LOWER COLORADO RIVER AUTHORITY
401(K) PLAN

FINANCIAL STATEMENTS

As of and for the Year Ended Dec. 31, 2017
and Nine Months Ended Dec. 31, 2016

Contents

INDEPENDENT AUDITORS' REPORT

To the LCRA Retirements Benefits Board of Trustees
Lower Colorado River Authority 401(k) Plan
Austin, Texas

We have audited the accompanying financial statements of Lower Colorado River Authority Retirement 401(k) Plan (the Plan), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Plan's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial net position of the Plan as of December 31, 2017, and the changes in the Plan's net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Plan as of and for the nine-month period ended December 31, 2016, were audited by other auditors whose report dated August 2, 2017, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Plan and do not purport to, and do not, present fairly the financial position of the Lower Colorado River Authority, as of December 31, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Baker Tilly Virchow Krause, LLP

Austin, Texas
April 27, 2018

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Dec. 31, 2017 and Dec. 31, 2016

This section of the Lower Colorado River Authority's (LCRA) 401(k) Plan (Plan) financial report presents our discussion and analysis of the Plan's financial performance for the year ended Dec. 31, 2017, and nine months (period) ended Dec. 31, 2016. The LCRA Retirement Benefits Board of Trustees voted to change Plan's fiscal year end from March 31 to Dec. 31 on Sept. 21, 2016. This change resulted in a nine month period. The reader should consider the information presented here in conjunction with the financial statements that follow.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements, which comprise the following:

Statements of Fiduciary Net Position - present the assets and liabilities of the Plan for the current year and prior period. Assets are stated at fair value and, accordingly, unrealized appreciation and depreciation are reported in the statements of changes in fiduciary net position. Purchases and sales of investments are recorded on a trade-date basis and, accordingly, the related receivables and payables for any unsettled trades are recorded. Amounts reported may include management's estimates. Actual results could differ from those estimates.

Statements of Changes in Fiduciary Net Position - present information showing how the Plan's net position changed during the current period. Changes are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods.

Notes to Financial Statements - include a summary of significant accounting policies, a brief description of the Plan, disclosures regarding liabilities, investments and administrative expenses, which are deemed necessary for a full understanding of the data provided in the Plan's financial statements.

Collectively, this information presents the net position restricted for pensions as of the end of each period and summarizes the changes in fiduciary net position for the period.

Financial Highlights

Fiduciary net position held in trust by the Plan increased by approximately $44.2 million, or 21.5 percent, for the year ended Dec. 31, 2017, and increased by approximately $13.0 million, or 6.8 percent for the period ended Dec. 31, 2016. The increase was primarily driven by stronger market performance throughout 2017 compared to the lower investment earnings for the period ended Dec. 31, 2016.

Contributions increased by approximately $4.6 million, or 29.1 percent, for the year ended Dec. 31, 2017, and decreased by approximately $1.9 million, or 10.8 percent, for the period ended Dec. 31, 2016. The increase for the year ended Dec. 31, 2017, was attributed to a full year of contributions as well as new participants to the plan. The decrease between Dec. 31, 2016 and

March 31, 2016 was caused primarily by the change to the plan year end date, which reflected only nine months of activity as of Dec. 31, 2016.

The amount of benefits paid to retired members, beneficiaries and terminating employees increased by approximately $3.2 million, or 21.8 percent, during the year ended Dec. 31, 2017, and decreased approximately $7.9 million, or 34.8 percent, for the period ended Dec. 31, 2016. The increase in benefit payments for the year ended Dec. 31, 2017, was caused by comparing a full year of benefit payments versus the prior period. The decrease for the period ended Dec. 31, 2016 was caused primarily by the change to the plan year end date, which reflected only nine months of activity, when compared the year ended March 31, 2016.

Financial Analysis

Statements of Fiduciary Net Position

(Dollars in Thousands)	Dec. 31, 2017	Dec. 31, 2016	March 31, 2016
Assets			
Investments—at fair value	$ 243,842	$ 199,006	$ 185,718
Loans to participants	5,655	6,271	6,535
Total assets	249,497	205,277	192,253
Liabilities			
Total liabilities	-	-	-
Net position restricted for pensions	$ 249,497	$ 205,277	$ 192,253

Participant loan activity remains at a high volume, with 164 new loans for the year ended Dec. 31, 2017 and 192 new loans for period ended Dec. 31, 2016. The total number of loans outstanding was 657 as of Dec. 31, 2017, and 761 as of Dec. 31, 2016. The decrease in new loan activity, net of repayment of loans, resulted in the $0.6 million decrease in loan balances from Dec. 31, 2016, to Dec. 31, 2017.

Total investments were approximately $243.8 million as of Dec. 31, 2017, an increase of approximately $44.8 million, or 22.5 percent, for the year ended Dec. 31, 2017. Total investments as of Dec. 31, 2016 were approximately $199.0 million, an increase of approximately $13.3 million, or 7.2 percent, from March 31, 2016.

Statements of Changes in Fiduciary Net Position

(Dollars in Thousands)	12 Months Ended Dec. 31, 2017	Nine Months Ended Dec. 31, 2016	12 Months Ended March 31, 2016
Additions			
Contributions	$ 20,388	$ 15,791	$ 17,696
Investment income and interest income on loans receivable from participants	41,922	12,054	(1,658)
Total additions	62,310	27,845	16,038
Deductions			
Benefits paid to participants	18,037	14,814	22,732
General, administrative and other expenses	53	7	5
Total deductions	18,090	14,821	22,737
Net increase (decrease)	44,220	13,024	(6,699)
Fiduciary net position restricted for pensions, beginning of period	205,277	192,253	198,952
Fidcuiary net position restricted for pensions, end of period	$ 249,497	$ 205,277	$ 192,253

Additions: Funds to pay benefits are accumulated through contributions and returns on invested funds. Employer and employee contributions increased by approximately $4.6 million and decreased by approximately $1.9 million for the year ended Dec. 31, 2017 and the period ended Dec. 31, 2016, respectively. Investment income and interest income on loans increased $29.9 million for the year ended Dec. 31, 2017, compared to an increase of $13.7 million for the period ended Dec. 31, 2016.

Deductions: The expenses paid by the Plan include benefit payments and administrative expenses. Benefits paid to retirees and terminating employees for the year ended Dec. 31, 2017, increased by $3.2 million, a 21.8 percent increase from the period ended Dec. 31, 2016. The increase in benefit payments as of Dec. 31, 2017 was due to a full years benefit payments made for the year, compared to the period ended Dec. 31, 2016. Benefit payments decreased for the period ended Dec. 31, 2016 by $7.9 million, or 34.8 percent. This decrease was caused primarily by the change to the plan year end date, which reflected only nine months of activity. Benefit payments were also impacted as a result of higher numbers of terminations of participants as of Dec. 31, 2017, there were 157 participants who terminated employment that year, as compared to 90 participant terminations during the period ended Dec. 31, 2016.

Overall Analysis

As of Dec. 31, 2017, fiduciary net position increased by approximately $44.2 million, or 21.5 percent, compared to the period ended Dec. 31, 2016. This net increase in fiduciary net position was due to stronger financial market performance in 2017, which resulted in greater investment income for the year ended Dec. 31, 2017, offset by a slight increase in benefits paid to participants for the year. For the period ended Dec. 31, 2016, plan net position increased $13.0 million, or 6.8 percent, compared to the year ended March 31, 2016. The net increase in fiduciary net position was primarily due to stronger market financial performance.

Request for Information

This financial report is designed to provide a general overview of the finances of the Lower Colorado River Authority's 401(k) Plan for all parties with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Retirement Benefits Administrator, The Lower Colorado River Authority, 3700 Lake Austin Boulevard, Austin, Texas 78703.

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN
STATEMENTS OF FIDUCIARY NET POSITION
Dec. 31, 2017 and Dec. 31, 2016
(Dollars in Thousands)

	Dec. 31, 2017	Dec. 31, 2016
Assets		
Investments—at fair value	$ 243,842	$ 199,006
Loans to participants	5,655	6,271
Total assets	249,497	205,277
Liabilities		
Total liabilities	-	-
Net position restricted for pensions	$ 249,497	$ 205,277

Notes to the financial statements form an integral part of these statements.

LOWER COLORADO RIVER AUTHORITY 401(K) PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended Dec. 31, 2017 and the Nine Months Ended Dec. 31, 2016
(Dollars in Thousands)

	Year Ended Dec. 31, 2017	Period Ended Dec. 31, 2016
Additions		
Contributions:		
Participants	$ 12,716	$ 8,944
Employer	6,762	4,550
Rollovers	910	2,297
Total contributions	20,388	15,791
Investment income:		
Net appreciation on investments	17,559	5,863
Interest and dividends	24,048	5,933
Total investment income	41,607	11,796
Interest income on loans receivable from participants	315	258
Total additions	62,310	27,845
Deductions		
Benefits paid to participants	(18,037)	(14,814)
General, administrative and other expenses	(53)	(7)
Total deductions	(18,090)	(14,821)
Net increase in net position	44,220	13,024
Net position restricted for pensions, beginning of period	205,277	192,253
Net position restricted for pensions, end of period	$ 249,497	$ 205,277

Notes to the financial statements form an integral part of these statements.

Note 1. Plan Description

The following description of the Lower Colorado River Authority (LCRA) 401(k) Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General: The Plan is a single-employer defined contribution plan sponsored by LCRA and administered by the LCRA Retirement Benefits Board of Trustees (Board). 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 LCRA Board of Directors has sole authority to amend the Plan. LCRA employees are eligible to participate in the Plan immediately upon employment. As of Dec. 31, 2017, and Dec. 31, 2016, 1,872 and 1,777 employees, respectively, were eligible to participate in the Plan, and 1,699 and 1,589 employees, respectively, were actively participating in the Plan.

Contributions: Participants may elect to contribute from 1.0 percent of eligible compensation up to the maximum allowed annual contribution as prescribed in Internal Revenue Code (IRC) Section 402(g)(4). Participants who fail to submit the proper election as of the Participant's Deemed Election Date are deemed to have made an election to contribute 8.0 percent of eligible compensation. Participants are 50 years old before the end of the Plan year are eligible to make catch-up contributions. Participants also may contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

LCRA contributes 25.0 percent of the first 4.0 percent of compensation for employees who were employed prior to Jan. 1, 2002, and did not elect to participate in the cash balance feature. LCRA contributes 100.0 percent of the first 4.0 percent of compensation and 50.0 percent of the next 2.0 percent of compensation, as defined in the Plan, for employees who were employed prior to Jan. 1, 2002, and elected to participate in the cash balance feature of the LCRA Retirement Plan and Trust, as well as those participants employed after Jan. 1, 2002. Contributions for employees hired after May 1, 2012, are 100.0 percent of the first 8.0 percent of compensation. Contributions are subject to certain limitations.

Effective Jan. 1, 2008, participants can elect to contribute on a pretax basis, an after-tax basis, or a combination of the two.

Participant accounts: Participants direct the investment of their contributions into various investment options offered by the Plan.

Each participant's account is credited with the participant's contribution and allocations of LCRA's contributions and Plan earnings, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined in the Plan agreement. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Note 1. Plan Description (Continued)

Vesting: Participants employed prior to May 1, 2012, are 100.0 percent vested in their voluntary contributions and employer contributions. Effective May 1, 2012, a participant whose period of service begins on or after May 1, 2012, is 100.0 percent vested in their voluntary contributions at the date of contribution. However, a participant whose period of service begins on or after May 1, 2012, they will be 100.0 percent vested in employer contributions only after reaching three years service.

Notes receivable from participants: Participants may borrow from their fund accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50.0 percent of their vested account balance. The loans are secured by the balance in the participant's account and bear interest, as determined by the Plan administrator. Principal and interest are paid through payroll deductions.

Notes receivable from participants are measured at their unpaid principal balance plus accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be in default, the participant loan balance is reduced, and a benefit payment is recorded.

Payment of benefits: On termination of service or age 59½, a participant may elect to receive a distribution up to the value of the participant's vested interest in his or her account. Any balance under $1,000 is automatically paid out as soon as administratively possible. Hardship withdrawals also are available for active employees subject to certain limitations.

Administrative expenses: Administrative expenses may be paid by either the Plan sponsor or the Plan, as provided by the Plan document. Loan administration fees are paid by the participant electing to take the loan.

Forfeitures: Beginning May 1, 2012, participant forfeitures of nonvested balances may be used to reduce future employer contributions. During the year ended Dec. 31, 2017, employer contributions were reduced by $0.3 million and there were $0.2 million in unallocated forfeitures. During the Dec. 31, 2016, plan period, employer contributions were reduced by $0.1 million and there was $0.3 in unallocated forfeitures.

Note 2. Summary of Significant Accounting Policies

Reporting entity: The Plan is sponsored by LCRA. The Plan does not purport to, and does not, present the financial position or changes in financial position of LCRA as of any date or for any period. Certain information regarding the Plan is included in the notes to LCRA's financial statements. The LCRA Retirement Benefits Board of Trustees voted to change Plan's fiscal year end from March 31 to Dec. 31 on Sept. 21, 2016. This change was effective for the period ending Dec. 31, 2016.

Note 2. Summary of Significant Accounting Policies (continued)

Use of estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein. Actual results could differ from those estimates.

The Plan invests in various types of investments. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the fair values of investments will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net position.

Basis of accounting: The financial statements of the Plan are reported using the economic resources measurement focus and are prepared on the accrual basis of accounting in conformity with U.S. GAAP. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Plan applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and presents its financial statements in accordance with the GASB Codification of Government Accounting and Financial Reporting Standards.

Investment valuation and income recognition: Effective April 1, 2016, the Plan implemented GASB Statement No. 72, *Fair Value Measurement and Application* (Statement No. 72). Statement No. 72 addresses the accounting and reporting issues related to fair value measurements. The adoption of this standard did not have a significant impact on the Plan's financial statements other than requiring additional footnote disclosures.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Investments are reported at fair value based upon quoted market prices, or when quoted market prices are not readily determinable, estimated fair values using observable inputs including quoted prices for similar securities, interest rates, and a fixed income pricing model which uses available market rates. The plan values its fixed income securities using a fixed income pricing model provided by its investment custodian. Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted market price per share of the fund.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold, as well as unrealized gains and losses on investments still held at year end.

Payment of benefits: Benefits are recorded when paid.

Note 3. Investments

The Plan's trustees have the following responsibilities:

- Operate the Plan in compliance with legal requirements and Plan documents for the exclusive benefit of the participants.
- Adopt an Investment Policy Statement (IPS) that provides the appropriate investment options.
- Identify appropriate investment options allowing for adequate levels of asset allocation.
- Select qualified investment administrators.
- Select a custodian.
- Monitor investment results.
- Monitor administrators' compliance with the IPS and the fees charged for services.
- Take appropriate action if objectives are not being met or guidelines are not being followed.

Investment administrators have the following responsibilities:

- Develop and implement the investment strategy.
- Manage assets within guidelines, regulations and the investment strategy.
- Communicate to the Board, at least annually, the performance of the Plan's investments.

Trustees provide trustee services and provide for the education of participants regarding the importance of equities and asset allocation. The record keeper maintains account balance information on a participant, as well as on a total Plan basis. Participants determine personal risk level and select options appropriate for meeting their unique investment objectives.

The investment objective of the Plan is to provide a manageable group of mutual funds that offer the participants a quality product with the ability to properly diversify their investment holdings.

The fund manager and investment administrator are expected to manage the Plans' assets in a manner consistent with the investment objectives, guidelines and constraints outlined in this statement and in accordance with state and federal requirements. This includes discharging responsibilities with respect to the Plan consistent with the prudent expert-standard as described above and all other fiduciary responsibility provisions and regulations. The fund manager and investment administrator shall at all times be registered in good standing as an investment adviser under the Investment Advisers Act of 1940, and shall acknowledge in writing that it is a fiduciary of the Plan.

The Board has determined a wide range of alternative investment options will be available to participants.

A representative of the fund administrator and/or fund manager meets with the Board annually to review and explain the Plans' investment results. Written reports of interim performance are

Note 3. Investments (continued)

provided on a quarterly basis. Monthly statements of portfolio holdings and transactions are provided to the Board. The fund manager is available on a reasonable basis for telephone communication when needed. Any material event that affects the ownership of a fund manager firm or the management of this account must be reported immediately to the Board.

The Board monitors each fund's performance on a quarterly basis and evaluates each fund's and the Plan's success in achieving the investment objectives over a rolling three-year to five-year time horizon.

The Plan's investments are subject to various risks that have the potential to result in losses. These risks are custodial credit risk, credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Each risk is described in detail on the following pages.

Investments are valued at fair value. A comparison of original cost to fair value as of Dec. 31, 2017, and Dec. 31, 2016, is as follows:

(Dollars in Thousands)	Dec. 31, 2017		Dec. 31, 2016	
	Fair Value	Cost	Fair Value	Cost
Common stock	$ 5,332	$ 2,895	$ 4,076	$ 3,992
Mutual funds	238,510	213,535	194,930	184,981
Total	$ 243,842	$ 216,430	$ 199,006	$ 188,973

Investments, as of Dec. 31, 2017, are as follows:

(Dollars in Thousands)		Fair Value Measurements Using		
Investments	Total Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 5,332	5,332	-	-
Total equity securities	5,332	5,332	-	-
Investments measured at NAV				
Mutual funds	238,510			
Total investments measured at NAV	238,510			
Total investments	$ 243,842			

Note 3. Investments (continued)

Investments measured at Net Asset Value (NAV), as of Dec. 31, 2017, are as follows:

(Dollars in Thousands)

Investments Measured at NAV	Equities	Fixed Income	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	Weighted Average Maturity (WAM)	Credit Rating
Mutual funds								
Fidelity Contrafund K [1]	$ 43,576	$ -	$ 43,576	$ -	Daily	N/A	N/A	N/A
Fidelity Freedom 2035 [4]	24,348	2,539	26,887	-	Daily	N/A	N/A	N/A
Fidelity 500 Index Institutional [1]	25,417	-	25,417	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2025 [4]	15,575	7,995	23,570	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2045 [4]	18,268	1,498	19,766	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2015 [4]	8,347	7,272	15,619	-	Daily	N/A	N/A	N/A
Vanguard Equity-Income Admiral [2]	13,314	-	13,314	-	Daily	N/A	N/A	N/A
Fidelity Low-Priced Stock Fund K [1]	10,455	-	10,455	-	Daily	N/A	N/A	N/A
Fidelity Diversified International K [2]	9,276	-	9,276	-	Daily	N/A	N/A	N/A
Vanguard Selected Value [1]	7,861	-	7,861	-	Daily	N/A	N/A	N/A
Fidelity MMT Retirement Government MMP [5]	-	7,709	7,709	-	Daily	N/A	31 days	N/A
Fidelity Freedom 2055 [4]	6,557	536	7,093	-	Daily	N/A	N/A	N/A
Vanguard Total Bond Market Index Admiral [3]	-	6,470	6,470	-	Daily	N/A	8.4 years	AA/Aa2
Fidelity Intermediate Bond Fund [3]	-	5,003	5,003	-	Daily	N/A	4.6 years	A/A2
BrokerageLink [5]	4,479	-	4,479	-	Daily	N/A	N/A	N/A
Vanguard Interm-Term Bond Index Admiral [4]	-	3,864	3,864	-	Daily	N/A	7.2 years	AA/Aa2
Fidelity Extended Market Index Premium [2]	3,455	-	3,455	-	Daily	N/A	N/A	N/A
Fidelity International Index Premium [2]	1,567	-	1,567	-	Daily	N/A	N/A	N/A
Vanguard Total Intl Stock Index Admiral [2]	1,430	-	1,430	-	Daily	N/A	N/A	N/A
Fidelity Freedom K Income [4]	305	895	1,200	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2010 [4]	218	273	491	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2005 [4]	3	5	8	-	Daily	N/A	N/A	N/A
Total investments measured at NAV	$ 194,451	$ 44,059	$ 238,510	$ -				

[1] Domestic Equity Managers invest in U.S.-based companies utilizing bottom-up stock selection and quantitative screening. Some fund managers may be passively managed and seek to replicate performance of their respective indices. Active managers seek to outperform their respective indices over a long term investment horizon.
[2] International Equity Managers invest in internationally-based companies and seek either to replicate or outperform their respective indices over a long term investment horizon.
[3] Fixed Income Managers invest in U.S.-related debt securities and pursue capital preservation in lieu of capital growth. These managers seek either to replicate or outperform their respective indices over a long term investment horizon.
[4] Target Date Managers may invest in both equity and debt strategies and shift their asset allocation over time. As a fund approaches its intended retirement year (e.g., 2025), it will shift its asset allocation to debt securities in order to preserve capital.
[5] Brokerage Link allows participants to directly invest. Market value shown includes the Fidelity Fund and External Fund.
[6] The Trust currently has no unfunded commitments due to investment managers; all of the current investment managers are fully funded.

Note 3. Investments (continued)

Investments, as of Dec. 31, 2016 are as follows:

(Dollars in Thousands)

Investments	Total Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	$ 4,076	4,076	-	-
Total equity securities	4,076	4,076	-	-
Investments measured at NAV				
Mutual funds	194,930			
Total investments measured at NAV	194,930			
Total investments	$ 199,006			

Investments measured at Net Asset Value (NAV), as of Dec. 31, 2016 are as follows:

(Dollars in Thousands)

Investments Measured at NAV	Equities	Fixed Income	Net Asset Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	Weighted Average Maturity (WAM)	Credit Rating
Mutual funds								
Fidelity Contrafund K [1]	$ 34,827	$ -	$ 34,827	$ -	Daily	N/A	N/A	N/A
Fidelity 500 Index Institutional [1]	21,433	-	21,433	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2035 [4]	18,077	2,009	20,086	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2025 [4]	12,918	6,363	19,281	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2015 [4]	7,565	6,444	14,009	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2045 [4]	12,605	1,401	14,006	-	Daily	N/A	N/A	N/A
Vanguard Equity-Income Adm [2]	11,612	-	11,612	-	Daily	N/A	N/A	N/A
Fidelity Low-Priced Stock Fund K [1]	-	10,415	10,415	-	Daily	N/A	51 days	N/A
Fidelity Diversified International K [2]	9,913	-	9,913	-	Daily	N/A	N/A	N/A
Fidelity MMT Retirement Government MMP [5]	7,825	-	7,825	-	Daily	N/A	N/A	N/A
Vanguard Selected Value [1]	6,387	-	6,387	-	Daily	N/A	N/A	N/A
Vanguard Total Bond Market Index Admiral [3]	-	5,808	5,808	-	Daily	N/A	8.3 years	AA/Aa2
Fidelity Intermediate Bond Fund [3]	-	4,616	4,616	-	Daily	N/A	4.6 years	A/A2
Vanguard Interm-Term Bond Index Admiral [4]	3,647	405	4,052	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2055 [4]	-	3,687	3,687	-	Daily	N/A	7.2 years	AA/Aa2
Fidelity Extended Market Index Premium [2]	2,532	-	2,532	-	Daily	N/A	N/A	N/A
Brokerage Link [5]	1,476	-	1,476	-	Daily	N/A	N/A	N/A
Fidelity Freedom K Income [4]	839	93	932	-	Daily	N/A	N/A	N/A
Fidelity International Index Premium [2]	899	-	899	-	Daily	N/A	N/A	N/A
Vanguard Total Intl Stock Index Admiral [2]	691	-	691	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2010 [4]	197	240	437	-	Daily	N/A	N/A	N/A
Fidelity Freedom 2005 [4]	2	4	6	-	Daily	N/A	N/A	N/A
Total investments measured at NAV	$153,445	$41,485	$194,930	$ -				

Note 3. Investments (continued)

[1] Domestic Equity Managers invest in U.S.-based companies utilizing bottom-up stock selection and quantitative screening. Some fund managers may be passively managed and seek to replicate performance of their respective indices. Active managers seek to outperform their respective indices over a long term investment horizon.
[2] International Equity Managers invest in internationally-based companies and seek either to replicate or outperform their respective indices over a long term investment horizon.
[3] Fixed Income Managers invest in U.S.-related debt securities and pursue capital preservation in lieu of capital growth. These managers seek either to replicate or outperform their respective indices over a long term investment horizon.
[4] Target Date Managers may invest in both equity and debt strategies and shift their asset allocation over time. As a fund approaches its intended retirement year (e.g., 2025), it will shift its asset allocation to debt securities in order to preserve capital.
[5] Brokerage Link allows participants to directly invest. Market value shown includes the Fidelity Fund and External Fund.
[6] The Trust currently has no unfunded commitments due to investment managers; all of the current investment managers are fully funded.

The Plan uses various methods to measure the fair value of investment on a recurring basis. 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 that the Plan has the ability to access.

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 speeds, 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, representing the Plan’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Investments measured at net asset value do not have significant terms or conditions for

Note 3. Investments (continued)

redemption or commitment for additional funding. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Custodial credit risk: Custodial credit risk for investments is the risk that in the event of a failure of a counterparty to a transaction, the Plan will not be able to recover the value of the investment or collateral securities in the possession of an outside party. The Plan has no investment policy regarding custodial credit risk. The Plan is exposed to custodial credit risk, for the year ended Dec. 31, 2017, the amount of equity securities was $5.3 million and for the period ended Dec. 31, 2016, the amount of equity securities was $4.1M.

Credit risk: Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation. The Plan has no formal investment policy regarding credit quality rating guidelines. These associated risks will vary according to each participant's investment elections.

As of Dec. 31, 2017, and Dec. 31, 2016, there were three fixed income managers in the Plan. Vanguard Total Bond Market Index Admiral held a portfolio-level credit rating of AA/Aa2, Fidelity Intermediate Bond Fund held a portfolio-level credit rating of A/A2, and Vanguard Interm-Term Bond Index Admiral held a portfolio-level credit rating of AA/Aa2.

Concentration of credit risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plan has no investment policy regarding concentration of credit risk. Securities issued or explicitly guaranteed by the United States government and investments in mutual funds and external investment pools are not subject to concentration of credit risk.

The following table presents the fair value of equity investments representing 5.0 percent or more of the Plan's net position separately identified as of Dec. 31, 2017, and Dec. 31, 2016:

(Dollars in Thousands)

Investment Concentration 5% or More	Dec 31, 2017	Dec 31, 2016
Fidelity Contrafund K	$ 43,576	$ 34,827
Fidelity Freedom 2035	26,887	20,086
Fidelity 500 Index Institutional	25,417	21,433
Fidelity Freedom 2025	23,570	19,281
Fidelity Freedom 2045	19,766	14,006
Fidelity Freedom 2015	15,619	14,009
Vanguard Equity-Income Fund Admiral	13,314	11,612

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Plan has no formal investment policy for the management of interest rate risk. See charts above measuring the investments by NAV.

Foreign currency risk: Foreign currency risk is the risk changes in exchange rates will adversely affect the fair value of an investment. The Plan has no formal investment policy for the

Note 3. Investments (continued)

management of foreign currency risk. As of Dec. 31, 2017, and Dec. 31, 2016, the Plan had mutual funds which were exposed to foreign currency risk totaling $16.2 million and $14.3 million, respectively. The mutual funds that compose the foreign currency risk balances mentioned are the Fidelity Contrafund K, Fidelity Low-Priced Stock Fund K, Fidelity Diversified International K, Fidelity International Index Premium and Vanguard Total International Stock Index Admiral Fund; the amounts will not tie back to the sum of the individual funds because the U.S. investments have been removed for this exhibit.

(U.S. Dollars in Thousands)

Currency by Investment and Fair Value	Dec. 31, 2017	Dec. 31, 2016
Euro	$ 4,086	$ 3,819
Japan, Yen	3,379	2,737
Great Britain, Pound Sterling	2,935	2,733
Canada, Dollar	1,381	1,369
India, Rupee	868	535
Hong Kong, Dollar	735	544
Switzerland, Franc	531	424
Australia, Dollar	372	327
Sweden, Krona	346	382
Taiwan, Dollar	306	204
Korea (South), Won	300	252
Norway, Krone	201	149
South Africa, Rand	149	187
China, Yuan Renminbi	136	111
Denmark, Krone	113	225
Indonesia, Rupiah	98	83
Singapore, Dollar	57	35
Thailand, Baht	52	35
Other	173	102
Total Investment Fair Value	$ 16,218	$ 14,253

Note 4. Related-Party Transactions

Certain Plan investments are shares of mutual funds managed by Fidelity Investments. Fidelity Investments is the trustee, as defined by the Plan and therefore, these investments qualify as related-party transactions.

Note 5. Plan Termination

Although it has not expressed any intent to do so, the Plan sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. The event of complete discontinuance of contributions to the Plan by the employer does not constitute a formal termination of the Plan and does not preclude later contributions; however, the accounts of all participants will, as of the date of the discontinuance, become 100.0 percent vested and non-forfeitable.

Note 6. Tax Status

The Internal Revenue Service has determined and informed LCRA the Plan and related trust are designed in accordance with applicable sections of the IRC. The Board and the Plan's tax counsel believe the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC and, therefore, believe the Plan is qualified and the related trust is tax-exempt.

The Plan is not subject to the provisions of the Employee Retirement Income Security Act.

Note 7. Subsequent Events

The Plan has evaluated subsequent events through April 27, 2018, the date the financial statements were available to be issued and there were no entries or subsequent events to be disclosed.