensed Statements of Revenues, Expenses and Changes in Net Position
(Dollars in Millions)

	Year Ended June 30, 2019	2018	2017	2019 vs. 2018 Favorable/ (Unfavorable)	2018 vs. 2017 Favorable/ (Unfavorable)
Operating revenues	$ 1,100.4	$ 1,035.4	$ 990.9	6.3%	4.5%
Operating expenses	(827.3)	(809.5)	(756.5)	(2.2%)	(7.0%)
Operating income	273.1	225.9	234.4	20.9%	(3.6%)
Nonoperating revenues	14.2	61.0	34.9	(76.7%)	74.9%
Nonoperating expenses	(200.4)	(187.1)	(171.7)	(7.1%)	(9.0%)
Nonoperating loss	(186.2)	(126.1)	(136.8)	(47.7%)	7.8%
Capital contributions	0.7	-	7.6	N/A	(100.0%)
Change in net position	87.6	99.8	105.2	(12.2%)	(5.1%)
Total Net Position, Beginning of Year	1,548.5	1,448.7	1,343.5	6.9%	7.8%
Total Net Position, End of Year	$ 1,636.1	$ 1,548.5	$ 1,448.7	5.7%	6.9%

Operating Income Overview

Operating income is derived primarily from wholesale energy sales, providing transmission and transformation services, and raw water sales. The Public Utility Commission of Texas (PUC) regulates transmission and transformation rates. LCRA's Board of Directors sets all other rates. The following chart shows LCRA's operating revenues, expenses and income for each of the last three years.



2019 Compared to 2018

Operating income for fiscal year 2019 increased by $47.2 million, or 20.9%, compared to the prior year. This increase was due to a $65.0 million, or 6.3%, increase in operating revenues, offset by an increase in operating expenses of $17.8 million, or 2.2%. Revenue increased due to an increase in wholesale load demand combined with an increase in off-system sales revenue. The increase in operating expense was mostly due to an $89.2 million increase in purchased power costs offset by a $44.3 million decrease in market energy expense due to favorable market conditions. In addition, there was a $21.9 million decrease in depreciation expense primarily due to implementation of a depreciation study.

2018 Compared to 2017

Operating income for FY 2018 decreased by $8.5 million, or 3.6%, compared to the prior year. This decrease was due to a $53.0 million, or 7.0%, increase in operating expenses, offset by a $44.5 million, or 4.5%, increase in operating revenue. The increase in operating expenses and revenues were driven by an increase in load demand.

Nonoperating revenues (expenses)

LCRA's nonoperating revenues and expenses primarily are comprised of:

- Interest income and expense.
- Gains or losses on the disposition of assets.
- Deferral of costs to be recovered from future revenues and recognition of prior costs recovered from current revenues.

2019 Compared to 2018

LCRA's nonoperating loss for FY 2019 increased by $60.1 million, or 47.7%, from the prior year. The most significant item contributing to the nonoperating loss in FY 2019 was due to a $41.0 million decrease in costs deferred to future years for recovery during FY 2019 compared to FY 2018. This was combined with a $24.5 million decrease in gain on the disposition of property.

2018 Compared to 2017

LCRA's nonoperating loss for FY 2018 decreased by $10.7 million, or 7.8%, from the prior year. The most significant item contributing to the nonoperating loss in FY 2018 was primarily due to more costs deferred to future years for recovery during FY 2018 compared to FY 2017.

Capital Asset Activity

Capital Asset Activity (Dollars in Millions)	FY 2019		FY 2018	
Expended for construction activities	$	470.9	$	392.5
Depreciation expense	$	162.6	$	184.5
Asset retirements, net of proceeds	$	31.8	$	23.0
Other capital asset activity	* No significant nonroutine transactions		* No significant nonroutine transactions	

* For additional details, see Note 7 of the Notes to the Financial Statements.

Capital Expansion and Improvement Program

LCRA's capital expansion and improvement program for FY 2020 through FY 2024 is forecast to be $1.7 billion with approximately 57.9% to be debt-funded and the remainder to be funded from operations, as summarized in the following table. The majority of forecast capital costs are for expansion of transmission services and new water supply projects aimed at creating firm water supply and offsetting the use of stored water from the Highland Lakes.

Forecast Capital Expenditures (Dollars in Millions)	Year Ended June 30,					
	2020	2021	2022	2023	2024	Total
Revenue/other funded	$ 129.1	$ 130.0	$ 124.5	$ 170.2	$ 172.8	$ 726.6
Debt funded	302.1	305.1	269.5	89.7	33.1	999.5
Total LCRA Capital	$ 431.2	$ 435.1	$ 394.0	$ 259.9	$ 205.9	$ 1,726.1
% debt funded	70.1%	70.1%	68.4%	34.5%	16.1%	57.9%

Debt Activity

LCRA Debt Activity
(Dollars in Millions)

	FY 2019	FY 2018
Commercial paper and notes issued	$ 362.9	$ 225.4
Scheduled debt payments	$ 109.1	$ 123.7
Interest payments	$ 169.5	$ 169.0
Bond issuance	* LCRA TSC Series 2019 Refunding Revenue Bonds ($393.0 million): The bonds were issued at a premium and proceeds were used to refund LCRA TSC 2009 Revenue Bonds in the amount of $115.6 million, as well as $323.5 million of tax-exempt commercial paper.	* LCRA TSC Series 2018 Refunding Revenue Bonds ($291.4 million): The bonds were issued at a premium and proceeds were used to refund LCRA TSC 2008 Revenue Bonds in the amount of $123.4 million, as well as $200.0 million of tax-exempt commercial paper.
Other debt activity	* LCRA used revenue funds to pay down $132.7 million in debt, which included LCRA Series 2009 and $23.8 million in commercial paper.	* LCRA used revenue funds to pay down $19.2 million in debt, which included LCRA Series 2002 and 2008A Refunding Revenue Bonds.

* For additional details, see Note 3 of the Notes to the Financial Statements.

Contacting LCRA's Management

This report provides a general overview of LCRA's finances. For more information, contact Bill Lauderback, Executive Vice President for Public Affairs, Lower Colorado River Authority, P.O. Box 220, Austin, TX 78767.

LOWER COLORADO RIVER AUTHORITY
BALANCE SHEET
(Dollars in Millions)

	June 30, 2019	June 30, 2018
Assets		
Current Assets:		
Cash and cash equivalents	$ 287.4	$ 182.3
Unrestricted investments	88.4	98.6
Receivables, net	166.8	176.2
Current portion of notes receivable	-	14.9
Inventories, net	84.0	92.7
Other	13.6	16.0
Total current assets	640.2	580.7
Noncurrent Assets:		
Restricted cash and cash equivalents	120.9	60.1
Restricted investments	249.4	232.5
Unrestricted investments	123.5	356.3
Capital assets:		
Depreciable:		
Utility plant in service	6,337.1	6,103.5
Intangible assets - other	12.2	9.2
Oil and gas property	28.2	28.2
Other physical property	55.9	55.4
Less: accumulated depreciation	(2,625.6)	(2,497.7)
Depreciable capital assets, net	3,807.8	3,698.6
Nondepreciable:		
Utility plant in service	305.3	302.8
Intangible assets - water rights	101.8	101.8
Other physical property	20.2	20.2
Construction work in progress	473.9	306.1
Nondepreciable capital assets	901.2	730.9
Notes receivable	2.0	1.5
Other charges		
Costs to be recovered from future revenues	328.2	289.0
Other charges	6.4	3.9
Total other charges	334.6	292.9
Total noncurrent assets	5,539.4	5,372.8
Total Assets	6,179.6	5,953.5
Deferred Outflow of Resources:		
Unamortized loss on debt refundings	75.1	90.9
Changes in fair value of hedging derivatives	4.2	9.3
Unamortized expense on asset retirement obligation	16.9	17.8
Unrealized losses related to other postemployment benefits	19.1	24.2
Unrealized contributions and losses related to pensions	99.0	45.2
Total Deferred Outflow of Resources	214.3	187.4
Total Assets and Deferred Outflow of Resources	$ 6,393.9	$ 6,140.9

The accompanying notes are an integral part of these financial statements.

LOWER COLORADO RIVER AUTHORITY
BALANCE SHEET
(Dollars in Millions)

	June 30, 2019	June 30, 2018
Liabilities		
Current Liabilities:		
Accounts payable	$ 106.1	$ 105.8
Interest payable	24.6	20.6
Other current liabilities	96.1	104.1
Compensated absences	11.8	11.1
Bonds and notes payable	421.9	392.4
Total current liabilities	660.5	634.0
Noncurrent Liabilities:		
Construction payables	12.9	11.3
Asset retirement obligation	17.8	17.8
Bonds and notes payable	3,503.7	3,453.3
Other credits and other noncurrent liabilities	78.9	81.8
Net other postemployment benefit liability	121.2	126.2
Net pension liability	232.3	158.1
Total noncurrent liabilities	3,966.8	3,848.5
Total Liabilities	4,627.3	4,482.5
Deferred Inflow of Resources:		
Regulatory credits from future recovery	72.9	42.1
Unrealized gains related to pension	2.4	3.2
Unrealized gains related to other postemployment benefits	11.9	10.1
Deferred gain - tower sale (see Note 6)	39.5	50.4
Other	3.8	4.1
Total Deferred Inflow of Resources	130.5	109.9
Net Position		
Net investment in capital assets	1,002.6	859.8
Restricted for debt service	88.8	6.1
Restricted for capital projects	-	0.7
Restricted other	71.0	72.0
Unrestricted	473.7	609.9
Total Net Position	1,636.1	1,548.5
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 6,393.9	$ 6,140.9

The accompanying notes are an integral part of these financial statements.

LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
(Dollars in Millions)

	Year Ended June 30, 2019	Year Ended June 30, 2018
Operating Revenues		
Electric	$ 1,030.8	$ 982.2
Water and irrigation	25.6	25.6
Other	44.0	27.6
Total Operating Revenues	1,100.4	1,035.4
Operating Expenses		
Fuel	291.6	296.2
Purchased power	162.8	73.6
Operations	163.0	207.7
Maintenance	46.4	47.5
Depreciation, depletion and amortization	163.5	184.5
Total Operating Expenses	827.3	809.5
Operating Income	273.1	225.9
Nonoperating Revenues (Expenses)		
Interest income	25.9	9.8
Gain on disposition of property	5.8	30.3
Loss on disposition of property	(34.2)	(25.1)
Interest on debt	(166.2)	(162.0)
Other income	3.3	0.7
Total Nonoperating Revenues (Expenses)	(165.4)	(146.3)
Income Before Costs to be (Prior Costs) Recovered From Revenues, Capital Contributions and Loss on Early Defeasance of Debt	107.7	79.6
Costs to be (Prior Costs) Recovered From Revenues	(20.8)	20.2
Capital Contributions	0.7	-
Change in Net Position	87.6	99.8
Total Net Position, Beginning of Year	1,548.5	1,448.7
Total Net Position, End of Year	$ 1,636.1	$ 1,548.5

The accompanying notes are an integral part of these financial statements.

LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF CASH FLOWS
(Dollars in Millions)

	Year Ended June 30, 2019	2018
Cash Flows From Operating Activities		
Receipts from customers	$ 1,090.8	$ 1,033.5
Payments for goods and services	(390.9)	(405.8)
Payments to employees	(213.9)	(217.8)
Other receipts	(5.2)	8.2
Net cash provided by operating activities	480.8	418.1
Cash Flows From Noncapital Financing Activities		
Grant proceeds received	1.1	0.8
Other revenues	2.2	1.5
Net cash provided by noncapital financing activities	3.3	2.3
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(493.9)	(408.1)
Proceeds from sale of capital assets	(25.5)	103.5
Debt issue costs	(1.5)	(1.7)
Contributed capital received for capital costs	0.7	3.3
Proceeds from bonds and notes	452.2	330.2
Proceeds from commercial paper	362.9	225.4
Debt principal payments	(109.1)	(123.7)
Interest paid	(169.5)	(169.0)
Payments to refund and defease debt	(601.5)	(336.2)
Net cash used in capital and financing activities	(585.2)	(376.3)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	609.5	413.7
Purchase of investment securities	(377.3)	(549.1)
Note payments and interest received	34.8	19.7
Net cash provided by (used in) investing activities	267.0	(115.7)
Net increase (decrease) in cash and cash equivalents	165.9	(71.6)
Cash and cash equivalents, beginning of year	242.4	314.0
Cash and cash equivalents, end of year	$ 408.3	$ 242.4

The accompanying notes are an integral part of these financial statements.

LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF CASH FLOWS
(Dollars in Millions)

	Year Ended June 30, 2019		Year Ended June 30, 2018	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	$	273.1	$	225.9
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation, depletion and amortization		163.5		184.5
Changes in assets, liabilities, deferred inflows and outflows of resources:				
Accounts receivable		9.4		(22.4)
Inventories		8.7		(7.1)
Other current assets		2.4		(10.6)
Current liabilities		56.7		88.5
Other noncurrent assets, charges and deferred outflow of resources		(4.2)		1.7
Other credits and other noncurrent liabilities, and deferred inflow of resources		(28.8)		(42.4)
Net cash provided by operating activities	$	480.8	$	418.1
Noncash Financing and Investing Activities				
Investment market adjustments	$	(6.1)	$	3.9
Capital assets financed through current liabilities	$	(37.3)	$	9.6

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies

Reporting Entity: LCRA is a conservation and reclamation district created by the Texas Legislature in 1934. It receives no state tax money and cannot levy taxes. It operates on revenue from the sale of wholesale electricity, water and other services. The LCRA Board of Directors is appointed by the Texas governor, with state Senate approval, to serve six-year terms. The financial condition of LCRA is not controlled by or dependent on the State of Texas or any other political subdivision. Under the criteria set forth by GASB, LCRA considers its relationship to the state to be that of a related organization.

LCRA Transmission Services Corporation (LCRA TSC): LCRA TSC was created under Chapter 152 of the Texas Water Code as a nonprofit corporation and instrumentality of LCRA, conducting LCRA's transmission business. Although it is a separate legal entity, LCRA TSC is reported as part of LCRA because it is governed by a board of directors composed in its entirety of the LCRA Board. LCRA TSC issues separate financial statements that can be obtained by contacting Lower Colorado River Authority, P.O. Box 220, Austin, TX 78767.

GenTex Power Corporation (GenTex): GenTex, a nonprofit corporation created by LCRA, is governed by a nine-member board appointed by the LCRA Board. Although it is a separate legal entity, GenTex is 100% owned by LCRA and is reported as part of LCRA because all of its capacity and energy is assigned to LCRA. LCRA and GenTex jointly own a combined-cycle, natural gas-fired generating unit that began operations in June 2001. GenTex does not issue separate financial statements.

LCRA Wholesale Energy Services Corporation (LCRA WSC Energy): LCRA WSC Energy, a nonprofit corporation and instrumentality of LCRA, was created in 2012 under Chapter 152 of the Texas Water Code to market and sell electric power outside of LCRA's traditional service area. Although it is a separate legal entity, LCRA WSC Energy is reported as part of LCRA because it is governed by a board of directors comprised in its entirety of the LCRA Board. LCRA WSC Energy does not issue separate financial statements.

Fayette Power Project (FPP): Three coal-fired generating units are located at FPP and operate pursuant to a participation agreement with the City of Austin. LCRA has an undivided 50% interest in units 1 and 2 and wholly owns Unit 3. LCRA's investment is financed with LCRA funds, and its pro-rata share of operations is recorded as if wholly owned. The original cost of LCRA's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of LCRA in accordance with its accounting policies. The equity interest in FPP is calculated pursuant to the participation agreement and is reported in various asset and liability accounts within LCRA's financial statements.

Sandy Creek Energy Station: LCRA participates as a power purchaser and equity partner in the Sandy Creek Energy Station, a coal-fired electric generation plant located near Waco, Texas. The plant became operational in May 2013. LCRA is committed to purchase 11.14% of the generation from the plant. As an equity partner, LCRA owns an 11.13% undivided interest in the plant. The cost of LCRA's share of the plant is recorded in the utility plant accounts of LCRA. LCRA's equity interest in Sandy Creek and its share of expense are calculated pursuant to the participation agreement and are reported in various accounts within LCRA's financial statements. Power purchased from the plant is reflected as purchased power expense on LCRA's financial statements.

Basis of Accounting: The accompanying financial statements of LCRA, a governmental entity, were prepared using proprietary fund and accrual basis accounting. LCRA follows GASB guidance.

LCRA's accounts are maintained in accordance with the Federal Energy Regulatory Commission's Uniform System of Accounts. The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions affecting the reported amounts of assets, deferred outflow of resources, liabilities, deferred inflow of resources, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

LCRA considers electric revenues and costs directly related to the generation, purchase, transmission and distribution of electricity to be operating revenues and expenses. Water revenues and other services related to environmental laboratory operations, licensing and recreation and the costs directly related to these services are also considered operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating revenues and expenses.

Newly Adopted Standards for FY 2019:

In FY 2019, LCRA implemented GASB Statement No. 83, *Asset Retirement Obligations.* The standard required retroactive application to the most recent preceding year for comparative financial statements. LCRA's AROs as of June 30, 2019, and 2018, were $17.8 million. The majority of LCRA's AROs, approximately $14.0 million, related to required state and federal environmental cleanup retirement activities at LCRA's generation plants and facilities associated with FPP. In addition, there were contractual ARO retirement restoration activities related to lease property at LCRA's railcar repair and gas storage facilities.

The ARO amounts are based on the best estimate of the current value of costs to be incurred to perform legally or contractually required retirement activities. Cost estimates were based on the requirements in GASB Statement No. 83 and not on any other industry definition for "decommission." While decommission of capital assets may include retirement activities, such as demolition of facilities, they may not be legally or contractually required. LCRA's ARO cost excluded such retirement activities.

After ARO cost was reasonably estimated, it was recognized on the balance sheet as a liability (ARO) and a deferred outflow of resources. The deferred outflow of resources is being reduced in a systematic and rational manner over the estimated useful life of the associated assets. In FY 2019, amortization of the deferred outflow of resources was $0.9 million. For the leased property with a fixed lease period, the deferred outflow of resources is being amortized over the remaining leased period of 6 years. For the deferred outflow of resources amount related to plants and facilities and leased property with renewable lease periods, the deferred outflow of resources amount is being amortized over our contractual commitments to our wholesale power customers that run through 2041, which is 23 years. Overall, the combination of benchmarking, using industry studies, supplemented by knowledge of the facilities was the optimal methodology.

LCRA owns approximately 11.13% of the Sandy Creek Energy Station (Sandy Creek), a coal-fired electric generation plant located in Waco, Texas. The total ARO liability for Sandy Creek is $5.6 million, of which LCRA has recorded its corresponding share. The plant is managed by Sandy Creek Services, LLC; a nongovernmental entity.

Previously, LCRA reserved $20.2 million for the cost of retirement of plant and facilities. Of that amount, $6.7 million has been restricted by the LCRA Board for capital asset retirement costs.

Issued, But Not Yet Effective Pronouncements: GASB Statement No. 87, *Leases,* increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The statement is effective for reporting periods beginning after December 15, 2019. Early adoption is allowed. LCRA is analyzing the impact of this statement on its financial position, results of operations and cash flows.

Fair Value Measurement: LCRA is in compliance with GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Statement No. 72 establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment spreads, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available.

Operating Revenues: LCRA's principal operating revenues are generated from electric sales, including both wholesale power and transmission services. The customers served by LCRA and the rates paid by such customers vary with services provided. Revenues are recorded when power is delivered or services are provided. In addition to contractual sales to customers, LCRA also sells power into an electricity market operated by the Electric Reliability Council of Texas (ERCOT). These sales are affected by market prices and are not subject to rate regulation by LCRA's Board of Directors or other regulatory bodies. Accordingly, LCRA does not apply the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 476-500, to these transactions.

LCRA also generates revenues through the sale of raw water. Revenues are recorded when water is delivered.

Major Customers and Electric Revenues: For the years ended June 30, 2019, and 2018, LCRA had one customer whose revenue individually represented 10% or more of total operating revenues at 22.1% and 21.3%, respectively.

Electric revenues, including transmission and wholesale power, represented approximately 93.7% and 94.9% of LCRA's operating revenues for the years ended 2019 and 2018, respectively.

All of LCRA's existing wholesale customers, representing 100% of LCRA's load, have entered into electric wholesale contracts that extend to 2041.

Rates and Regulations: LCRA's electric and water rates are set by the LCRA Board at a level sufficient to recover its operating costs, debt service and debt service coverage requirements. While the LCRA Board has original jurisdiction over its water rates, the PUC has appellate jurisdiction. LCRA's transmission service rates remain regulated by the PUC.

Transmission revenues of $417.8 million for the year ended June 30, 2019, were the result of rate changes authorized during the fiscal year. New rates of $6.18 per kilowatt became effective on October 9, 2018. Prior to the change, the rate was $5.84 and had been effective from October 2, 2015. The rate increases were related to investments in transmission system improvements.

LCRA TSC filed for an interim rate increase in August 2019 with a rate effective October 2019 to recover transmission project improvements. Rate changes reflect return on rate base and incremental ad valorem taxes on system improvements.

ERCOT Settlements Reporting: LCRA participates in ERCOT's energy and operating reserve market where sales and purchases are netted hourly. Both net sales and net purchases are recorded within Purchased power as a part of operating expenses. The total net sales recorded as a reduction of purchased power [or operating expense] were $108.1 million and $49.7 million for FY 2019 and FY 2018, respectively.

Fuel and Power Cost Recovery Factor (F&PCRF): Revenues from the sale of electricity include amounts collected through the F&PCRF charged to wholesale electric customers. LCRA records over- or under-recoveries of fuel costs as other current assets or deferred inflow of resources in the Balance Sheet. These costs are a component of the F&PCRF. Over-recoveries may result in credits to customers and under-recoveries may result in additional assessments to customers. LCRA over-recovered fuel costs by $14.5 million as of June 30, 2019, and under-recovered $4.7 million as of June 30, 2018.

Gas Price Management: In an effort to mitigate the financial and market risk associated with the price fluctuations, LCRA entered into futures contracts, swaps and options. Derivative instruments are recorded on the Balance Sheet at their fair values. Changes in the fair value of derivatives are recorded each period. LCRA is using GASB Statement No. 53*, Accounting and Financial Reporting for Derivative Instruments,* accounting as a component of the F&PCRF for its hedging derivatives. Gains and losses related to the hedging derivative contracts deemed ineffective hedges are recognized in current earnings. Gains and losses on financial contracts that are effective hedges are deferred on the Balance Sheet. See Note 8, Derivative Instruments in the Notes to Financial Statements.

Capital Contributions: Capital contributions consist of donated assets and grant-funded or customer contributions for capital-related work.

Cash and Cash Equivalents: LCRA considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. LCRA maintains cash balances in excess of Federal Deposit Insurance Corporation limits at certain financial institutions. We manage this credit risk by concentrating our cash balances in high quality financial institutions and by periodically evaluating the credit quality of the primary financial institutions holding such deposits. With short maturities, the investments present insignificant risk of changes in value because of interest rate changes and are readily convertible to cash. Historically, no losses have been incurred due to such cash concentrations.

Investments: LCRA's investments are stated at fair value. Any changes, unrealized and realized, in the fair value of financial investments are recorded as investment income.

Accounts Receivable and Allowance for Doubtful Accounts: LCRA accounts receivable balances are subject to risk of nonpayment. Allowances to account for that risk have been calculated based on a three-year average of customer write-offs, except in certain cases, where amounts were recorded directly to bad debt expense and excluded from the three-year average. The allowance for doubtful accounts balance was $0.3 million as of June 30, 2019, and 2018.

Inventories:

Fuel: Stored natural gas and fuel oil are stated at average cost.

Nonfuel: Nonfuel inventories are stated at the lower of cost or market using the average cost method and are subject to write-off when deemed obsolete. LCRA has established a reserve for excess and obsolete inventory, which is based primarily on inventory aging and historical analysis. The reserve is intended to adjust the net realizable value of inventory LCRA may not be able to use due to obsolescence. The balance in the reserve as of June 30, 2019, and 2018, totaled $0.8 million and $0.6 million, respectively.

Other Current Assets: Other current assets are comprised primarily of prepaid items, advances and the current portion of other noncurrent assets.

Restricted Funds: Restricted funds consist of construction funds derived from debt issuances, system revenues designated for specific purposes by the LCRA Board, and other funds with legal or contractual constraints. It is LCRA's policy to use restricted resources first for the specified purposes, then unrestricted resources if they are needed.

Capital Assets:

*Utility Plant***:** Utility plant consists of generating plants, electric transmission and distribution facilities, capital spares, dams, reservoir land, natural gas production and development, irrigation systems, water utilities, telecommunications facilities, and related projects under construction. These assets are recorded at cost, which includes materials, labor, overhead and interest capitalized during construction. The cost of repairs and minor replacements are charged to operating expense as incurred. Costs of asset replacements and betterments are capitalized. The net book value of a retired depreciable plant, along with removal expense less salvage value, is charged to nonoperating expense on the Statements of Revenues, Expenses and Changes in Net Position. Gains and losses upon disposition are recorded as nonoperating revenues or expenses in the period incurred. For FY 2019 and FY 2018, expenses for long-lived items greater than $1,000 are eligible to be capitalized, though LCRA allows for direct expensing of items where the costs associated with obtaining approval of and tracking a capital project are onerous.

*Intangible Assets***:** Intangible assets primarily include water rights, easements, energy capacity rights and internally generated software. Water rights and easements are stated at cost, have an indefinite life and are disclosed under the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Easements are included in the nondepreciable utility plant in service line item of the Balance Sheet. Internally generated software is included in the depreciable capital assets line item and is amortized over approximately five years. Energy capacity rights are amortized over 14 years and are included in the depreciable intangible assets – other line item of the Balance Sheet.

Natural Gas Development and Production: LCRA adopted the full-cost method of accounting for natural gas development and production. Under this method, all costs directly associated with acquisition and development of oil and gas properties are capitalized and recorded under depreciable capital assets as oil and gas properties and depleted to expense over the life of proved reserves on a units-of-production method. Depletion expense totaled approximately $0.1 million for the years ended June 30, 2019, and 2018.

Capitalized Interest: Interest can be capitalized as a part of the cost of capital assets if the assets are financed by debt proceeds per regulatory accounting under GASB Statement No. 62. During FY 2019 and FY 2018, LCRA did not capitalize interest.

Impairment: LCRA evaluates the carrying value of its property, plant and equipment, and other long-lived assets when major events or changes in circumstances indicate a decline in an asset's service capacity. Impairment is measured using methods that isolate the asset's service capacity rendered unusable. There were no material impairments noted as of June 30, 2019, and 2018.

Depreciation, Depletion and Amortization: LCRA depreciates its plant in service on a straight-line basis over the estimated useful lives of the various classes of these assets. Annual depreciation expense, expressed as a percentage of depreciable plant, was approximately 2.6% for FY 2019 and 3.0% for FY 2018.

The estimated useful life of property, plant and equipment by major category is as follows:

Hydraulic Production Plant	5 – 50 years
Steam Production Plant	10 – 40 years
Transmission Facilities	5 – 58 years
General Office Buildings	4 – 45 years
Irrigation Plant	5 – 70 years
Sewage and Water Treatment Plant	5 – 50 years
Telecommunication Facilities	5 – 45 years
Intangible Assets	5 years – Indefinite

Notes Receivable: The note receivable balance as of June 30, 2018, was primarily related to the sale of the West Travis County water/wastewater facility in FY 2012, for which LCRA received payment in full in FY 2019. There was no allowance for doubtful accounts related to the balance as of June 30, 2018.

Regulatory Assets and Deferred Inflows: LCRA applies the accounting requirements of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Accordingly, certain costs may be capitalized as a regulatory asset that otherwise would be charged to expense. A regulatory asset is recorded when it is probable that future revenue in an amount at least equal to the capitalized costs will result from inclusion of those costs in future rates. These regulatory assets, which are included under other charges, will be recovered through rates in future years, and consist of depreciation of debt-funded assets, costs related to outstanding debt and costs related to pension and other post-employment benefits.

In addition, rate actions of the regulator may impose a regulatory credit on LCRA. A regulatory credit occurs when a regulator requires refunds to customers or provides current rates intended to recover costs expected to be incurred in the future. A regulatory credit is reported as a deferred inflow of resources on the Balance Sheet and is recognized and charged to income when the associated costs are incurred. The balance of regulatory credits also includes an over-recovery of fuel costs. Components of regulatory assets and regulatory credits are summarized in the table below:

Regulatory Assets and Credits (Dollars in Millions)	June 30, 2019	June 30, 2018
Regulatory assets:		
Deferred depreciation on debt-funded capital expenditures	$ 78.5	$ 60.7
Deferred pension and other postemployment benefits costs	249.7	228.3
	$ 328.2	$ 289.0
Regulatory credits:		
Fuel cost over recovery	$ 14.5	$ 1.8
Amounts collected from rates to be used for future costs	58.4	40.3
	$ 72.9	$ 42.1

Other Noncurrent Assets: Other noncurrent assets are comprised of prepaid rent on the LCRA General Office Complex land and operating advances to the Fayette Power Project (FPP).

Accounts Payable: LCRA identified a classification error in the previously issued 2018 financial statements which resulted in an understatement of current accounts payable of $30.1 million and an understatement of total current liabilities of $30.1 million, with a corresponding overstatement of non-current accounts payable and total non-current liabilities. Management has evaluated these classification errors and concluded they are not material to the previously issued 2018 financial statements. The previously issued 2018 financial statements have been revised to correct these classification errors.

Other Current Liabilities: Other current liabilities are comprised primarily of transmission cost of service (TCOS) liabilities, property tax accruals and accrued vendor payments.

Compensated Absences: LCRA records employees' earned vacation leave as a liability and accrues for certain related expenses associated with the payment of compensated absences.

Bonds, Notes and Loans Payable: LCRA reports the current portion of long-term debt, which includes all commercial paper and scheduled debt payments to be made within the next 12 months, as a current liability. LCRA debt includes outstanding long-term revenue bonds, commercial paper and other notes. Amortization of debt discount and premium is computed using the effective yield method over the life of the related bond issues and is recorded as interest expense.

Refunding and Defeasance of Debt: For debt refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as a component of deferred inflows or outflows of resources. Losses created by refunding transactions are amortized over the shorter of the remaining terms of the new issues or the refunded bonds. These amounts are reported as deferred outflow of resources on the Balance Sheet. Gains created by refunding transactions are amortized over the shorter of the remaining terms of the new issues or the refunded bonds. These amounts are reported as other deferred inflows of resources on the Balance Sheet. For debt defeasances, the difference between the carrying amount of the debt and the amount of funds needed to retire the debt is recognized immediately in the Statements of Revenues, Expenses and Changes in Net Position as a gain or loss on early defeasance of debt, if material. If the difference is not material, it is recognized immediately as interest expense.

Other Credits and Other Noncurrent Liabilities: Other credits and other noncurrent liabilities consist of environmental liabilities, supplemental executive retirement program liabilities, unearned revenues and other noncurrent liabilities.

Other Noncurrent Liabilities: In October 1999, LCRA entered into a long-term water supply agreement with the City of Austin. LCRA used the proceeds related to the agreement to pay down debt related to the acquisition of water rights, purchase additional water rights, and help fund other programs related to its river management operations. LCRA has unearned revenues related to this agreement.

Changes in other noncurrent liabilities are as follows:

Other Noncurrent Liabilities
(Dollars in Millions)

Description	Balance June 30, 2017 [4]	Increase	(Decrease)	Balance June 30, 2018 [4]	Increase	(Decrease)	Balance June 30, 2019 [4]
Unearned Revenues - City of Austin [1]	$ 58.4	$ -	$ (1.8)	$ 56.6	$ -	$ (1.9)	$ 54.7
Payables Related to Debt-Funded Capital [2]	19.7	-	(19.7)	-	-	-	-
Asset Retirement Obligation	-	17.8	-	17.8	-	-	17.8
SAWS Project Advances [3]	2.7	0.1	(1.5)	1.3	0.1	(1.4)	-
Unearned Revenue - Tower Sale	-	14.9	(0.2)	14.7	-	(1.4)	13.3
Other Noncurrent Liabilities	14.3	13.5	(7.3)	20.5	37.5	(34.2)	23.8
Total	$ 95.1	$ 46.3	$ (30.5)	$ 110.9	$ 37.6	$ (38.9)	$ 109.6

(1) City of Austin water agreement liability (see Other Noncurrent Liabilities paragraph)
(2) Vendor, sales tax and salary payables related to debt-funded capital spending.
(3) Feasibility study with San Antonio Water System to address the long-term water needs in region. Balance represents the other long-term portion of payments owed to SAWS as the result of the termination of the project and related settlement. Annual payments are $1.4 million.
(4) Balances exclude Pension payable and Other Post-employment Benefits (OPEB) payable. See Note 4 - Retirement and 401(k) Benefits and Note 5 - Other Post-employment Benefits.

Classifications of Net Position: The Net Position section of the Balance Sheet includes the following components: Net Investment in Capital Assets is the portion of net position that consists of capital assets, net of accumulated depreciation, plus deferred outflows of resources, reduced by outstanding debt and construction contracts payable attributable to the acquisition, construction or improvement of those assets. Capital assets for the net investment computation include both capital assets and regulatory assets. In the event there are unspent proceeds from a bond issuance for the stated purpose of capital improvement, the outstanding debt is reduced by the amount not used for capital projects as of period end. As of June 30, 2019, and 2018, debt-funded assets not related to capital assets included $179.5 million and $202.2 million, respectively, in cash and investments restricted for future capital projects or debt service fund requirements.

The categories of restricted net position represent the portion of net assets over which there are LCRA Board or externally imposed constraints as to its use. They consist of Board-restricted reserves, bond sinking fund requirements, and construction fund cash and investments reduced by any related outstanding debt or deferred inflows of resources related to the debt. As of June 30, 2019, and 2018, these restricted categories of net assets consisted of cash and investments of $370.4 million and $307.4 million, reduced by liabilities and deferred inflows of resources of $210.5 million and $228.6 million, respectively.

Unrestricted net position is the share of net position that is neither restricted nor invested in capital assets.

2. Financial Instruments

As of June 30, 2019, and 2018, LCRA had the following investments and maturities:

Investments and Maturities
(Dollars in Millions)

Type of Investment	June 30, 2019 Market Value	June 30, 2019 WAM (Years)[1]	June 30, 2018 Market Value	June 30, 2018 WAM (Years)[1]
Investments				
U.S. Government Securities	$ 47.0	0.40	$ 309.5	1.80
U.S. Agency Notes[2]	311.1	1.38	303.9	2.32
Commercial Paper	99.2	0.36	74.0	0.68
Taxable Municipals	4.0	3.51		
Cash Equivalents				
Investment Pools	398.6	0.15	217.9	0.10
Total	$ 859.9	0.65	$ 905.3	1.48
Cash and Investments as of June 30, 2019, and 2018, Consisted of the Following:				
Cash	$ 9.7		$ 24.5	
Investments and Cash Equivalents	859.9		905.3	
Total Cash and Investments	$ 869.6		$ 929.8	

[1] Weighted Average Maturity
[2] LCRA TSC held one callable U.S. Agency Note as of June 30, 2019

Investment Pool: LCRA investments included an investment pool with TexPool on June 30, 2019, and 2018. The Texas Comptroller of Public Accounts oversees TexPool, and the pool seeks to maintain a $1 value per share as required by the Texas Public Funds Investment Act. There are no minimum balance requirements for TexPool participants, and there is no limit on the number of accounts per participant.

LCRA investments included an investment pool with Local Government Investment Cooperative (LOGIC) on June 30, 2019, and 2018. First Southwest Company and J.P. Morgan Investment Management, Inc. oversee LOGIC. The pool seeks to maintain a $1 value per share as required by the Texas Public Funds Investment Act.

TexPool investments were $255.2 million and $158.2 million as of June 30, 2019, and 2018, respectively. LOGIC investments were $143.4 million and $59.7 million as of June 30, 2019, and 2018, respectively.

Debt Service Reserve Funds: LCRA has debt service reserve funds, which include investments suitable to provide reserves to meet any shortfalls in funds available to make required debt service payments. Debt service reserve funds are not to be used except in the case of insufficient funds. As of June 30, 2019, and 2018, LCRA had investments in separate accounts holding U.S. Treasury notes and U.S. agency notes, held for the use of debt service reserves, totaling $160.2 million and $153.1 million, respectively.

Interest Risk: LCRA has no formal policy to address exposure to fair value losses resulting from changes in interest rates. However, in accordance with management policy, LCRA manages its exposure to changing interest rates by laddering the investment portfolio, matching maturities against liabilities when possible and holding investments to maturity.

Credit Risk: LCRA's investment activities are governed by the state statute Texas Public Funds Investment Act, which specifies the type and ratings of investments governmental entities are allowed to purchase. In addition, LCRA Board policy and internal operating procedures further restrict investment activities. The credit ratings of LCRA's investments and external investment pools are summarized in the table below.

Investment Credit Ratings

	June 30, 2019		
Credit Risk	Moody's Ratings	Standard & Poor's Ratings	Fitch Ratings
TexPool investment pool		AAAm	
LOGIC investment pool		AAAm	
U.S. Treasurys	Aaa	AA+u	AAA
U.S. Agency Notes	Aaa	AA+	AAA[1]
Priocoa Short Term FDG LL	P-1	A-1+	
Natixis	P-1	A-1	
Banco Santander	P-1	A-1	F-1
U.S. Bank National Association	P-1	A-1+	F-1+
J.P. Morgan Securities LLC	P-1	A-1	F-1+
Royal Bank of Canada	P-1	A-1+	F-1+
Credit Suisse	P-1	A-1	F-1
Iowa State Finance Authority	Aaa	AAA	
University of Arkansas	Aa2		
University of Minnesota	Aa1	AA	
City of Houston, TX Combined Utility System Revenue	Aa2	AA	AA
Texas Women's University	Aa3		
City of Harlingen, TX		AA-	AA+
Texas Tech University	Aa1	AA+	AA+

	June 30, 2018		
Credit Risk	Moody's Ratings	Standard & Poor's Ratings	Fitch Ratings
TexPool investment pool		AAAm	
LOGIC investment pool		AAAm	
U.S. Treasuries	Aaa	AA+u	AAA
U.S. Agency Notes	Aaa	AA+	AAA[1]
Toyota Motor Corp.	P-1	A-1+	F-1
GE Capital	P-1	A-1	F-1

[1]U.S. agency note issued by FHLB not rated by Fitch.

Reporting Requirements: Under GASB Statement No. 72, *Fair Value Measurement and Application*, LCRA is required to disclose the valuation technique and level of inputs for all investments. One of the acceptable valuation techniques, and that which LCRA uses, is the market approach. The market approach is defined as "using prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a group of assets or liabilities, such as quoted prices." Statement No. 72 also requires assets and liabilities to be categorized into three levels. LCRA's investments in treasuries, commercial paper and notes are valued at a Level 1 input, defined as: "quoted prices for identical assets or liabilities in active markets that LCRA can access at the measurement date." LCRA uses Bloomberg Finance LP Service to quote investment market price by uniquely identifying each security with the Committee on Uniform Security Identification Procedures (CUSIP).

3. Long-Term Debt and Commercial Paper

Changes in long-term debt, including current portions, are as follows in millions of dollars:

Debt Activity
(Dollars in Millions)

Series	Balance June 30, 2017	Increase	(Decrease)	Balance June 30, 2018	Increase	(Decrease)	Balance June 30, 2019	Amount Due in FY 2020
LCRA TSC 2008	$ 130.0	$ -	$ (130.0)	$ -	$ -	$ -	$ -	$ -
LCRA TSC 2009	116.6	-	(1.0)	115.6	-	(115.6)	-	-
LCRA TSC 2010	172.1	-	(12.5)	159.6	-	-	159.6	-
LCRA TSC 2011A	308.0	-	(16.8)	291.2	-	(17.0)	274.2	17.3
LCRA TSC 2011B	122.1	-	(15.1)	107.0	-	(15.1)	91.9	15.0
LCRA TSC 2013	290.7	-	(6.8)	283.9	-	(7.0)	276.9	7.2
LCRA TSC 2013A	195.7	-	-	195.7	-	-	195.7	-
LCRA TSC 2015	236.8	-	(4.4)	232.4	-	(4.5)	227.9	4.7
LCRA TSC 2016	187.7	-	(6.3)	181.4	-	(1.9)	179.5	6.3
LCRA TSC 2018	-	291.4	-	291.4	-	(8.6)	282.8	8.7
LCRA TSC 2019	-	-	-	-	393.0	-	393.0	1.3
LCRA 2002	1.2	-	(1.2)	-	-	-	-	-
LCRA 2008A	18.0	-	(18.0)	-	-	-	-	-
LCRA 2009	140.0	-	(3.5)	136.5	-	(136.5)	-	-
LCRA 2010	40.6	-	(12.3)	28.3	-	(14.8)	13.5	13.5
LCRA 2010A	209.4	-	(6.8)	202.6	-	(7.2)	195.4	7.5
LCRA 2010B	90.1	-	(6.6)	83.5	-	(10.3)	73.2	13.9
LCRA 2012A	260.3	-	(6.5)	253.8	-	(6.9)	246.9	7.2
LCRA 2012B	169.9	-	(5.6)	164.3	-	(5.9)	158.4	6.1
LCRA 2013	175.6	-	(4.5)	171.1	-	(4.7)	166.4	5.0
LCRA 2015 A	23.3	-	-	23.3	-	-	23.3	-
LCRA 2015 B	96.6	-	-	96.6	-	-	96.6	0.6
LCRA 2015 C	234.8	-	-	234.8	-	-	234.8	-
LCRA 2015 D	89.2	-	-	89.2	-	(1.4)	87.8	12.7
Unamortized Net Premium	213.8	38.8	(27.0)	225.6	59.2	(24.9)	259.9	7.0
Subtotal	3,522.5	330.2	(284.9)	3,567.8	452.2	(382.3)	3,637.7	134.0
Tax-Exempt Commercial Paper/Private Notes	254.3	225.4	(201.8)	277.9	357.3	(347.3)	287.9	287.9
Commercial Paper	-	-	-	-	5.6	(5.6)	-	-
Total	$ 3,776.8	$ 555.6	$ (486.7)	$ 3,845.7	$ 815.1	$ (735.2)	$ 3,925.6	$ 421.9 (1)

(1) Total amount due in FY 2020 was $421.9 million.

Interest rates and maturity dates for bonds, notes and commercial paper as of June 30, 2019, are as follows:

Interest Rates and Maturity Dates on Debt

	May 15,	
Series	From	To
LCRA TSC 2010 (4.00%-5.00%)	2021	2040
LCRA TSC 2011A (4.50%-5.00%)	2020	2041
LCRA TSC 2011B (5.00%-5.00%)	2020	2026
LCRA TSC 2013 (3.25%-5.00%)	2020	2043
LCRA TSC 2013A (5.00%-5.00%)	2024	2036
LCRA TSC 2015 (3.00%-5.00%)	2020	2045
LCRA TSC 2016 (3.00%-5.00%)	2020	2046
LCRA TSC 2018 (5.00%-5.00%)	2020	2048
LCRA TSC 2019 (3.88%-5.00%)	2020	2049
LCRA 2010 (5.00%-5.00%)	2020	2020
LCRA 2010A (5.00%-5.00%)	2020	2040
LCRA 2010B (3.63%-5.00%)	2020	2024
LCRA 2012A (5.00%-5.00%)	2020	2039
LCRA 2012B (3.13%-5.00%)	2020	2037
LCRA 2013 (4.13%-5.50%)	2020	2039
LCRA 2015A (3.00%-5.00%)	2021	2037
LCRA 2015B (3.25%-5.00%)	2020	2031
LCRA 2015C (2.50%-5.00%)	2021	2045
LCRA 2015D (3.75%-5.00%)	2020	2032
Commercial paper [1]		
Private notes [2]		

[1] Commercial paper rates are variable as of June 30, 2019. Rates ranged from 1.50% to 1.85%, with maturities of 270 days or less from their respective issue dates.

[2] Private note rates are variable as of June 30, 2019. Rates ranged from 2.39% to 3.11%, with maturities of 364 days or less from their respective issue dates.

LCRA's debt as of June 30, 2019, was rated by Moody's, Standard & Poor's and Fitch, as follows:

Debt Credit Ratings	June 30, 2019		
Debt Program	Moody's Ratings	Standard & Poor's Ratings	Fitch Ratings
LCRA Refunding and Improvement Revenue Bonds	A2 (Stable)	A (Stable)	A+ (Stable)
LCRA Tax-Exempt Commercial Paper Series B	P-1	A-1+	F-1+
LCRA Tax-Exempt Commercial Paper Series A	Inactive	Inactive	Inactive
LCRA Transmission Services Corporation Contract Refunding Revenue Bonds	A1 (Stable)	A (Stable)	A+ (Stable)
LCRA Transmission Services Corporation Tax-Exempt Commercial Paper Series	P-1	A-1	F-1+
LCRA Transmission Services Corporation Tax-Exempt Commercial Paper Series B	Inactive	Inactive	Inactive

Bond and note debt payments, excluding commercial paper, are as follows:

Bond Debt Payments, Excluding Commercial Paper
(Dollars in Millions)

Ending June 30,	Principal	Interest	Total
2020	$ 127.0	$ 164.5	$ 291.5
2021	143.2	155.7	298.9
2022	141.7	148.6	290.3
2023	160.6	141.6	302.2
2024	154.8	133.5	288.3
2025-2029	796.3	552.0	1,348.3
2030-2034	765.6	358.3	1,123.9
2035-2039	605.9	188.8	794.7
2040-2044	359.1	71.2	430.3
2045-2049	123.6	10.9	134.5
	3,377.8	1,925.1	5,302.9
Unamortized Net Premium	259.9	-	259.9
Total	$ 3,637.7	$ 1,925.1	$ 5,562.8

New and Refunding Bonds: The following schedules summarize new and refunding bonds for FY 2019 and FY 2018, respectively.

FY 2019 New and Refunding Bonds
(Dollars in Millions)

Program	Issued Amount	Commercial Paper / Private Note Repayment	Debt Repayment	Debt Defeasance	Accounting Gain / (Loss)	Reduction to Aggregate Debt Service Payment	Economic Gain
Commercial Paper / Private Notes [1]	$ 362.9	$ (5.6)	$ -	$ -	$ -	$ -	$ -
LCRA TSC 2019 Refunding Bonds [2]	393.0	(323.5)	-	(115.6)	2.0	33.6	26.3
Defeasance of LCRA Series 2009 Bonds [3]	-	(23.8)	(132.7)	-	1.2	-	-
Total	$ 755.9	$ (352.9)	$ (132.7)	$ (115.6)	$ 3.2	$ 33.6	$ 26.3

[1] Commercial paper and private notes issuances used to fund capital projects in FY 2019 were $14.8 million for LCRA and $348.1 million for LCRA TSC, respectively.

[2] LCRA TSC refunding revenue series 2019 issued with a net premium. The bond proceeds were used to pay down $115.6 million in previously outstanding bonds and $323.5 million in commercial paper.

[3] Payoff of LCRA series 2009 bonds and commercial paper using revenue funds.

FY 2018 New and Refunding Bonds
(Dollars in Millions)

Program	Issued Amount	Commercial Paper / Private Note Repayment	Debt Repayment	Debt Defeasance	Accounting Gain / (Loss)	Reduction to Aggregate Debt Service Payment	Economic Gain
Commercial Paper / Private Notes [1]	$ 225.4	$ (1.8)	$ -	$ -	$ -	$ -	$ -
LCRA TSC 2018 Refunding Bonds [2]	291.4	(200.0)	(123.4)	-	1.7	33.1	17.8
Defeasance of LCRA Series 2002 Bonds	-	-	-	(1.2)	-	-	-
Defeasance of LCRA Series 2008A Bonds	-	-	-	(18.0)	-	-	-
Total	$ 516.8	$ (201.8)	$ (123.4)	$ (19.2)	$ 1.7	$ 33.1	$ 17.8

[1] Commercial paper and private notes issuances used to fund capital projects in FY 2018 were $15.3 million for LCRA and $210.1 million for LCRA TSC, respectively.

[2] LCRA TSC refunding revenue series 2018 issued with a net premium. The bond proceeds were used to pay down $123.4 million in previously outstanding bonds and $200.0 million in commercial paper.

The principal associated with the bonds that have been previously refunded by LCRA but remain outstanding as of June 30, 2019, and 2018, totaled $26.5 million and $160.2 million, respectively. The principal outstanding as of June 30, 2018, associated with bonds that have been previously refunded by LCRA TSC was $123.4 million; there was no principal outstanding on such bonds at June 30, 2019. Proceeds from these refunding bond issues were escrowed to purchase U.S. government obligations. These obligations will mature at such time, and yield interest at amounts such that sufficient monies are available for payment of principal, premium, if any, and interest on the refunded bonds when due. None of these refunded bonds are included in LCRA's outstanding long-term debt as of June 30, 2019, and 2018.

Optional Redemption: The following bonds are redeemable at the option of LCRA according to the following schedule:

Optional Redemption Amounts and Maturity Dates

Series	Redeemable on or after:	In increments of:	At a redemption price of:	Maturing on and after:
LCRA TSC 2010	May 15, 2020	$ 5,000	$ 100 + accrued interest	May 15, 2021
LCRA TSC 2011A	May 15, 2021	5,000	100 + accrued interest	May 15, 2022
LCRA TSC 2011B	May 15, 2021	5,000	100 + accrued interest	May 15, 2022
LCRA TSC 2013	May 15, 2022	5,000	100 + accrued interest	May 15, 2023
LCRA TSC 2013A	May 15, 2023	5,000	100 + accrued interest	May 15, 2024
LCRA TSC 2015	May 15, 2025	5,000	100 + accrued interest	May 15, 2026
LCRA TSC 2016	May 15, 2026	5,000	100 + accrued interest	May 15, 2027
LCRA TSC 2018	May 15, 2024	5,000	100 + accrued interest	May 15, 2025 - May 15, 2031
LCRA TSC 2018	May 15, 2028	5,000	100 + accrued interest	May 15, 2032
LCRA TSC 2019	May 15, 2027	5,000	100 + accrued interest	May 15, 2037 - May 15, 2049
LCRA TSC 2019	May 15, 2029	5,000	100 + accrued interest	May 15, 2030 - May 15, 2036
LCRA 2010A	May 15, 2020	5,000	100 + accrued interest	May 15, 2021
LCRA 2010B	May 15, 2020	5,000	100 + accrued interest	May 15, 2021
LCRA 2012A	May 15, 2022	5,000	100 + accrued interest	May 15, 2023
LCRA 2012B	May 15, 2022	5,000	100 + accrued interest	May 15, 2023
LCRA 2013	May 15, 2023	5,000	100 + accrued interest	May 15, 2024
LCRA 2015A	May 15, 2025	5,000	100 + accrued interest	May 15, 2026
LCRA 2015B	May 15, 2025	5,000	100 + accrued interest	May 15, 2026
LCRA 2015C	May 15, 2025	5,000	100 + accrued interest	May 15, 2026
LCRA 2015D	May 15, 2025	5,000	100 + accrued interest	May 15, 2026

LCRA bonds outstanding as of June 30, 2019, and 2018, are parity debt under the Master Resolution and are collateralized by a lien on and pledge of revenues. Pledged revenues include all amounts received pursuant to contractual commitments and all lawfully available LCRA funds. The LCRA Transmission Contract Revenue Bonds Series 2010, 2011A, 2011B, 2013, 2013A, 2015, 2016, 2018 and 2019 are solely secured by the obligation of LCRA TSC to make installment payments to LCRA from the net revenues of LCRA TSC (subordinate to first lien on gross revenues securing the purchase price payments under the initial contractual commitment). Net revenues are defined as gross revenues less any purchase price payments due to LCRA and less the operating and maintenance expenses during the period.

Commercial Paper and Private Notes: LCRA is authorized to issue short-term debt under 10 separate Board-approved programs. The following schedule summarizes the commercial paper and private note programs at June 30, 2019.

Commercial Paper and Private Note Programs
(Dollars in Millions)

Program	Status	Taxability	Board-approved Program	Program Expiration Date	Facility Available	Facility Expiration Date	Amount Outstanding
LCRA TSC Project Tax-Exempt Series Commercial Paper	Active	Tax-Exempt	$ 200.0	May 15, 2042	$ 150.0	April 25, 2021	$ 45.2
LCRA TSC Tax-Exempt Series B Commercial Paper	Inactive	Tax-Exempt	150.0	May 15, 2042	N/A	N/A	-
LCRA TSC Private Revolving Note Program Series C [1]	Active	Both	150.0	May 01, 2027	150.0	Nov. 15, 2021	100.0
LCRA TSC Private Revolving Note Program Series D	Active	Tax-Exempt	150.0	May 01, 2027	150.0	June 19, 2020	5.0
LCRA Tax-Exempt Series A Commercial Paper	Inactive	Tax-Exempt	350.0	May 15, 2020	N/A	N/A	-
LCRA Taxable Series A Commercial Paper	Inactive	Taxable	350.0	May 15, 2020	N/A	N/A	-
LCRA Taxable/Tax-Exempt Series B Commercial Paper [1]	Active	Both	250.0	May 15, 2032	150.0	Sep. 09, 2021	86.7
LCRA Taxable/Tax-Exempt Private Revolving Note Series C [1]	Active	Both	100.0	May 15, 2025	60.0	Jan. 25, 2022	-
LCRA Taxable/Tax-Exempt Private Revolving Note Series D [1]	Active	Both	100.0	May 01, 2027	100.0	May 01, 2020	1.0
LCRA Taxable/Tax-Exempt Private Revolving Note Series E [1]	Active	Both	75.0	May 01, 2027	75.0	Nov. 15, 2021	50.0
Total			$ 1,875.0		$ 835.0		$ 287.9

(1) Permitted to issue either taxable, or tax-exempt debt under a commercial paper / private revolving note.

The proceeds from these LCRA and LCRA TSC programs can be used to provide system improvements, acquire fuel reserves and facilities, refund outstanding debt, and pay interest on outstanding debt. All debt under the commercial paper programs is issued in minimum denominations of $100,000. Note programs have various denominations. Failure by LCRA or LCRA TSC to meet certain restrictive covenants under any of these agreements could result in the withdrawal of the banks' commitments for the unused line of credit. The credit facilities were utilized to back outstanding commercial paper issuances in 2019 and 2018. LCRA did not draw on its credit lines in either year as short term financing was executed through commercial paper issuances backed by the facilities.

The total outstanding commercial paper for LCRA and LCRA TSC at June 30, 2019, was $86.7 million and $45.2 million, respectively. The total outstanding commercial paper for LCRA and LCRA TSC at June 30, 2018 was $101.4 million and $125.5 million, respectively. There were $51.0 million and $105.0 million in outstanding notes at June 30, 2019, for LCRA and LCRA TSC, respectively. There were $51.0 million and $0.0 million in outstanding notes at June 30, 2018, for LCRA and LCRA TSC, respectively. Both LCRA and LCRA TSC issue commercial paper on a regular basis. Therefore, any issuances of commercial paper or notes after June 30, 2019, are not considered subsequent events and are not disclosed in the Notes to the Financial Statements.

Letters of Credit: LCRA maintains one facility with a bank for the issuance of a letter of credit. On June 30, 2019, a $100.0 million letter of credit was outstanding under the facility. This facility will expire on June 4, 2020. On June 30, 2018, a $100.0 million letter of credit was outstanding under a facility. The facility expired on June 4, 2019.

Mandatory Redemption: A number of LCRA's term bonds are subject to mandatory sinking fund redemption at the redemption price, which equals the principal amount plus accrued interest, to the redemption date. The particular bonds or portions thereof to be redeemed are to be selected and designated by LCRA (provided a portion of a bond may be redeemed only in integral multiples of $5,000). The mandatory sinking fund redemption dates range from May 15, 2020, to May 15, 2049.

Estimation of Fair Value: The fair value measurements of long-term debt were estimated based on published market prices, and was \$4.0 billion and \$3.9 billion at June 30, 2019, and 2018, respectively.

Debt Covenant Requirements: LCRA has no quantitative ratios, calculations or requirements to maintain any level of debt service coverage by long-term debt covenants or in any credit facility agreements for LCRA debt obligations. As of June 30, 2019, and 2018, LCRA is in compliance with its long-term debt covenants and credit facility agreements.

LCRA TSC is required by its long-term debt covenants to maintain annual revenues sufficient to:

I. Produce a 1.25x coverage ratio on certain payments under the Initial Contractual Commitment due LCRA.
II. Pay all Operating and Maintenance Expenses.
III. Produce a 1.25x coverage ratio on debt service on existing LCRA TSC debt and any other parity debt.
IV. Pay all other debt of LCRA TSC.
V. Produce amounts to fund any required capital charge coverage ratios required by the financial policies of LCRA TSC and to accumulate the required funds in any debt service reserve fund or any other funds of LCRA TSC.

There are no additional quantitative ratios or calculations required by credit facility agreement for LCRA TSC. As of June 30, 2019, and 2018, LCRA TSC is in compliance with all of its long-term debt covenants and credit facility agreements.

4. Retirement and 401(k) Plan Benefits

Plan Description: The LCRA Retirement Benefits Board of Trustees (the Board) is the administrator of the LCRA Retirement Plan and Trust (Plan), a single-employer defined benefit pension plan sponsored by LCRA. The Board has seven members: two LCRA Board members, two employees from upper management positions and three employees from positions other than upper management. The Board has sole authority to amend the plan. The plan has the pension and 401(k) financial statements audited and also issues a stand-alone report pursuant to GASB Statement No. 67, *Financial Reporting for Pension Plans (an amendment of GASB Statement No. 27)* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27*), which is available from the Board of Trustees. The reports include all information about the plan's fiduciary net position. LCRA's net pension liability was measured as of Dec. 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of Jan. 1, 2019. The report may be obtained by writing the LCRA Retirement Benefits Board of Trustees at P.O. Box 220, Austin, TX 78767.

As of the plan date, the LCRA Retirement Plan and Trust is in compliance with Statement No. 72. The following is a summary of the pension plan investments by fair level value:

LCRA Retirement Plan Investments, Fair Market Value
(Dollars in Millions)

			June 30, 2019		
Asset Category	Cash	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 5.1	$ -	$ -	$ -	$ 5.1
Fixed Income	-	-	72.2	-	72.2
Equity	-	8.8	297.9	-	306.7
Total	$ 5.1	$ 8.8	$ 370.1	$ -	$ 384.0

			June 30, 2018		
Asset Category	Cash	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 15.4	$ -	$ -	$ -	$ 15.4
Fixed Income	-	-	71.9	-	71.9
Equity	-	73.2	268.5	-	341.7
Total	$ 15.4	$ 73.2	$ 340.4	$ -	$ 429.0

Benefits Provided: LCRA employees hired before May 1, 2012, are covered by the Plan. The Plan provides retirement, death and disability benefits. Effective Jan. 1, 2002, the Plan was amended to provide cash balance benefits for all employees employed or re-employed on or after Jan. 1, 2002, who become Plan participants. Active employees as of Dec. 31, 2001, were given the opportunity through the LCRA Retirement Choice Program to elect to become participants under cash balance provisions (Cash Balance Participants) or to remain under the pension provisions (Pension Participants).

The Pension Participants' retirement benefit for each year of service is 1.75% of the highest five-year average monthly compensation plus 0.4% of the portion of the highest five-year average monthly compensation that exceeds the monthly integration level. The monthly integration level is a sliding scale based on the calendar year in which termination of employment occurs, with the level being $3,295 for those terminating employment in 2019 and increasing to $3,300 for those terminating employment in 2020 and later. The retirement benefits for Pension Participants become 100% vested after three years of vesting service. Pension Participants may retire with unreduced accrued benefits at age 65 with five years of employment or when the total of age and service equals 80 (Rule of 80). The monthly benefit at retirement for Pension Participants is payable in a 10-year certain and life thereafter form of annuity. There are no automatic or guaranteed post-retirement cost-of-living adjustments, but ad hoc retiree benefit increases may be granted by amendment. Pension Participants are not required to contribute to the Plan, although the Plan retains employee contributions and associated liabilities from years prior to April 1, 1984, when the Plan required employee contributions. LCRA pays disability early retirement benefits to participants in the event the participant becomes disabled prior to reaching their normal retirement date under the plan. LCRA pays death benefits to the beneficiaries of plan participants based upon the plan participant's elections made.

All employees initially employed or re-employed by LCRA on or after Jan. 1, 2002, and before May 1, 2012, who complete three consecutive months of credited service are eligible to participate in the Plan as a Cash Balance Participant as of the monthly anniversary date coincident with or first following the completion of three consecutive months of credited service. The cash balance account consists of a beginning balance, monthly contribution credits and monthly interest credits. The beginning balance should be zero unless the Cash Balance Participant was employed prior to Jan. 1, 2002, in which case the beginning balance should be the Plan's lump-sum value, if any, as of Dec. 31, 2001, or, if greater, the transition value determined as of Dec. 31, 2001. The transition value was based on credited service and compensation averaged over 60 months of employment, determined as of Dec. 31, 2001. Contribution credits are equal to 4.0% of compensation paid during a month. Interest credits are added at the end of each month to the cash balance account based on an annual effective interest rate of 7.0%.

Employees Covered by the Plan:

In the fiscal year actuarial valuation, the following numbers of employees were covered by the plan:

LCRA Retirement Plan, Covered Employees	June 30, 2019	June 30, 2018
Retirees and beneficiaries currently receiving benefits	922	888
Inactive employees entitled to but not yet receiving benefits	91	92
Active plan members	1,049	1,134
Total Participants	2,062	2,114

Contributions: At its March 21, 2012 meeting, the LCRA Board amended the plan to close it to new entrants effective May 1, 2012. Given the closing of the plan to new entrants, the plan's actuaries recommended a new funding policy beginning with the plan year April 1, 2012 - March 31, 2013. The LCRA Board has sole authority to determine the employer's contribution, taking into consideration the actuaries' recommended contribution.

In order for a public employee retirement plan to have an adequate contribution arrangement, contributions must be sufficient to pay the plan's normal cost and to amortize the plan's Net Pension Liability over a reasonable period of time. Based on the professional judgment of the plan's actuaries and the actuarial assumptions and methods used in the April 1, 2012 valuation, the actuaries recommended the amortization period for the plan be 25 years beginning April 1, 2012. Given the closed group of employee participants, the amortization of the Net Pension Liability was switched from level percentage of participant payroll contributions to level dollar contributions.

Based on this funding policy, the actuaries' annual recommended contributions for the plan periods ending Dec. 31, 2018 (FY 2019), and Dec. 31, 2017 (FY 2018), are $20.0 million and $20.1 million payable as of Jan. 1, 2020, and Jan. 1, 2019, respectively. For FY 2019 and FY 2018, the total annual recommended contributions paid are $20.4 million and $20.5 million, respectively. These amounts will fund the plan's normal cost for the fiscal years and will amortize the Net Pension Liability at a level dollar amount over the remaining 19 and 20 years, respectively. There are no required contributions by the participants; however, some employee contributions are made to purchase optional credited service.

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 LCRA Retirement Benefits Board of Trustees. The board employs and selects investment managers with the advice of its investment consultant, which is completely independent of the investment managers. For FY 2019 and FY 2018 the money-weighted rate of return on pension plan investments was -6.4% and 11.1%, respectively. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the contributions received and the benefits paid during the year.

Net Pension Liability: LCRA's net pension liability was measured as of Dec. 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of Jan. 1, 2019.

Net Pension Liability
(Dollars in Millions)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Amounts as of June 30, 2018[1]	$ 582.9	$ 424.8	$ 158.1
Changes for the year:			
Service cost	5.8	-	5.8
Interest	41.1	-	41.1
Differences between expected and actual experience	1.7	-	1.7
Contributions by the employer	-	23.9	(23.9)
Contributions by the participants	-	0.3	(0.3)
Net investment income	-	(26.6)	26.6
Benefit payments	(39.7)	(39.7)	-
Administrative expenses	-	(0.1)	0.1
Assumption changes	22.8	-	22.8
Purchase of optional credited service	0.3	-	0.3
Net changes	32.0	(42.2)	74.2
Amounts as of June 30, 2019[2]	$ 614.9	$ 382.6	$ 232.3

[1] Measurements for the fiscal year ended June 30, 2018, were taken as of Dec. 31, 2017.

[2] Measurements for the fiscal year ended June 30, 2019, were taken as of Dec. 31, 2018.

LCRA's net pension liability was measured as of Dec. 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of Jan. 1, 2018.

Net Pension Liability (Dollars in Millions)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Amounts as of June 30, 2017[1]	$ 579.5	$ 403.1	$ 176.4
Changes for the year:			
Service cost	6.1	-	6.1
Interest	40.9	-	40.9
Differences between expected and actual experience	1.0	-	1.0
Contributions by the employer	-	22.9	(22.9)
Contributions by the participants	-	0.2	(0.2)
Net investment income	-	43.7	(43.7)
Benefit payments	(44.8)	(44.8)	-
Administrative expenses	-	(0.3)	0.3
Purchase of optional credited service	0.2	-	0.2
Net changes	3.4	21.7	(18.3)
Amounts as of June 30, 2018[2]	$ 582.9	$ 424.8	$ 158.1

[1] Measurements for the fiscal year ended June 30, 2017, were taken as of Dec. 31, 2016.
[2] Measurements for the fiscal year ended June 30, 2018, were taken as of Dec. 31, 2017.

Optional Credited Service: Under certain conditions, plan members may purchase optional credited service once they are 100% vested. After crediting such optional service, employees would be eligible for immediate payment of an early retirement or normal retirement benefit. Plan members may purchase optional credited service to accelerate fulfilling the rule of 80, early retirement or normal retirement eligibility or to increase the amount of an early retirement or normal retirement benefit to which the employee would otherwise be entitled with recognition of optional credited service. A rollover from the employee's LCRA 401(k) plan account, LCRA deferred compensation plan account or from any other monetary sources (e.g., checking account) can be used to purchase the optional credited service.

Actuarial Assumptions: The total pension liability in the Jan.1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age
Amortization method	Level amount, closed period
Remaining amortization period	19, 20, 21 years for years ending Dec. 31, 2018, 2017, 2016; 22, 23 and 24 years, respectively, for the years ending March 31, in 2016, 2015 and 2014
Asset valuation method	5-year smoothed market
Inflation	2.75% for years ending Dec. 31, 2018, 2017; 3.25% for years ending March 31, in 2016, 2015 and 2014
Salary increases	3.25% plus merit and promotion increases that vary by age and service for years ending Dec. 31, 2018, 2017, 2016; 4.0% plus merit and promotion increases that vary by age and service for years ending March 31, in 2016, 2015 and 2014

Investment rate of return	7.25% for years ending Dec. 31, 2018, 2017, 2016; 7.5%, net of pension plan investment expense, for years ending March 31, in 2016, 2015 and 2014
Retirement age	Rates that vary by age and service
Mortality	PubG-2010(A) with general projection using Scale MP-2018 for year ending Dec. 31, 2018; RP-2000 Combined Healthy Mortality Table for males and for females (sex distinct) projected to 2024 by scale AA for years ending Dec. 31, 2017, and to 2018 by scale AA for the years ending March 31, 2016, 2015, and 2014.

The assumed retirement rates, termination rates, and rates of merit and promotion increases were based on an experience study over the five plan years ending in 2015.

The long-term expected rate of return on pension plan investments is reviewed annually and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (4.6% in 2019 and 2018), and by adding expected inflation (2.75% in 2019 and 2018, respectively). In addition, the final 7.25% for the years ended Dec. 31, 2018, and 2017, was selected by rounding down.

Investment Policies: The LCRA Board approved the LCRA Retirement Plan and Trust, as most recently amended and restated effective April 1, 1994. Section 9.01 created the LCRA Retirement Board of Trustees. The board was delegated the responsibility to administer the plan in accordance with its terms, and all powers necessary to accomplish that purpose including, but not limited to, the right, power and authority to: (1) employ and supervise an investment consultant to assist the board in selection and ongoing evaluation of one or more investment managers, the establishment of investment objectives and guidelines, and the allocation of plan assets among the various investments, and (2) select, employ and compensate, pension trust consultants, actuaries, accountants, attorneys, and investment managers, as the board deems necessary and advisable for the proper and efficient administration of the plan.

The board administers the plan. The plan is a defined benefit pension plan maintained to provide retirement benefits and/or death benefits to participants and their beneficiaries. The board is charged by law with the overall responsibility for the administration of the plan's assets. The board is authorized and permitted to delegate its responsibilities to investment managers who possess the necessary specialized research facilities and skilled professionals, to act as prudent experts in investing the plan's assets. In keeping with responsibilities under applicable laws, the Master Statement defines the plan's investment objectives and discusses the plan's tolerance for risk and volatility. The Master Statement also communicates to the investment managers their duties and responsibilities, and the investment objectives of this plan.

The primary goal of the plan is to provide participants and their beneficiaries with retirement benefits according to the plan's provisions. The plan's assets must be invested with the care, skill, and diligence that a prudent expert acting in this capacity would undertake. The investment objective of the plan is to invest the funds within the framework of the Master Statement and in such a manner as to achieve a reasonable growth while maintaining a consistent payout capability. The minimum expected total return is the actuarial assumption approved by the board on an annualized basis. The actuarial rate of return is net of expenses. This is a long-term goal designed to maximize the benefits available without exposure to undue risk.

The target plan assets allocation is: 22.0% large cap domestic equities, 5.5% small cap domestic equities, 15.0% long/short equity, 27.5% international equities, 15.0% domestic fixed income, 10.0% absolute return and 5.0% global fixed income. There were no changes to this target in the current plan year.

The target allocation and expected arithmetic net real rates of return for each major asset class changed between 2019 and 2018 and will be presented in the following comparative table:

Target Allocation and Expected Rates of Return

	June 30, 2019		June 30, 2018	
Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return	Target Allocation	Long-Term Expected Net Real Rate of Return
Domestic equity				
Large cap	22.0 %	6.4 %	22.0 %	6.4 %
Small cap	5.5	6.0	5.5	6.0
International equity				
Developed	20.0	6.4	20.0	6.2
Emerging	7.5	7.7	7.5	7.7
Fixed income				
Core	15.0	1.7	15.0	1.7
Global	5.0	1.9	5.0	1.9
Alternatives				
Long/short equity	15.0	3.4	15.0	3.4
Absolute return	10.0	1.6	10.0	1.6
Total	100.0 %		100.0 %	
Weighted average		4.6 %		4.6 %

Discount Rate: The discount rate used to measure the total pension liability was 7.25% in 2019 and 2018. No projection of cash flows was used to determine the discount rate because the Jan.1, 2019, and April 1, 2018, actuarial valuations showed expected contributions would pay the normal cost and amortize the Net Pension Liability in 19 and 20 years, respectively. For FY 2019, because of the 20-year amortization period with level dollar amortization of the Net Pension Liability, the pension plan’s fiduciary net position was expected to be available to make all projected future benefit payments of current active and inactive members. The long-term expected rate of return on pension plan investments of 7.25% was applied to all periods of projected benefit payments as a discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents LCRA's net pension liability for FY 2019 and FY 2018, respectively. The net pension liability was calculated using the discount rate of 7.25% in 2019 and 7.25% in 2018, as well as the employer's net pension liability if it were calculated using a discount rate 1-percentage-point lower (6.25% in 2019 and in 2018) or 1-percentage-point higher (8.25% in 2019 and 2018) than the current rate:

Discount Rate Sensitivity
(Dollars in Millions)

	June 30, 2019		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's Net Pension Liability	$ 295.6	$ 232.3	$ 178.2
	June 30, 2018		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's Net Pension Liability	$ 215.4	$ 158.1	$ 108.8

Plan Fiduciary Net Position: The plan fiduciary net position reported above is the same as reported by the plan. Detailed information about the plan fiduciary net position is available in the plan's separately issued audited financial statements, which are reported using the economic resources measurement focus and accrual basis of accounting in conformity with GAAP. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: Amounts recognized in the fiscal year are for the plan year between the current and prior measurement dates.

Components of Pension Expense
(Dollars in Millions)

	Year Ended June 30, 2019	2018
Service Cost	$ 5.8	$ 6.1
Interest	41.1	40.9
Projected earnings on pension plan investments	(30.2)	(28.4)
Amortization of differences between expected and actual experience on plan investments	16.7	2.8
Amortization of changes in assumptions	8.5	4.7
Amortization of differences between expected and actual experience	1.4	1.1
Pension plan administrative expenses	0.1	0.3
Plan amendments	-	-
Total pension expense	$ 43.4	$ 27.5

Deferred Outflows of Resources and Deferred Inflows of Resources to Be Recognized in Pension Expense in Future Years:

Deferred Outflow of Resources and Deferred Inflow of Resources
(Dollars in Millions)

	June 30, 2019		June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 44.6	$ -	$ 4.6	$ -
Changes of assumptions	35.6	-	21.2	-
Differences between expected and actual experience	8.4	2.4	8.9	3.2
Subtotal	88.6	2.4	34.7	3.2
Contributions subsequent to measurement date	10.4	-	10.5	-
Total	$ 99.0	$ 2.4	$ 45.2	$ 3.2

Amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Net of Deferred Outflows Less Deferred Inflows
(Dollars in Millions)

Year Ended June 30,	Amount
2020	25.2
2021	19.5
2022	18.2
2023	19.1
2024	4.2
Thereafter	-
Total	$ 86.2

A total of $10.4 million and $10.5 million were contributed subsequent to the measurement dates of the net pension liabilities for FY 2019 and FY 2018, respectively. The amounts are deferred outflows of resources that were recognized as a reduction in the net pension liability in the fiscal years ending June 30, 2019, and 2018, respectively.

401(k) Plan: The LCRA's Retirement Benefits Board of Trustees administers this single-employer defined contribution plan. The plan is accounted for on the accrual basis and all assets are recorded at fair value. The plan offers the choice of making pretax contributions, Roth (after taxes) contributions or a combination of both. The plan has received a favorable determination letter from the Internal Revenue Service and is exempt from federal income taxes, under the appropriate section of the Internal Revenue Code. Amendments to the plan are made only with LCRA Board approval.

Employees are eligible to participate in the plan immediately upon employment. Eligible employees who elect to participate in the plan may contribute a minimum of 1.0% of their annual compensation, up to a maximum not to exceed $19,000 in 2019 and $18,500 in 2018. Employees age 50 or older may contribute an additional $6,000 in both 2019 and 2018.

Effective Jan. 1, 2002, employees under Program A of the pension plan receive an LCRA matching contribution equal to 25.0% of the first 4.0% of compensation the employee elected to contribute to the plan. Under Program B of the pension plan, LCRA provides matching contributions equal to 100.0% of the first 4.0% of compensation and 50.0% of the next 2.0% of compensation the employee elected to contribute to the plan. Contributions made by the employer and employee are vested immediately.

Employees hired on or after May 1, 2012, are eligible to participate in retirement Program C only. New hires are automatically enrolled in the plan unless they elect otherwise within 30 days of hire. LCRA provides matching contributions equal to 100.0% of the first 8.0% of compensation. Employees may make contributions on a pretax basis, Roth (after tax) basis, or a combination of the two from 1.0% of their income up to the maximum set by the IRS. LCRA matching contributions and related earnings will be vested after three years of service. Employee contributions and related earnings are immediately vested. Both employer and employee contributions are immediately vested for employees who are rehired.

Contributions by the LCRA and its employees are as follows:

Contributions by Employer and Employees
(Dollars in Millions)

	Year Ended June 30, 2019	Year Ended June 30, 2018
Employer contributions	$ 8.4	$ 7.5
Employee contributions	14.5	13.3

5. Other Post-employment Benefits

Plan Description: The LCRA Employees' Post-retirement Health Benefits Program is administered by the LCRA and is a single-employer defined benefit postretirement health benefits plan. The Board of Directors of LCRA has sole authority to amend the plan. Currently the Plan is operated on a pay-as-you-go basis and has no trust for accumulating assets.

Measurement Period: The actuarial report for the LCRA Employees Post-retirement Health Benefits Program (the OPEB Plan) for LCRA's fiscal year ending June 30, 2019, is based on a measurement date of June 30, 2018, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. The disclosures, the OPEB expense, and the total OPEB liability are based on the OPEB Plan's actuarial valuation as of June 30, 2017, including the actuarial assumptions and census data. The actuarial valuation as of June 30, 2017, was revised to reflect any plan changes, and the results were rolled forward to the measurement date of June 30, 2018.

Benefits Provided: The OPEB Plan provides self-funded group health benefits for eligible retirees and their spouses. Primary major medical coverage is provided prior to Medicare eligibility. Retirees and spouses who are ages 65 and over and eligible for Medicare are eligible for the optional Medicare Supplement and prescription drug plan (Option MS). The package includes three components: a Medicare supplement part, a prescription drug part, and a retiree reimbursement account. Covered retirees are eligible for coverage until death or until required cost-sharing contributions for the pre-65 coverage are discontinued. Spouses may be covered by the retiree until death or until required cost-sharing contributions for the pre-65 coverage are discontinued.

An employee must meet one of the age and service requirements at the date of termination to be a covered retiree: age 65 with at least five years of service, age 55-64 with at least 15 years of service, or satisfaction of Rule of 80 (age plus service equal or exceeds 80). OPEB benefits cost sharing is based on an employee's pension participation.

All employees hired on or before Jan. 1, 2002, are enrolled in the pension plan as either pension provision participants (Option A) or cash-balance participants (Option B). See Note 4, *Retirement and 401(k) Plan Benefits,* for additional information. All employees hired after May 1, 2012, are not eligible to participate in either the pension or OPEB plans. The post-retirement medical benefits are the same whether a person is under Option A or Option B. However, the cost sharing is tied to the pension plan option and is different between Option A and Option B.

There is no premium sharing arrangement for retirees who elect Option MS as 100.0% of the costs associated with Option MS are paid by LCRA. The Option MS will be closed to new participants effective Jan. 1, 2019, a change which has been communicated to the OPEB Plan participants. This change drove a decrease in the OPEB liability estimate.

Employees Covered by the Plan:

LCRA Other Post-employment Benefits Plan, Covered Employees	June 30, 2018 [1]	June 30, 2017 [2]
Inactive employees or beneficiaries currently receiving benefits	1,596	1,596
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	1,159	1,159
Total	2,755	2,755

[1] From the June 30, 2018, actuarial valuation, which covers the period from July 1, 2017, to June 30, 2018.

[2] From the June 30, 2017, actuarial valuation, which covers the period from July 1, 2016, to June 30, 2017.

Actuarial Assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% for actuarial valuation as of June 30, 2018, and 2017
Salary increases	3.25%, plus merit and promotion increases that vary by age and service for actuarial valuation as of June 30, 2018, and 2017
Discount rate	3.87% for actuarial valuation as of June 30, 2018; 3.58% for actuarial valuation as of June 30, 2017; 2.85% for actuarial valuation as of June 30, 2016
Health benefit costs trend rates:	7.5% for 2020 and 8.00% for 2019 decreasing 0.5% per year to an ultimate rate of 5.0% for 2025 and beyond
Mortality:	RP-2000 Combined Healthy Mortality Table for males and for females (sex distinct) projected to 2024 by scale AA.

The assumed retirement rates, termination rates, and rates of merit and promotion increases were based on an experience study over the five plan years ending in 2015. The discount rate was based on the Bond Buyer Index of general obligation bonds with 20 years to maturity.

Cost Sharing: The cost sharing between LCRA and the plan participant is determined by the plan type and length of service. The cost split as of June 30, 2019, is below. “Retiree + 1” includes retirees with spouse coverage and retirees with family coverage.

Percent of Costs Paid by LCRA
For Option A Retirees

	June 30, 2019	June 30, 2018
Retiree Only	67.7%	67.7%
"Retiree +1" Dependent	40.8%	40.8%

Percent of Costs Paid by LCRA
For Option B Retirees

	June 30, 2019		June 30, 2018	
Years of Service	Retiree Only	“Retiree + 1” Dependent	Retiree Only	“Retiree + 1” Dependent
30	31.0%	17.2%	31.0%	17.2%
25	23.3%	12.9%	23.3%	12.9%
20	15.5%	8.6%	15.5%	8.6%
15	7.8%	4.3%	7.8%	4.3%

Components of the OPEB Liability: LCRA's total OPEB liability was measured as of June 30, 2018, and June 30, 2017, for the Fiscal Year Ending June 30, 2019, and June 30, 2018, respectively. Changes of benefit provisions in FY 2019 were a reduction in the Medicare Supplement amounts for retirees and spouses and the closing of the Medicare Supplement option to new participants that was communicated to employees and participants in FY 2019.

OPEB Liability (Dollars in Millions)		June 30, 2019		June 30, 2018
Beginning total OPEB liability	$	126.2	$	254.3
Changes for the year:				
Service cost		1.5		4.4
Interest		4.5		7.4
Differences between expected and actual experience		-		(6.3)
Benefit payments		(5.4)		(7.5)
Assumption changes		(6.3)		(6.9)
Changes of benefit provisions		0.7		(119.2)
Net change		(5.0)		(128.1)
Ending total OPEB liability	$	121.2	$	126.2

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB: Changes of benefit provisions in FY 2018 were a reduction in the Medicare Supplement amounts for retirees and spouses and the closing of the Medicare Supplement option to new participants that was communicated to employees and participants in FY 2018.

Components of OPEB Expense (Dollars in Millions)	Year Ended June 30, 2019	Year Ended June 30, 2018
Service cost	$ 1.5	$ 4.4
Interest	4.5	7.4
Amortization of changes of assumptions	1.5	2.9
Amortization of differences between expected and actual experience	(1.4)	(1.5)
OPEB plan administrative expenses	0.2	0.3
Changes of benefit provisions	0.7	(119.2)
Total OPEB expense	$ 7.0	$ (105.7)

Deferred Inflow of Resources and Deferred Outflows of Resources to Be Recognized in OPEB Expense in Future Years (Dollars in Millions)	June 30, 2019		June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 14.0	$ 8.5	$ 18.5	$ 5.3
Differences between expected and actual experience	-	3.4	-	4.8
Subtotal	$ 14.0	$ 11.9	$ 18.5	$ 10.1
Benefits and administrative expenses paid subsequent to measurement date	5.1	-	5.7	-
Total	$ 19.1	$ 11.9	$ 24.2	$ 10.1

Sensitivity of the OPEB Liability to Changes in the Health Benefit Cost Rate or Discount Rate: The following presents the effect of a 1% increase or decrease of the Heath Benefit Cost or Discount Rate on LCRA's OPEB liability for FY 2019 and FY 2018, respectively.

Sensitivities for the Fiscal Years Ending June 30, 2019, and June 30, 2018

Health Benefit Cost Sensitivity
(Dollars in Millions)

	June 30, 2019		
	1% Decrease (7% decreasing to 4%)	Assumed Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Employer's Net OPEB Liability	$ 112.0	$ 121.2	$ 131.7

	June 30, 2018		
	1% Decrease (7% decreasing to 4%)	Assumed Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
Employer's Net OPEB Liability	$ 116.6	$ 126.2	$ 137.1

Discount Rate Sensitivity
(Dollars in Millions)

	June 30, 2019		
	1% Decrease to 2.87%	Current Rate 3.87%	1% Increase to 4.87%
Employer's Net OPEB Liability	$ 130.4	$ 121.2	$ 112.9

	June 30, 2018		
	1% Decrease to 2.58%	Current Rate 3.58%	1% Increase to 4.58%
Employer's Net OPEB Liability	$ 135.8	$ 126.2	$ 117.5

Deferred Inflows and Outflows of Resources: Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Net of Deferred Outflows Minus Deferred Inflows
(Dollars in Millions)

	June 30, 2019	June 30, 2018
2020	$ -	$ 1.4
2021	-	1.5
2022	2.1	1.4
2023	-	3.6
2024	-	0.5
Thereafter	-	-
Total	$ 2.1	$ 8.4

6. Commitments and Contingencies

Construction: LCRA construction commitments through calendar year 2024 total $60.5 million for LCRA, with $8.9 million committed through calendar year 2020.

Leases: LCRA leases and operates certain transmission facilities and equipment owned by eight of its wholesale electric customers. The leases are the basis for LCRA to provide the same service to all of its customers and for the cost of such service to be shared by all customers on a consistent basis. Payments for the leased facilities vary from year to year, are based on the original cost of the facilities, adjusted for depreciation, and are updated annually to reflect additions, retirements and depreciation. The terms of the leases are perpetual but may be terminated by LCRA or the lessors upon five years written notice. LCRA also leases a portion of its office facilities and towers and related space to provide shared communications with a number of public entities. As of June 30, 2019, four lessors have notified LCRA of their intent to terminate their lease within five years, the earliest of which will occur in January 2020. LCRA's lease payments totaled approximately $16.6 million and $16.4 million in FY 2019 and FY 2018, respectively. Transmission-related leases comprise approximately 86% of total LCRA leases for FY 2019.

During FY 2018, LCRA conveyed to a third party a significant portion of its telecommunication tower structure portfolio. Some of the towers were sold and the remainder were leased. This transaction resulted in a recognized gain of $5.5 million and $29.5 million for FY 2019 and FY 2018, respectively. The deferred gain balance is $44.9 million and $50.4 million as of June 30, 2019 and 2018, respectively. This balance is being amortized over the operating lease term. LCRA leased back space on some of the towers for LCRA communications equipment for an initial term of 10 years and paid $4.8 million and $3.7 million in rent for FY 2019 and FY 2018, respectively. These agreements include an annual escalation clause and four renewal option periods of five years each which may be exercised at such time as per the agreement. In connection with this transaction, the third party has the right to market and lease space on additional structures that LCRA has rights on; LCRA will receive a percentage of lease revenues generated by such marketing/leasing efforts.

The following is a schedule by year of future minimum rental payments required under these operating leases for the remaining noncancellable lease terms as of June 30, 2019:

Future Minimum Lease Payments
(Dollars in Millions)

Year Ended June 30,	Amount	
2020	$	14.7
2021	$	14.3
2022	$	13.4
2023	$	8.0
2024	$	8.1

Natural Gas: LCRA has several long-term contracts to provide a portion of the natural gas requirements to its gas-fired generation units through 2020. LCRA is committed to buy a fixed amount of gas annually. LCRA paid $124.5 million and $129.4 million for gas purchases under these contracts and related firm transportation rights on intrastate pipelines to deliver gas from supply points during FY 2019 and FY 2018, respectively.

Purchased Power: Firm electric energy is based on our International Swaps and Derivative Association (ISDA) contracts with all of our bilateral counterparties. LCRA has a 30-year power purchase agreement to purchase 11.14% of the capacity and associated energy from Sandy Creek Energy Station. LCRA is committed to paying a capacity payment and a portion of operations and maintenance and fuel costs of the plant based on contract terms.

Wind Power: In FY 2019, LCRA had one contract for the purchase of all output up to 200 megawatts of wind energy from Papalote Creek Wind Farm. As of October 2016, LCRA ceased accepting any energy and began paying liquidated damages to Papalote Creek Wind Farm per the contract. Liquidated damages paid were $22.4 million and $22.0 million during FY 2019 and FY 2018, respectively. These amounts will be collected from customers in future periods. The contract limits LCRA's liability to $60 million, which LCRA had paid and satisfied in FY 2019.

Insurance: In FY 2018 and FY 2019, LCRA had an insurance program comprised of a commercial insurance program and self-insurance to mitigate financial loss. The commercial insurance policies purchased were subject to self-insured retentions as outlined below. In the normal course of business, LCRA is exposed to various financial risks related to torts; theft of, damage to and destruction of assets; errors and omissions; operational risks; injuries to employees; natural disasters; and employee medical costs.

LCRA's Workers Compensation policy had a self-insured retention of $0.8 million and statutory limits. Property insurance self-insured retentions vary due to type of asset and peril and range from $0.1 million to $3.0 million. The property insurance policy did not include coverage for the dams and transmission lines. LCRA had an excess liability policy with a $20.0 million per occurrence limit subject to a $1.0 million self-insured retention. The excess liability policy addressed claims arising from bodily injury or property damage to third parties as well as auto liability. Settled claims did not exceed commercial insurance limits in either of the past two fiscal years.

LCRA pays active employees' and pre-65 retirees' medical and pharmacy claims up to $0.3 million per covered member per plan year. Claims incurred and paid in a plan year above the limit are reimbursed to LCRA through stop loss insurance. Both groups contribute premiums for their coverage.

Single Audit: LCRA has received federal and state grants for specific purposes subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. LCRA believes such disallowances, if any, would be immaterial.

7. Capital Asset Activity

Capital asset activity for the year ended June 30, 2019, was as follows:

FY 2019 Capital Asset Activity (Dollars in Millions)	Beginning Balance	Additions	Transfers	Retirements	Depreciation	Ending Balance
Utility plant in service:						
Depreciable assets	$ 6,103.5	$ -	$ 296.5	$ (62.9)	$ -	$ 6,337.1
Nondepreciable assets	302.8	-	5.9	(3.4)	-	305.3
Total utility plant in service	6,406.3	-	302.4	(66.3)	-	6,642.4
Construction work in progress:						
Nondepreciable assets	306.1	470.9	(303.1)	-	-	473.9
Oil and gas property:						
Depletable assets	28.2	-	-	-	-	28.2
Other physical property:						
Depreciable assets	55.4	-	0.7	(0.2)	-	55.9
Nondepreciable assets	20.2	-	-	-	-	20.2
Total other physical property	75.6	-	0.7	(0.2)	-	76.1
Less accumulated depreciation	(2,497.7)	-	-	34.7	(162.6)	(2,625.6)
Intangible assets	111.0	3.0	-	-	-	114.0
Capital assets, net	$ 4,429.5	$ 473.9	-	$ (31.8)	$ (162.6)	$ 4,709.0

Capital asset activity for the year ended June 30, 2018, was as follows:

FY 2018 Capital Asset Activity (Dollars in Millions)	Beginning Balance	Additions	Transfers	Retirements	Depreciation	Ending Balance
Utility plant in service:						
Depreciable assets	$ 5,811.8	$ -	$ 335.0	$ (43.3)	$ -	$ 6,103.5
Nondepreciable assets	297.6	-	5.4	(0.2)	-	302.8
Total utility plant in service	6,109.4	-	340.4	(43.5)	-	6,406.3
Construction work in progress:						
Nondepreciable assets	257.3	392.5	(343.7)	-	-	306.1
Oil and gas property:						
Depletable assets	28.2	-	-	-	-	28.2
Other physical property:						
Depreciable assets	53.6	-	2.2	(0.4)	-	55.4
Nondepreciable assets	19.9	-	1.1	(0.8)	-	20.2
Total other physical property	73.5	-	3.3	(1.2)	-	75.6
Less accumulated depreciation	(2,334.9)	-	-	21.7	(184.5)	(2,497.7)
Intangible assets	110.8	0.2	-	-	-	111.0
Capital assets, net	$ 4,244.3	$ 392.7	$ -	$ (23.0)	$ (184.5)	$ 4,429.5

8. Derivative Instruments

Hedging Instruments LCRA enters into physical and financial - natural gas, power and power-related transactions to hedge its price exposure to fluctuations in the market price of natural gas and ERCOT power. The physical portion of LCRA's power transactions and power-related hedges are excluded from the scope of the financial trades disclosed below. LCRA typically sells power when forecast economic generation is expected to exceed its forecast load, and buys power when forecast load exceeds its forecast economic generation. This activity helps protect against material variations between the actualized Fuel and Power Cost Recovery Factor (F&PCRF) and the forecast F&PCRF that is set in rates at the beginning of the year.

Contracts are accounted for in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses recognition, measurement and disclosure related to derivative instruments. Statement No. 53 requires derivatives to be reported on the Balance Sheet at fair value and changes in fair value are deferred and reported on the Balance Sheet or recognized on the Statements of Revenues, Expenses and Changes in Net Position depending on effectiveness.

Contracts are evaluated pursuant to Statement No. 53 to determine whether they meet the definition of derivative instruments, and if so, whether they effectively hedge the expected change in cash flows associated with energy prices.

LCRA's hedging activity during FY 2019 was comprised of physical and financial - natural gas and power transactions. Natural gas hedging transactions were composed primarily of financial natural gas futures, calls and puts on the futures, and standard swap transactions. The power (including power-related) hedging transactions were composed of financial and physical fixed-price power futures and physical fixed heat rate and short-dated heat rate option and lookback transactions. The natural gas and power futures contracts were executed on Intercontinental Exchange (ICE). Settled transactions, with closing dates between July 2018 and June 2019, settled with a loss of $2.9 million. The total notional amount as of June 30, 2019, for the closed gas hedging transactions was 38.7 million MMBtu; open transactions consist of 13.3 million MMBtu. The total notional amount as of June 30, 2019, for the closed power hedging transactions was 740 Gigawatt-hours; open transactions consist of 164 GWh. The change in fair value for all hedging instruments held was a $0.4 million loss and a $2.2 million loss for FY 2019 and FY 2018, respectively. In FY 2019 there were no mark to market losses for open transactions, which would have been reflected as a deferred outflow of resources, with mark to market gains of $2.5 million, which is reflected as a deferred inflow of resources. FY 2018 mark to market losses for open transactions were $9.3 million, with mark to market gains of $1.9 million.

As of June 30, 2019, and 2018, the total fair value of outstanding derivative instruments was a net liability of $8.2 million and $0.1 million, respectively, reported on the Balance Sheet. Changes in fair value for effective derivatives (deferred outflow and inflow) are reported on the Balance Sheet. Changes in fair value for ineffective derivatives (investment derivative) are recognized as fuel operating expenses in the Statements of Revenues, Expenses and Changes in Net Position and then deferred to the Balance Sheet through the F&PCRF.

Credit Risk: Credit risk is the risk of loss due to a counterparty defaulting on its obligations. LCRA's derivative contracts and physical bilateral transactions expose LCRA to custodial credit risk. In the event of default or nonperformance by brokers, New York Mercantile Exchange (NYMEX) or ICE, LCRA's operations could be materially affected. However, LCRA does not expect the exchanges to fail in meeting their obligations given their high credit ratings and the credit requirements upheld by NYMEX, of which these brokerage firms are members. In addition, the credit status, and LCRA's credit exposure position with bilateral counterparties are monitored on an ongoing basis, and managed using processes that include established trigger points and action steps to mitigate risks.

Termination Risk: Termination risk is the risk that a derivative or physical bilateral trade will terminate prior to its scheduled maturity due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. One aspect of termination risk is LCRA would lose the hedging benefit of a derivative or bilateral trade that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination the mark to market value of the derivative was a liability to LCRA, it would be required to pay the market value of the derivative to the counterparty. The International Swaps and Derivatives Association (ISDA) agreements, Edison Electric Institute (EEI) master agreements and individual contracts have language to address termination risk. Termination risk is associated with all of LCRA's derivatives up to the fair value amounts. In addition, termination risk for LCRA's nonstandard origination and hedging transactions is assessed and addressed in its due diligence processes. LCRA believes termination risk is very low.

Basis Risk: Basis risk in the financial markets arises when an underlying position and the product used as a hedge are based on different quality or trade at different locations. LCRA is exposed to basis risk on both gas and power because LCRA assets and customer obligations do not always match locations.

For LCRA natural gas requirements, NYMEX is the exchange futures contract used which trades at Henry Hub Louisiana while operationally LCRA purchases are typically based on the Western Area Hub Association (WAHA) or the Houston Ship Channel (HSC) index. This exposes LCRA to the basis risk between NYMEX and WAHA or HSC indices. LCRA uses basis hedging transactions between these locations as necessary to manage its natural gas basis exposure.

Physical and financial power contracts LCRA uses as hedges are typically settled at an ERCOT hub, while LCRA load is settled at the LCRA load zone and LCRA power plants are settled at their respective resource node price. As a result, physical trades are exposed to basis risk as well and LCRA utilizes pre-assigned Congestion Revenue Rights (PCRRs), Congestion Revenue Rights (CRRs), and Point to Point trades (PTPs) to manage its power basis exposure.

Reporting Requirements: Under Statement No. 72, LCRA is required to disclose the valuation technique and level of inputs for all investments. One of the acceptable valuation techniques, and that which LCRA uses is the market approach. Statement No. 72 also requires that assets and liabilities be categorized into three levels. The majority of LCRA's derivative investments are valued using Level 1 inputs and settled using quoted prices (Platts and NYMEX's Henry Natural Gas Futures Settlements) for identical assets or liabilities in active markets at the measurement date. Some of LCRA's commodity derivatives are settled using Level 2 inputs which are derived from observable market data through correlation.

9. Segment and Component Unit Reporting

Governments using enterprise fund accounting and reporting standards to report activities are required to present segment information. A segment is an identifiable activity reported as or within an enterprise fund or another stand-alone entity having one or more bonds outstanding with a revenue stream pledged in support of that debt.

Governments that have legally separate organizations for which the primary government is responsible are required to present component units. For segment and component unit reporting, the activities' revenues, expenses, gains and losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources are required to be accounted for separately. LCRA TSC qualifies as a component unit and segment. GenTex Power Corporation and LCRA WSC Energy qualify as component units.

Segment and component unit information for LCRA TSC:

LCRA TRANSMISSION SERVICES CORPORATION
BALANCE SHEET
(Dollars in Millions)

	June 30, 2019	June 30, 2018
Assets		
Current Assets:		
Cash and cash equivalents	$ 127.9	$ 60.0
Unrestricted investments	72.7	59.2
Receivables, net	71.4	67.4
Inventories, net	23.0	20.9
Other	1.2	0.8
Total current assets	296.2	208.3
Noncurrent Assets:		
Restricted cash and cash equivalents	-	0.7
Unrestricted investments	10.0	84.3
Accounts receivable from LCRA - restricted	110.7	97.2
Capital assets:		
Depreciable:		
Utility plant in service	3,218.1	2,992.7
Less: accumulated depreciation	(841.0)	(788.2)
Depreciable capital assets, net	2,377.1	2,204.5
Nondepreciable:		
Utility plant in service	268.6	266.1
Construction work in progress	209.7	80.4
Nondepreciable capital assets	478.3	346.5
Other charges:		
Prepaid capital expense	50.5	45.2
Total other charges	50.5	45.2
Total noncurrent assets	3,026.6	2,778.4
Total Assets	3,322.8	2,986.7
Deferred Outflow of Resources:		
Unamortized loss on debt refundings	34.2	38.1
Total Deferred Outflow of Resources	34.2	38.1
Total Assets and Deferred Outflow of Resources	$ 3,357.0	$ 3,024.8

LCRA TRANSMISSION SERVICES CORPORATION
BALANCE SHEET
(Dollars in Millions)

	June 30, 2019	June 30, 2018
Liabilities		
Current Liabilities:		
Accounts payable to LCRA	$ 18.5	$ 17.6
Accounts payable	40.2	34.5
Interest payable	15.9	10.6
Other current liabilities	37.6	61.7
Bonds and notes payable	233.2	204.2
Total current liabilities	345.4	328.6
Noncurrent Liabilities:		
Construction payable	4.1	3.1
Bonds and notes payable	2,235.3	1,995.2
Other credits	1.8	1.5
Total noncurrent liabilities	2,241.2	1,999.8
Total Liabilities	2,586.6	2,328.4
Deferred Inflow of Resources:		
Regulatory credits from future recovery	32.1	9.7
Other	2.1	2.2
Total Deferred Inflow of Resources	34.2	11.9
Net Position		
Net investment in capital assets	499.6	473.8
Restricted for capital projects	-	0.7
Unrestricted	236.6	210.0
Total Net Position	736.2	684.5
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 3,357.0	$ 3,024.8

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(Dollars in Millions)

	Year Ended June 30, 2019	Year Ended June 30, 2018
Operating Revenues		
Transmission	$ 417.8	$ 396.2
Transformation	14.5	14.4
Other	1.1	1.0
Total Operating Revenues	433.4	411.6
Operating Expenses		
Operations	135.7	131.2
Maintenance	9.7	9.5
Depreciation and amortization	68.5	78.3
Total Operating Expenses	213.9	219.0
Operating Income	219.5	192.6
Nonoperating Revenues (Expenses)		
Interest income	8.8	3.0
Loss on disposition of property	(32.3)	(24.2)
Interest on debt	(94.6)	(90.2)
Other expenses	(20.6)	(19.5)
Total Nonoperating Revenues (Expenses)	(138.7)	(130.9)
Income Before Prior Costs Recovered From Revenues, Capital Contributions and Transfers Out	80.8	61.7
Prior Costs Recovered From Revenues	(22.4)	(5.0)
Capital Contributions	0.6	-
Transfers Out	(7.3)	(4.1)
Change in Net Position	51.7	52.6
Total Net Position, Beginning of Year	684.5	631.9
Total Net Position, End of Year	$ 736.2	$ 684.5

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF CASH FLOWS
(Dollars in Millions)

	Year Ended June 30, 2019	Year Ended June 30, 2018
Cash Flows From Operating Activities		
Receipts from customers	$ 409.7	$ 435.2
Payments to suppliers	(120.1)	(131.4)
Net cash provided by operating activities	289.6	303.8
Cash Flows From Noncapital Financing Activities		
Other expenses	(20.5)	(19.4)
Transfers out	(7.3)	(4.1)
Net cash used in noncapital financing activities	(27.8)	(23.5)
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(448.2)	(292.9)
Debt issue costs	(1.9)	(1.7)
Contributed capital received for capital costs	0.6	4.3
Proceeds from long-term debt	452.2	330.2
Proceeds from commercial paper	348.1	210.1
Debt principal payments	(83.4)	(85.9)
Interest paid	(92.3)	(89.8)
Payments to refund and defease debt	(439.1)	(323.4)
Net cash used in capital and financing activities	(264.0)	(249.1)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	203.6	129.6
Purchase of investment securities	(141.7)	(148.7)
Note payments and interest received	7.5	2.9
Net cash provided by (used in) investing activities	69.4	(16.2)
Net increase in cash and cash equivalents	67.2	15.0
Cash and cash equivalents, Beginning of Year	60.7	45.7
Cash and cash equivalents, End of Year	$ 127.9	$ 60.7

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF CASH FLOWS
(Dollars in Millions)

	Years Ended June 30, 2019	Years Ended June 30, 2018
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 219.5	$ 192.6
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation, depletion and amortization	68.5	78.3
Changes in assets, liabilities, and deferred outflows of resources:		
Accounts receivable	(4.0)	0.9
Inventories	(2.1)	(5.2)
Other current assets	(0.4)	(0.1)
Current liabilities	51.2	63.6
Other long-term assets, charges and deferred outflow of resources	(5.3)	7.3
Other credits and other long-term liabilities, and deferred inflow of resources	(37.8)	(33.6)
Net cash provided by operating activities	$ 289.6	$ 303.8
Noncash Investing and Capital and Related Financing Activities		
Investment market adjustments	$ (1.0)	$ 0.1
Capital assets financed through short-term liabilities	$ (43.1)	$ 3.0

Component unit information for GenTex Power Corporation:

GENTEX POWER CORPORATION
BALANCE SHEET
(Dollars in Millions)

	June 30, 2019	June 30, 2018
Assets		
Current Assets:		
Cash and cash equivalents	$ 12.5	$ 6.9
Unrestricted investments	-	3.5
Receivables, net	0.1	-
Accounts receivable from LCRA	-	0.2
Inventories, net	1.8	1.7
Total current assets	14.4	12.3
Noncurrent Assets:		
Restricted cash and cash equivalents	4.1	2.6
Restricted investments	-	1.5
Capital assets:		
Depreciable capital assets, net	9.1	6.5
Total noncurrent assets	13.2	10.6
Total Assets	$ 27.6	$ 22.9
Liabilities		
Current Liabilities:		
Accounts payable to LCRA	$ 0.8	$ -
Accounts payable	0.3	0.4
Other current liabilities	0.5	0.6
Total current liabilities	1.6	1.0
Long-Term Liabilities:		
Other credits	8.1	8.9
Total Liabilities	9.7	9.9
Deferred Inflow of Resources:		
Regulatory credits	4.2	4.1
Total Deferred Inflow of Resources	4.2	4.1
Net Position		
Net investment in capital assets	9.1	6.4
Unrestricted	4.6	2.5
Total Net Position	13.7	8.9
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 27.6	$ 22.9

GENTEX POWER CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
(Dollars in Millions)

	Year Ended June 30, 2019	Year Ended June 30, 2018
Operating Revenues		
Electric Revenues	$ 40.6	$ 35.1
Total operating revenues	40.6	35.1
Operating Expenses		
Fuel	27.7	26.5
Operations	1.6	1.7
Maintenance	4.0	4.1
General and administrative	3.0	3.1
Depreciation expense	0.4	0.3
Total Operating Expenses	36.7	35.7
Operating Income (Loss)	3.9	(0.6)
Nonoperating Expenses		
Interest income from Investments	0.3	0.1
Gain on disposition of property	1.7	-
Public Service Fund and other expenses	(1.1)	(0.8)
Total Nonoperating Expenses	0.9	(0.7)
Change in Net Position	4.8	(1.3)
Total Net Position, Beginning of Year	8.9	10.2
Total Net Position, End of Year	$ 13.7	$ 8.9

GENTEX POWER CORPORATION
STATEMENTS OF CASH FLOWS
(Dollars in Millions)

	Year Ended June 30, 2019	Year Ended June 30, 2018
Cash Flows From Operating Activities		
Receipts from customers	$ 40.6	$ 35.1
Payments to suppliers	(35.7)	(35.8)
Other payments	(0.7)	(1.1)
Net cash provided by (used in) operating activities	4.2	(1.8)
Cash Flows From Noncapital Financing Activities		
Other expenses	(1.0)	(0.8)
Net cash used in noncapital financing activities	(1.0)	(0.8)
Cash Flows From Capital and Related Financing Activities		
Purchases of property, plant and equipment	(2.5)	(0.1)
Proceeds from sale of assets	1.1	-
Net cash used in capital and financing activities	(1.4)	(0.1)
Cash Flows From Investing Activities		
Sale and maturity of investments	5.0	
Purchase of investments	-	(5.0)
Interest received	0.3	0.2
Net cash provided by (used in) investing activities	5.3	(4.8)
Net increase / (decrease) in cash and cash equivalents	7.1	(7.5)
Cash and Cash Equivalents, Beginning of Year	9.5	17.0
Cash and Cash Equivalents, End of Year	$ 16.6	$ 9.5
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 3.9	$ (0.6)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	0.4	0.3
Changes in assets, liabilities and deferred inflow of resources:		
Accounts receivable	0.1	(0.2)
Inventories	(0.1)	0.1
Current liabilities	0.6	(0.4)
Other credits and other long-term liabilities	(0.7)	(1.0)
Net cash provided by (used in) operating activities	$ 4.2	$ (1.8)

Other component unit:

LCRA WSC Energy financial activity is not material to these financial statements; however, for FY 2019, total assets are $4.7 million, liabilities are $3.6 million, and net position is $1.1 million.

LOWER COLORADO RIVER AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION (Unaudited)
As of and for the Years Ended June 30, 2019, and 2018

Schedule of Changes in the Plan's Net Pension Liability and Related Ratios for the Last 10 Plan Years is presented as follows below:

Schedule of Changes in the Plan's Net Pension Liability and Related Ratios for the Last 10 Plan Years [1]
(Dollars in Millions)

	Fiscal Year Ending June 30,					
	2019	2018	2017	2016	2015	2014
1. Total Pension Liability						
a. Service cost	$ 5.8	$ 6.1	$ 5.0	$ 6.5	$ 7.2	$ 7.2
b. Interest	41.1	40.9	30.1	38.1	37.8	37.2
c. Purchase of optional credited service	0.3	0.2	0.6	1.2	0.4	1.2
d. Differences between expected and actual experience	1.7	1.0	7.7	4.6	(6.4)	-
e. Changes of assumptions	22.8	-	12.4	21.0		-
f. Benefit payment	(39.7)	(44.8)	(27.5)	(38.1)	(32.9)	(43.8)
g. Plan amendments	-	-	-	0.1	0.2	-
h. Net Change in Total Pension Liability	32.0	3.4	28.3	33.4	6.3	1.8
i. Total Pension Liability, Beginning of Year	582.9	579.5	551.2	517.8	511.5	509.7 [3]
j. Total Pension Liability, End of Year	$ 614.9	$ 582.9	$ 579.5	$ 551.2	$ 517.8	$ 511.5
2. Plan Fiduciary Net Position						
a. Contributions by the employer	$ 23.9	$ 22.9	$ 15.1	$ 21.1	$ 27.5	$ 31.2
b. Contributions by the participants	0.3	0.2	0.6	1.2	0.4	1.2
c. Net investment income	(26.6)	43.7	14.9	0.8	22.9	39.9
d. Benefit payments	(39.7)	(44.8)	(27.5)	(38.1)	(32.9)	(43.8)
e. Administrative expenses	(0.1)	(0.3)	-	-	(0.3)	(0.2)
f. Net Change in Plan Fiduciary Net Position	(42.2)	21.7	3.1	(15.0)	17.6	28.3
g. Plan Fiduciary Net Position, Beginning of Year	424.8	403.1	400.0	415.0	397.4	369.1
h. Plan Fiduciary Net Position, End of Year	$ 382.6	$ 424.8	$ 403.1	$ 400.0	$ 415.0	$ 397.4
3. Employer's Net Pension Liability, End of Year [Item 1(j) - 2(i)]	$ 232.3	$ 158.1	$ 176.4	$ 151.2	$ 102.8	$ 114.1
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.2%	72.9%	69.6%	72.6%	80.1%	77.7%
5. Covered-Employee Payroll	$ 108.6	$ 112.7	$ 91.4	$ 122.1	$ 127.0	$ 123.2
6. Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	213.9%	140.3%	193.0%	123.8%	80.9%	92.6%

[1] This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, only available information is shown. Amounts recognized in the plan year represent changes between the current and prior measurement dates.
[2] Two plan amendments increased retirement benefits for certain participants.
[3] Determined from the ending total pension liability using the roll-back procedure allowed for the initial year of implementing GASB Statement No. 67.

Schedule of Employer Contributions for the Last 10 Fiscal Years is presented as follows:

Schedule of Employer Contributions for the Last 10 Fiscal Years [1]
(Dollars in Millions)

	Fiscal Year Ending June 30,					
	2019	2018	2017	2016	2015	2014
1. Actuarially determined contribution (ADC)	$ 20.5	$ 18.6	$ 13.9	$ 17.0	$ 19.3	$ 20.9
2. Contributions in relation to the actuarially determined contribution	23.9	22.9	15.1	21.1	27.5	31.2
3. Contribution deficiency (excess)	$ (3.4)	$ (4.3)	$ (1.2)	$ (4.1)	$ (8.2)	$ (10.3)
4. Covered payroll	$ 108.6	$ 112.7	$ 91.4	$ 122.1	$ 127.0	$ 123.2
5. Contribution as a percentage of covered payroll	22.0%	20.3%	16.5%	17.3%	21.6%	25.3%

[1] This schedule is presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, only available information is shown.

Notes to Schedule:
Actuarially determined contribution amount for each plan year was calculated in the actuarial valuation at the beginning of the year. Methods and assumptions used to determine the actuarially determined contribution:

Actuarial Method cost method	Entry age
Amortization method	Level amount, closed period
Remaining amortization period	19, 20, 21 years respectively for years ending Dec. 31, 2018, 2017, 2016; 22, 23, and 24 years, respectively, for the years ending March 31, in 2016, 2015, and 2014.
Asset valuation method	5-year smoothed market
Inflation	2.75% for years ending Dec. 31, 2018, 2017, 2016; 3.25% for the years ending March 31, in 2016, 2015, and 2014.
Salary increases	3.25% plus merit and promotion increases that vary by age and service for year ending Dec. 31, 2018, 2017, 2016; 4.0% plus merit and promotion increases that vary by age and service for the year ending March 31, in 2016, 2015, and 2014.
Investment rate of return	7.25% for the year ending Dec. 31, 2018, 2017, 2016; 7.5%, net of pension plan investment expense, for the years ending March 31, in 2016, 2015, and 2014.
Retirement age	Rates that vary by age and service
Mortality	PubG-2010(A) with general projection using Scale MP-2018 for year ending Dec. 31, 2018; RP-2000 Combined Healthy Mortality Table for males and for females (sex distinct) projected to 2024 by scale AA for years ending Dec. 31, 2017, and to 2018, by scale AA for years ending March 31, in 2016, 2015, and 2014.

LOWER COLORADO RIVER AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION (Unaudited)
As of and for the Years Ended June 30, 2019, and 2018

Schedule of Changes to OPEB Liability and Related Ratios for the Last 10 Fiscal Years is presented as follows:

Schedule of Changes to OPEB Liability and Related Ratios for the Last 10 Fiscal Years [1]
(Dollars in Millions)

	Fiscal Year Ending June 30,		
	2019	2018	2017
1. Net OPEB Liability			
a. Service cost	$ 1.5	$ 4.4	$ 3.3
b. Interest	4.5	7.4	8.5
c. Differences between expected and actual experience	-	(6.3)	-
d. Changes of assumptions [2,3]	(6.3)	(6.9)	27.5
e. Benefit payments	(5.4)	(7.5)	(7.5)
f. Changes of benefit provisions [4,5]	0.7	(119.2)	-
g. Net change	(5.0)	(128.1)	31.8
h. Beginning	126.2	254.3	222.5 [6]
i. Ending	$ 121.2	$ 126.2	$ 254.3
2. Covered Payroll	94.5	98.5	94.7
3. Employer's Net OPEB Liability as a Percentage of Covered Payroll	128.3%	128.2%	268.6%

Notes to Schedule:

[1] Until a full 10-year trend is compiled, only available information is shown. The measurement date was one year prior to the fiscal yearend. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

[2] Changes of assumptions reflect the effects of changes in the discount rate from the prior measurement date to the current measurement date. The following are the discount rates as of each measurement date:

June 30, 2018:	3.87%
June 30, 2017:	3.58%
June 30, 2016:	2.85%

[3] In addition to the change in the assumed discount rate, the percentage of option B participants retiring before age 65 assumed to elect the retiree medical plan was reduced from 100% to 50%.

[4] A change of benefit provisions in the fiscal year end 2019 was an increase in LCRA's portion of the premium before age 65 for Option B retirees with 15-29 years of service.

[5] Changes of benefit provisions in the FYE 2018 were a reduction in the Medicare Supplement amounts for retirees and spouses and the closing of the Medicare Supplement option to new participants that was communicated to the employees and participants in the FYE 2018.

[6] No assets are accumulated in a trust that meets the criteria in GASB 75 paragraph 4 to pay related benefits.