LOWER COLORADO RIVER AUTHORITY

FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2015, and 2014

With Independent Auditor's Report

Lower Colorado River Authority

Financial Statements
As of and for the
Years Ended
June 30, 2015, and 2014

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Lower Colorado River Authority
Management's Discussion and Analysis
As of and for the Years Ended June 30, 2015, and 2014

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.

Statements of Net Position

The presentation of assets and liabilities of proprietary funds should distinguish between current and long-term assets and liabilities. Deferred inflows and deferred outflows 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, prior costs recovered from revenues, capital contributions, special items and loss on early defeasance of debt.

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.

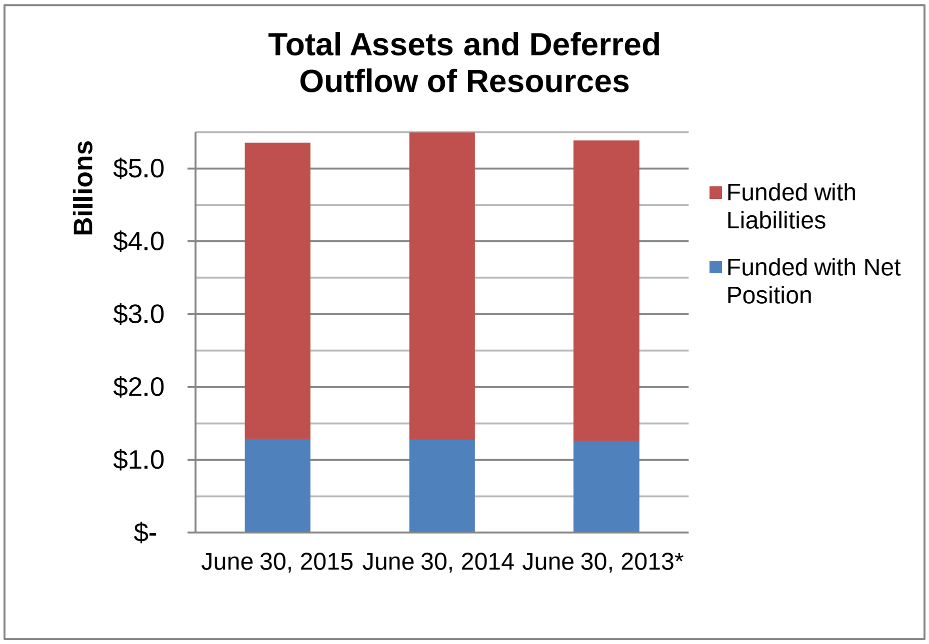
Financial Highlights

Condensed Statements of Net Position	**June 30, 2015**	**Restated June 30, 2014**	**June 30, 2013***	**2015 vs. 2014**	**2014 vs. 2013**
	(Dollars in Millions)				
Current assets	**$ 607.9**	$ 649.4	$ 716.3	(6%)	(9%)
Capital assets, net	**4,102.4**	4,127.7	4,005.8	(1%)	3%
Other long-term assets	**512.3**	587.9	527.6	(13%)	11%
Total Assets	**5,222.6**	5,365.0	5,249.7	(3%)	2%
Total Deferred Outflow of Resources	**146.8**	152.8	158.0	(4%)	(3%)
Total Assets and Deferred Outflow of Resources	**$ 5,369.4**	$ 5,517.8	$ 5,407.7	(3%)	2%
Current liabilities	**$ 501.1**	$ 581.4	$ 492.8	(14%)	18%
Long-term liabilities	**3,561.5**	3,639.8	3,631.8	(2%)	0%
Total Liabilities	**4,062.6**	4,221.2	4,124.6	(4%)	2%
Total Deferred Inflow of Resources	**18.8**	24.1	20.9	(22%)	15%
Net investment in capital assets	**747.7**	785.5	704.0	(5%)	12%
Restricted net position	**79.2**	129.3	112.1	(39%)	15%
Unrestricted net position	**461.1**	357.7	446.1	29%	(20%)
Total Net Position	**1,288.0**	1,272.5	1,262.2	1%	1%
Total Liabilities, Deferred Inflow of Resources and Net Position	**$ 5,369.4**	$ 5,517.8	$ 5,407.7	(3%)	2%

* Data was not restated for GASB 68.

Statements of Net Position Overview

LCRA continues to be a capital asset driven business with approximately 79 percent 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 below. LCRA uses long-term debt to finance most of its capital activity. The Debt Activity section provides additional details. The following 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.



*Data was not restated for GASB 68.

2015 Compared to 2014

Total assets and deferred outflow of resources decreased by $148.4 million, or 3 percent from the prior year. This was primarily caused by a $75.6 million decrease in other long-term assets, which was driven by a $48.4 million decrease in LCRA and LCRA Transmission Services Corporation (LCRA TSC) costs to be recovered (CTBR) due to a timing difference between debt-funded depreciation and related principal payments. There was also a $41.5 million decrease in current assets due to a $59.2 million decrease in under-recovered fuel costs. Total long term liabilities decreased by $78.3 million or 2 percent from the prior year. This was primarily caused by a $24.5 million decrease in the long term portion of bonds payable and a $29.9 million decrease in litigation damages liability. In addition, long term liabilities decreased by $11.3 million due to contributions greater than benefits earned related to LCRA's pension liability. (See Note 4 in the Notes to Financial Statements).

2014 Compared to 2013

FY 2014 total assets and deferred outflow of resources increased by $110.1 million, or 2 percent from the prior year. This was primarily the result of a $112.9 million regulatory asset related to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

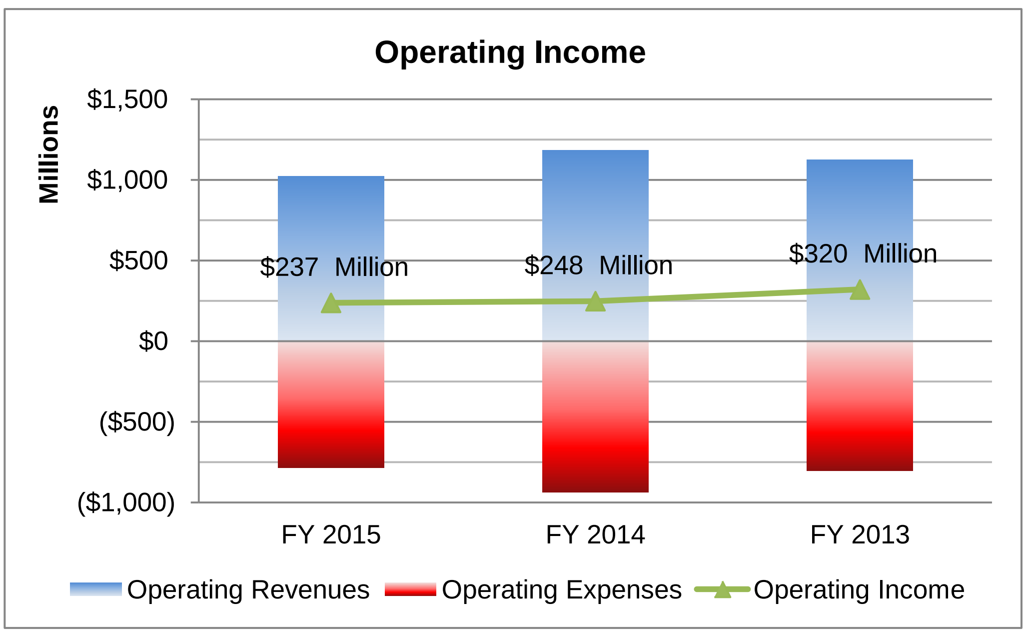
Notes receivable related to the sale of water and wastewater facilities decreased by $98.5 million as a result of payments received. Overall, capital assets increased by $121.9 million, or 3 percent from the prior year. LCRA TSC's net capital assets in FY 2014 increased by $81.7 million for transmission projects.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30, 2015	2014	2013	2015 vs. 2014 Favorable/ (Unfavorable)	2014 vs. 2013 Favorable/ (Unfavorable)
	(Dollars in Millions)				
Operating revenues	**$ 1,021.3**	$1,125.1	$1,125.0	(9%)	0%
Operating expenses	**(784.3)**	(877.5)	(805.2)	11%	(9%)
Operating income	**237.0**	247.6	319.8	(4%)	(23%)
Nonoperating revenues	**11.6**	18.5	24.1	(37%)	(23%)
Nonoperating expenses	**(217.3)**	(259.4)	(223.0)	16%	(16%)
Nonoperating loss	**(205.7)**	(240.9)	(198.9)	15%	(21%)
Capital Contributions	**1.2**	3.6	0.8	(67%)	350%
Special Item - Gain (loss) on Water System Sales	**(17.0)**	-	5.0	na	(100%)
Contributions and special items	**(15.8)**	3.6	5.8	(539%)	(38%)
Change in net position	**15.5**	10.3	126.7	50%	(92%)
Net Position, Beginning of Year	**1,272.5**	1,262.2	1,135.5	1%	11%
Net Position, End of Year	**$ 1,288.0**	$ 1,272.5	$ 1,262.2	1%	1%

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.



2015 Compared to 2014

Operating income for FY 2015 decreased by $10.6 million, or 4 percent, from the prior year. The primary reason for the decrease was a decrease in electric billing related to customer settlements and customer settlement receivable write-offs during FY 2015. For additional details, see Note 10 in the Notes to Financial Statements.

2014 Compared to 2013

Operating income for FY 2014 decreased by $72.2 million, or 23 percent, from the prior year. The primary reason for the decrease was customer settlement receivable write-offs and litigation damages during FY 2014. For additional details, see Note 10 in the Notes to Financial Statements.

Nonoperating Loss

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

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

2015 Compared to 2014

LCRA's nonoperating loss for FY 2015 decreased by $35.2 million, or 15 percent, from the prior year. The most significant item contributing to nonoperating revenues and expenses in FY 2015 was a decrease of $32.8 million in the nonoperating expense prior costs recovered from revenues, primarily due to a decrease in principal payments during FY 2015 compared to FY 2014.

2014 Compared to 2013

LCRA's nonoperating loss in FY 2014 increased by $42.0 million, or 21 percent, from the prior year. The most significant item contributing to nonoperating revenues and expenses in FY 2014 was the nonoperating expense prior costs recovered from revenues increased by $38.0 million over the prior year primarily due to an increase in principal payments during FY 2014 compared to FY 2013.

Special Item

LCRA's special item is comprised of gains and loses related to the sale of 18 water and wastewater systems during FY 2015.

2015 Compared to 2014

LCRA's special item related to the loss on sale of water and wastewater systems increased by $17.0 million over the prior year due to sales activity during FY 2015.

2014 Compared to 2013

LCRA's special item related to the gain on sale of water and wastewater systems decreased by $5.0 million over the prior year due to sales activity during FY 2013.

Capital Asset Activity

	FY 2015	FY 2014
Expended for construction activities	$ 172.2 million	$ 301.1 million
Depreciation expense	$ 173.2 million	$ 162.2 million
Asset retirements	$ 31.2 million	$ 17.0 million
Other capital asset activity	• In July 2014, LCRA sold to an outside party 18 water and wastewater systems with a net book value of about $25.2 million for $13.7 million in cash and other considerations. The sale resulted in a loss of $17.0 million.	• In FY 2014, LCRA retired the original Thomas C. Ferguson Power Plant with a gross asset value of $63.2 million and a remaining net book value of $65,000.

- For additional details, see the Capital Asset Activity table in Note 7 of the Notes to the Financial Statements.

Capital Expansion and Improvement Program

LCRA's capital improvement and expansion program for FY 2016 through FY 2020 is forecasted to be $1.4 billion, with $1.0 billion, or 71 percent, to be debt-funded. The majority of forecasted 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. LCRA TSC continues to increase its transmission system investment due to the need for additional electric transmission capability statewide.

Debt Activity

	FY 2015	FY 2014
Tax-exempt commercial paper issued	$ 177.9 million	$ 262.6 million
Scheduled debt payments	$ 170.5 million	$ 160.0 million
Interest payments	$ 165.0 million	$ 178.3 million
Repayment of taxable term bond	$ -	$ 17.8 million
Bond issuance	• **LCRA Series 2015 AB Refunding Revenue Bonds ($124.9 million):** Proceeds along with cash and commercial paper were used to refund $195.0 million of series LCRA 2002 and 2008A. • **LCRA TSC Series 2015 Refunding Revenue Bonds ($246.0 million):** Proceeds were used to pay off $253.6 million of tax-exempt commercial paper.	• **LCRA Series 2013 A Refunding Revenue Bonds ($188.0 million):** Proceeds used to pay off $188.9 million of tax-exempt commercial paper.
Other debt activity	• In FY 2015, LCRA used cash proceeds to pay down $13.8 million in debt which included LCRA Series 2008 Refunding Revenue Bonds related to the FY 2012 Western Travis County water system sale. Additionally, LCRA used cash proceeds to pay down $16.1 million in debt which included portions of LCRA Series 2001A, 2002, 2003, 2004D, 2006, 2008, 2008A, 2009, 2010A, 2012A, and 2012B.	• In FY 2014, LCRA used proceeds from a note receivable payment to pay down $101.9 million of debt, which included the taxable term bond of $17.8 million and $12.8 million in tax exempt commercial paper related to the FY 2012 Western Travis County water system sale.

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

Hedging Program

During FY 2015, LCRA re-established a hedging program to stabilize fuel costs. Accordingly, LCRA evaluates these hedges under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* For additional information about the hedging program, see Note 9 of the Notes to the Financial Statements.

Litigation

As of June 30, 2015, LCRA had no pending litigation with electric customers. LCRA settled with five customers in FY 2015, and four customers in FY 2014.

Subsequent Event

On Sept. 17, 2015, LCRA issued $133.9 million in LCRA Refunding Revenue Bonds, Series 2015D. The proceeds from the issuance were used to refund all of LCRA Refunding Revenue Bonds, Series 1999A and Series 2001. A portion of LCRA Refunding Revenue Bonds, Series 2001A and 2002, was also refunded.

Contacting LCRA's Management

This report provides a general overview of LCRA's finances. For more information contact Victoria Miller, vice president for Governmental and Regional Affairs, Lower Colorado River Authority, P.O. Box 220, Austin, TX 78767.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors Lower
Colorado River Authority
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Lower Colorado River Authority (LCRA) as of and for the years ended June 30, 2015, and 2014, and the related notes to the financial statements, which collectively comprise LCRA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to LCRA'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 LCRA'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.

To the Board of Directors
Lower Colorado River Authority

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LCRA as of June 30, 2015, and 2014, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 of the notes to the financial statements, LCRA adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, effective July 1, 2014. Accordingly, the accounting changes have been retroactively applied to the prior period presented. 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 Management's Discussion and Analysis, Schedule of Changes in the Plan’s Net Pension Liability and Related Ratios, Schedule of Employer Contributions and Schedule of Funding Progress information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of LCRA’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LCRA’s internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
September 30, 2015

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LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF NET POSITION
(Dollars in Millions)

	June 30, 2015	Restated June 30, 2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 182.8	$ 197.2
Investments	161.6	103.5
Receivables, net	145.3	189.5
Allowance for uncollectible receivables	(0.8)	(10.5)
Current portion of notes receivable	-	14.9
Inventories, net	112.5	87.7
Other	6.5	67.1
Total current assets	607.9	649.4
Long-term Assets:		
Restricted cash and cash equivalents	41.7	58.6
Restricted investments	201.6	226.3
Unrestricted investments	48.4	29.8
Capital assets:		
Depreciable:		
Utility plant in service	5,534.2	4,995.5
Oil and gas property	28.2	28.2
Other physical property	51.7	51.1
Less: accumulated depreciation	(2,008.3)	(1,869.1)
Depreciable capital assets, net	3,605.8	3,205.7
Nondepreciable:		
Utility plant in service	291.6	289.2
Water rights	101.7	94.8
Other physical property	19.1	19.1
Construction work in progress	84.2	518.9
Nondepreciable capital assets	496.6	922.0
Notes receivable	17.7	21.3
Other charges:		
Costs to be recovered from future revenues	196.6	245.0
Contract extension settlement with major customers	1.2	2.0
Other charges	0.1	0.3
Other charges	197.9	247.3
Other	5.0	4.6
Total long-term assets	4,614.7	4,715.6
Total Assets	5,222.6	5,365.0
Deferred Outflow of Resources:		
Unamortized loss on debt refundings	142.1	141.5
Unrealized contributions and losses related to pensions	4.7	11.3
Total Deferred Outflow of Resources	146.8	152.8
Total Assets and Deferred Outflow of Resources	$ 5,369.4	$ 5,517.8

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

LOWER COLORADO RIVER AUTHORITY
STATEMENTS OF NET POSITION
(Dollars in Millions)

	June 30, 2015	Restated June 30, 2014
Liabilities		
Current Liabilities:		
Accounts payable	$ 58.4	$ 76.9
Interest payable	20.7	22.5
Other current liabilities	47.8	46.7
Compensated absences	9.6	10.2
Bonds, notes and loans payable	364.6	425.1
Total current liabilities	501.1	581.4
Long-term Liabilities:		
Accounts payable from restricted assets	23.8	23.9
Bonds, notes, and loans payable	3,323.3	3,354.8
Other credits and other long-term liabilties	111.6	117.1
Net pension liability	102.8	114.1
Litigation damages liability	-	29.9
Total long-term liabilities	3,561.5	3,639.8
Total liabilities	4,062.6	4,221.2
Deferred Inflow of Resources:		
Unrealized gains related to pension	7.7	10.1
Regulatory credits from future recovery	11.0	14.0
Changes in fair value of hedging derivative	0.1	-
Total Deferred Inflow of Resources	18.8	24.1
Net Position		
Net investment in capital assets	747.7	785.5
Restricted for debt service	18.9	21.5
Restricted for capital projects	-	0.1
Restricted other	60.3	107.7
Unrestricted	461.1	357.7
Total Net Position	1,288.0	1,272.5
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 5,369.4	$ 5,517.8

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, 2015	2014
Operating Revenues		
Electric	$ 989.2	$ 1,118.7
Bad debt expense and allowance (See Note 10)	(24.1)	(59.5)
Water, wastewater and irrigation	27.1	31.6
Other	29.1	34.3
Total operating revenues	1,021.3	1,125.1
Operating Expenses		
Fuel	302.5	313.1
Purchased power	98.2	132.7
Operations	173.9	202.5
Litigation damages (See Note 10)	(3.1)	29.9
Maintenance	38.8	36.3
Depreciation, depletion and amortization	174.0	163.0
Total Operating Expenses	784.3	877.5
Operating Income	237.0	247.6
Nonoperating Revenues (Expenses)		
Gain on disposition of property	0.6	3.7
Other income	8.9	12.0
Interest income	2.0	2.8
Amortization of losses on refundings	(16.7)	(16.6)
Loss on disposition of property	(15.0)	(20.4)
Interest and amortization on debt	(145.5)	(149.5)
Total Nonoperating Revenues (Expenses)	(165.7)	(168.0)
Income Before Prior Costs Recovered From Revenues, Capital Contributions, Gain on Early Defeasance of Debt and Special item	71.3	79.6
Prior Costs Recovered From Revenues	(40.1)	(72.9)
Capital Contributions	1.2	3.6
Gain on Early Defeasance of Debt	0.1	-
Special Item - Loss on Sale of Wastewater Systems (See Note 7)	(17.0)	-
Change in Net Position	15.5	10.3
Total Net Position, Beginning of Year	1,272.5	1,262.2
Total Net Position, End of Year	$ 1,288.0	$ 1,272.5

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, 2015	2014
Cash Flows From Operating Activities		
Received from customers	$ 1,109.5	$ 1,080.0
Payments for goods and services	(482.8)	(468.6)
Payments to employees	(172.1)	(182.6)
Litigation damages	(26.8)	-
Other revenues	4.0	5.9
Net cash provided by operating activities	431.8	434.7
Cash Flows From Noncapital Financing Activities		
Grant proceeds received	0.7	0.9
Other revenues	2.8	8.4
Net cash provided by noncapital financing activities	3.5	9.3
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(197.2)	(357.3)
Proceeds from sale of capital assets	38.4	96.5
Debt issue costs	(2.6)	(1.3)
Contributed capital received for capital costs	1.2	3.1
Proceeds from bonds and notes	403.7	196.9
Proceeds from commercial paper	177.9	262.6
Debt principal payments	(170.5)	(160.0)
Interest paid	(165.0)	(178.3)
Payments to refund and defease debt	(500.3)	(290.8)
Net cash used in capital and financing activities	(414.4)	(428.6)
Cash Flows From Investing Activities		
Sale and maturity of investment securities	414.9	436.9
Purchase of investment securities	(467.4)	(513.5)
Note payments and interest received	0.3	3.0
Net cash used in investing activities	(52.2)	(73.6)
Net Decrease in Cash and Cash Equivalents	(31.3)	(58.2)
Cash and Cash Equivalents, Beginning of Year	255.8	314.0
Cash and Cash Equivalents, End of Year	$ 224.5	$ 255.8

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, 2015	2014
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 237.0	$ 247.6
Nonoperating income - Sandy Creek DSU	5.3	2.7
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation, depletion and amortization	174.0	163.0
Changes in assets, liabilities and deferred inflows and outflows of resources:		
Accounts receivable	43.8	12.7
Allowance for bad debt	(9.7)	10.1
Inventories	(24.5)	11.3
Other current assets	60.5	(64.7)
Other long-term assets		(16.5)
Accounts payable and other current liabilities	12.1	29.0
Litigation damages payable	(29.9)	29.9
Other charges and deferred outflow of resources	-	0.1
Other credits, and other long-term liabilities and deferred inflow of resources	(36.8)	9.5
Net cash provided by operating activities	$ 431.8	$ 434.7
Noncash Financing and Investing Activities		
Investment market adjustments	$ (0.5)	$ (1.3)
Donated assets	$ 0.7	$ 0.6

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

LOWER COLORADO RIVER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2015, and 2014

1. Significant Accounting Policies

Reporting Entity: The Lower Colorado River Authority (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 revenues 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 in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, LCRA considers its relationship to the State to be that of a related organization.

GenTex Power Corporation: The GenTex Power Corporation (GenTex), a nonprofit corporation and wholly owned affiliated corporation of LCRA, is governed by a nine-member board appointed by the LCRA Board. GenTex owns 50 percent of a 511 megawatt combined-cycle, natural gas-fired generating unit that began operations in June 2001.

Although it is a separate legal entity, GenTex is reported as part of LCRA because its sole purpose is to provide energy to LCRA.

LCRA Transmission Services Corporation (LCRA TSC): LCRA TSC was created under the Texas Non-Profit Corporation Act under the Development Corporation Act of 1979. 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.

Fayette Power Project: Three coal-fired generating units are located at the Fayette Power Project (FPP) and operate pursuant to a participation agreement with the City of Austin. LCRA has an undivided 50 percent 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. Additionally, operation expense related to unloading, stackout and handling of fuel and the disposal of ash are considered common to units 1, 2 and 3 and are allocated to LCRA and the City of Austin according to the number of tons of coal received.

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 percent of the generation from the plant. As an equity partner, LCRA owns an 11.13 percent undivided interest in the plant. The cost of LCRA's share of the plant is recorded in the utility plant accounts of LCRA in accordance with its accounting policies. 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.

LCRA Wholesale Energy Services Corporation (WSC Energy): WSC Energy, a nonprofit corporation and wholly owned affiliated corporation of LCRA, was created in 2012 to market and sell electric power outside of LCRA's traditional service area. Although it is a separate legal entity, 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.

Basis of Accounting: The accompanying financial statements of LCRA, a governmental entity, were prepared using proprietary fund and accrual basis accounting. LCRA complies with all applicable GASB pronouncements.

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 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 and wastewater revenues and other services related to environmental laboratory operations, licensing and recreation and the costs directly related to these services also are 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 2015: In FY 2015, LCRA implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* which replaced GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and GASB Statement No. 50*, Pension Disclosures.* The new standards are intended to provide more comparable and visible information within the annual financial statements of governments that provide defined benefit pensions. GASB Statement No. 68 requires employers to report the difference between the actuarial total pension liability and the fair value of the legally restricted plan assets as a net liability on the Statement of Net Position. In addition, there are new disclosures requirements.

The implementation of GASB Statement No. 68 did not impact net position on the Statements of Net Position or the Statements of Revenues, Expenses and Changes in Net Position. However, on the Statements of Net Position, liabilities increased by $102.8 million and $114.1 million in FY 2015 and FY 2014, respectively. The liabilities are reflected as Net Pension Liability in the Long-Term Liabilities section of the Statements of Net Position. These liability amounts are related to future pension obligations and are offset on the Statements of Net Position by Deferred Inflows, Deferred Outflows and Costs to Be Recovered from Revenues balances as the costs related to these liabilities will be recognized as they are collected in future rates.

As a result of GASB Statement No. 68 implementation, a new regulatory asset has been set-up to record additional contributions required by the LCRA Board for pension obligations that will be recovered in future rates. A regulatory asset related to deferred pension costs of $105.9 million, and $112.9 million for June 30, 2015, and 2014 was recorded. During FY 2015 and 2014, $7.1 million and $22.2 million, respectively of the CTBR-pension balance was amortized and collected in rates from customers.

Also in FY 2015, the LCRA Retirement Plan (plan) adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25.* The plan is a single-employer defined benefit pension plan sponsored by LCRA. The plan issues a stand-alone report pursuant to GASB Statement No. 67. For defined benefit pension plans, GASB Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employer and nonemployer contributing entities for benefits provided through the pension plan, about which information is required to be presented. In addition, GASB Statement No. 67 requires that notes to financial statements of defined benefit pension plans include descriptive information, such as the benefits provided, the classes of plan members covered and the composition of the pension plan's board.

Issued But Not Yet Effective Pronouncements: GASB Statement No. 72, *Fair Value Measurement and Application,* 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 dates. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB Statement No. 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 72 is applicable for fiscal years beginning after June 15, 2015, LCRA's FY 2016. LCRA has not determined the impact of GASB Statement No. 72 on LCRA's financial position, results of operations or cash flows.

Major Customers and Electric Revenues: Sales of electricity to LCRA's one major customer represented about 29 and 25 percent of total electric revenue for FY 2015 and FY 2014, respectively. Two customers each represented 11 percent of total electric revenue for FY 2015. No other customer represented more than 10 percent of LCRA's total electric revenues in FY 2015 or FY 2014.

Electric revenues (net of bad debt expense) represented about 96 percent of LCRA's operating revenues for FY 2015 and FY 2014.

Thirty-three of LCRA's existing customers, representing approximately 85 percent of LCRA's load, have entered into electric wholesale contracts that extend to 2041.

Capital Contributions: Capital contributions consist of impact fees from the water utility, customer service work on LCRA TSC-owned assets, donated assets, and grant-funded contributions for capital-related work.

ERCOT Settlements Reporting: LCRA reports power transactions, which represent wholesale purchases and sales of power for real-time purposes as measured in 15-minute intervals. These purchases and sales with the Electric Reliability Council of Texas (ERCOT), as the energy clearinghouse agent, are reported net. In FY 2015 and FY 2014, these settlements resulted in net sales of power to LCRA. These amounts are classified as power production expense. The revenues included are $37.9 million for FY 2015 and $56.5 million for FY 2014.

Restricted Funds: Restricted funds consist of construction funds derived from debt issues, 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, then unrestricted resources as needed.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable balances were $144.5 million and $179.0 million at June 30, 2015, and 2014, respectively. LCRA accounts receivable balances are subject to risk of nonpayment. Generally, allowances to account for that risk have been calculated based on a three-year average of write-offs taken. Additionally, there were direct write-offs taken in FY 2015 of $24.6 million and in FY 2014 of $49.8 million due to defaulting customers. The allowance for doubtful accounts balances was $0.8 million and $10.5 million at June 30, 2015, and 2014, respectively. Please see discussion of the accounts receivable from defaulting customers in Note 10 of the Notes to Financial Statements.

Other Current Assets: Other current assets are comprised primarily of prepaid items, advances and current portion of other long-term assets. Other current assets balances were $6.5 million and $67.1 million on June 30, 2015 and 2014, respectively, of which $4.3 million in FY 2015 and $63.8 million in FY 2014 represent the under-recovery of fuel costs as reported in the Fuel and Power Costs Recovery Factor paragraph.

Notes Receivable: The current and long-term portion of notes receivable balances were $17.7 million and $36.2 million on June 30, 2015, and 2014, respectively. The balance on June 30, 2015, was primarily related to a $15.1 million (net of discount of $1.2 million) outstanding balance related to the sale of the West Travis County water/wastewater facility sold in FY 2012. In FY 2015, no current portion was recorded. In FY 2014 of the $36.2 million, $14.9 million is related to West Travis County and presented as current portion of notes receivable on the Statement of Net Position. Management believes all of these balances will be collected. As a result, there is no allowance for doubtful accounts related to the balances as of June 30, 2015, and 2014.

Other Long-Term Assets: Other long-term assets are comprised of prepaid rent on LCRA General Office Complex land.

Capital Assets

*Utility Plant***:** Utility plant consists of generating plants, electric transmission and distribution facilities, 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 depreciable plant retired, 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. FY 2015 and FY 2014, expenditures for long-lived items greater than $1,000 are eligible to be capitalized, though we allow for direct expensing of items where the costs associated with obtaining approval of and tracking a capital project are onerous.

*Intangible Assets***:** Intangible assets include water rights, easements and internally generated software. Water rights and easements are stated at cost, and they have an indefinite life, are not amortized, and are disclosed under the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Internally generated software is included in the depreciable capital assets and is amortized over about five years. Easements are included in the nondepreciable utility plant in-service line item of the Statements of Net Position.

Inventories

Fuel: Stored natural gas, fuel oil, materials and supplies are stated at average cost in both FY 2015 and FY 2014.

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 was $0.8 million on both June 30, 2015, and 2014.

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.

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

Refunding and Defeasance of Debt: For debt refunding, 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. The amounts are reported as deferred outflow of resources on the Statements of Net Position. Unamortized loss on debt refundings are $142.1 million and $141.5 million as of June 30, 2015, and 2014, respectively. For debt defeasance, 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 loss on early defeasance of debt, if significant. If the difference is not significant, it is recognized immediately as interest expense.

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

Rates and Regulations: LCRA's electric, water and wastewater rates are set by the LCRA Board at a level sufficient to recover its operating costs, debt service and debt service coverage requirements. LCRA's bond counsel is of the opinion that a Texas court applying Texas law ultimately would conclude the LCRA Board has the authority to establish and collect such fees and charges. LCRA's transmission service rates remain regulated by the Public Utility Commission of Texas (PUC). While the LCRA Board has original jurisdiction over its water and wastewater rates, the PUC has appellate jurisdiction.

FY 2015 transmission revenues of $357.6 million were the result of rate changes authorized during the current fiscal year. The rates in effect throughout FY 2015 were as follows: $5.32 per kilowatt was in place from July 1, 2014, through Sept. 21, 2014; $5.54 per kilowatt was in place from Sept. 22, 2014, through Feb. 26, 2015;

and $5.71 per kilowatt was in place from Feb. 27, 2015, through June 30, 2015. LCRA will file an interim update of wholesale transmission rates with the PUC on Aug. 5, 2015.

FY 2014 transmission revenues of $332.8 million were the result of rate changes authorized that current fiscal year. The predominant rate of $5.32 per kilowatt was in place from Nov. 25, 2013, through June 30, 2014.

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. LCRA's regulatory assets amounted to $200.8 million and $308.7 million on June 30, 2015, and 2014, respectively. 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 that are expected to be incurred in the future. A regulatory credit is reported as a deferred inflow of resources on the Statements of Net Position. A regulatory credit is recognized and charged to income when the associated costs are incurred. The other 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 other postemployment benefits. The balance of regulatory assets also includes an under-recovery of fuel costs.

Regulatory credits amounted to $18.7 million and $24.1 million on June 30, 2015, and 2014, respectively.

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

Other Credits and Other Long-Term Liabilities: Other credits and other long-term liabilities are $111.6 million and $117.1 million as of June 30, 2015, and 2014, respectively. Other credits and other long-term liabilities consist of environmental liabilities, supplemental executive retirement program liabilities, accrual for other post employment benefits, unearned revenues and other long-term liabilities.

Litigation Damages Liability: LCRA recorded no liability for litigation damages in FY 2015 and $29.9 million liability for litigation damages in FY 2014. The $29.9 million liability for litigation damages recorded in FY 2014 was paid off in FY 2015.

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 2015 and FY 2014, LCRA did not capitalize interest.

Fuel and Power Cost Recovery Factor (Fuel Factor): Revenues from the sale of electricity include amounts collected through the fuel factor. LCRA records over- or under-recoveries of fuel costs as other current assets or deferred inflow of resources in the Statements of Net Position. These costs are a component of the fuel factor. Over-recoveries may result in refunds to customers and, correspondingly, under-recoveries may result in additional assessments to customers. LCRA under-recovered fuel costs by $4.3 million as of June 30, 2015, and under–recovered fuel costs by $63.8 million as of June 30, 2014. The Board granted permission to assess a surcharge to existing customers to collect the under-recovered balances in FY 2015 and FY 2016.

Gas Price Management: Spot prices for natural gas ranged from $2.49 to more than $4.44 per million British thermal units (MMBtu) in FY 2015. In an effort to mitigate the financial and market risk associated with these price fluctuations, LCRA entered into futures contracts, swaps and options for energy price risk management purposes. Derivative instruments are recorded on the Statements of Net Position 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 fuel factor for its investment derivatives. Gains and losses related to the investment derivative contracts deemed ineffective hedges are recognized in current earnings. Gains and losses on financial contracts that are effective hedges are deferred on the Statements of Net Position. See Note 9, Derivative Instruments In the Notes to Financial Statements.

Estimation of Fair Value: The estimated market value of long-term debt, based on current market yields, was $4.0 billion and $3.9 billion at June 30, 2015, and 2014, respectively.

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 depleted to expense over the life of proved reserves on a units-of-production method. Depletion expense totaled about $0.1 million for both FY 2015 and FY 2014.

Contract Extension Settlement with Major Customers: According to the terms of a 1987 settlement with two major customers, the customers' wholesale power contracts were extended to 2016, and in return, LCRA reimbursed the customers for their costs incurred in planning generating facilities. These costs are amortized over the period affected by the contract extension. The amortization expenses were $0.8 million for both FY 2015 and FY 2014.

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, 2015, and no impairments as of June 30, 2014.

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 about 3.3 percent for both FY 2015 and FY 2014. Depreciation, depletion and amortization expense for FY 2015 and FY 2014 was $174.0 million and $163.0 million, respectively.

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

Statements of Cash Flows: All highly liquid investments with a remaining maturity at the time of acquisition of 90 days or less are considered cash equivalents, including investments in restricted funds.

Reclassification: Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation.

2. Financial Instruments

As of June 30, 2015, and 2014, LCRA had the following investments and maturities:

	June 30, 2015		June 30, 2014	
	(Dollars in Millions)			
Type of Investment	**Market Value**	**WAM* (Years)**	**Market Value**	**WAM* (Years)**
Investments				
U.S. Government Securities	$ 401.6	1.42	$ 334.6	1.49
Commercial Paper	10.0	0.39	25.0	0.33
Cash Equivalents				
Investment Pools	200.2	0.15	229.5	0.19
Total	$ 611.8	0.99	$ 589.1	0.93

Cash and Investments as of June 30, 2015, and 2014 consisted of the following:

	June 30, 2015	June 30, 2014
Cash	$ 24.3	$ 26.3
Investments and Cash Equivalents	611.8	589.1
Total Cash and Investments	$ 636.1	$ 615.4

*Weighted Average Maturity

External Investment Pool: LCRA investments included an investment pool with TexPool on June 30, 2015, and 2014. 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, 2015, and 2014. First Southwest Company and J.P. Morgan Investment Management, Inc. oversee LOGIC and the pool seeks to maintain a $1 value per share as required by the Texas Public Funds Investment Act.

LCRA investments also included a money market fund with Wells Fargo on June 30, 2015, and 2014. Federated Investment Management Company oversees Federated Prime Cash Obligations Funds. The pool seeks to maintain a $1 value per share as required by Securities and Exchange Commission Rule 2a-7.

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, 2015, and 2014, LCRA had investments in separate accounts holding U.S. Treasury notes, held for the use of debt service reserves, totaling $168.0 million and $165.3 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.

	June 30, 2015		
Credit Risk	**Moody's Ratings**	**Standard & Poor's Ratings**	**Fitch Ratings**
TexPool investment pool		AAAm	
LOGIC investment pool		AAAm	
Federated Securities Corporation money market mutual fund	Aaa-mf	AAAm	AAAmmf
Toyota Motor Corp.	P-1	A-1+	F-1
US Bank NA	P-1	A-1+	F-1+

	June 30, 2014		
Credit Risk	**Moody's Ratings**	**Standard & Poor's Ratings**	**Fitch Ratings**
TexPool investment pool		AAAm	
LOGIC investment pool		AAAm	
Federated Securities Corporation money market mutual fund	Aaa-mf	AAAm	AAAmmf
Toyota Motor Corp.	P-1	A-1+	F-1
US Bank NA	P-1	A-1+	F-1+

3. Long-Term Debt and Commercial Paper

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

Series	Balance June 30, 2013	Increase	(Decrease)	Balance June 30, 2014	Increase	(Decrease)	Balance June 30, 2015	Amount Due in FY 2016
LCRA TSC 2006A	$ 111.1	$	$ (4.5)	$ 106.6	$	$ (4.5)	$ 102.1	$ 4.5
LCRA TSC 2008	156.4		(6.0)	150.4		(5.7)	144.7	7.6
LCRA TSC 2009	118.6			118.6			118.6	1.0
LCRA TSC 2010	191.6		(4.5)	187.1		(4.7)	182.4	3.9
LCRA TSC 2011A	373.1		(16.0)	357.1		(16.2)	340.9	16.4
LCRA TSC 2011B	176.5		(8.8)	167.7		(15.2)	152.5	15.2
LCRA TSC 2013	311.5		(1.5)	310.0		(6.3)	303.7	6.4
LCRA TSC 2013A	197.4		(1.7)	195.7			195.7	
LCRA TSC 2015	-			-	246.0		246.0	5.1
LCRA 1999A	117.1		(10.4)	106.7		(17.8)	88.9	18.9
LCRA 1999B	6.5		(6.5)	-			-	
LCRA 2001	27.1		(1.0)	26.1		(1.0)	25.1	1.1
LCRA 2001A	59.7		(39.6)	20.1		(0.4)	19.7	0.1
LCRA 2002	89.4		(4.5)	84.9		(68.8)	16.1	0.5
LCRA 2003	15.5		(10.5)	5.0		(3.5)	1.5	0.1
LCRA 2004D	12.7		(12.1)	0.6		(0.5)	0.1	
LCRA 2006	7.3		(6.3)	1.0		(1.0)	-	
LCRA 2008	19.6		(3.3)	16.3		(16.1)	0.2	0.2
LCRA 2008A	166.4		(5.0)	161.4		(136.8)	24.6	6.1
LCRA 2009	150.1		(2.7)	147.4		(0.8)	146.6	3.2
LCRA 2010	246.8		(61.5)	185.3		(64.9)	120.4	68.1
LCRA 2010A	233.6		(5.6)	228.0		(5.9)	222.1	6.2
LCRA 2010B	116.8		(6.4)	110.4		(6.8)	103.6	7.1
LCRA 2011 Taxable	17.8		(17.8)	-			-	
LCRA 2012A	283.9		(5.6)	278.3		(6.1)	272.2	5.6
LCRA 2012B	186.1		(6.2)	179.9		(3.3)	176.6	1.2
LCRA 2013	-	188.0		188.0		(4.0)	184.0	4.1
LCRA 2015 A	-			-	25.9	(2.6)	23.3	
LCRA 2015 B	-			-	99.0	(2.4)	96.6	
Camp Swift Note Payable	0.3			0.3		(0.3)	-	
Unamortized Net Discount/Premium	214.2	10.9	(30.2)	194.9	38.5	(29.7)	203.7	6.0
Subtotal	$ 3,607.1	$ 198.9	$ (278.2)	$ 3,527.8	$ 409.4	$ (425.3)	$ 3,511.9	$ 188.6
Tax-Exempt Commercial Paper	191.2	262.6	(201.7)	252.1	177.9	(254.0)	176.0	176.0
Total	$ 3,798.3	$ 461.5	$ (479.9)	$ 3,779.9	$ 587.3	$ (679.3)	$ 3,687.9	$ 364.6 [(1)]

[(1)] Total amount due in FY 2015 was $425.1 million.

Interest rates and maturity dates for bonds, notes and commercial paper as of June 30, 2015, are as follows:

	May 15,	
Series	**From**	**To**
LCRA TSC 2006A (4.20%-5.00%)	2016	2036
LCRA TSC 2008 (5.00%-5.25%)	2016	2035
LCRA TSC 2009 (3.75%-5.50%)	2016	2036
LCRA TSC 2010 (3.20%-5.00%)	2016	2040
LCRA TSC 2011A (4.50%-5.00%)	2016	2041
LCRA TSC 2011B (4.00%-5.00%)	2016	2026
LCRA TSC 2013 (3.25%-5.00%)	2016	2043
LCRA TSC 2013A (5.00%)	2024	2036
LCRA TSC 2015 (3.00%-5.00%)	2016	2045
LCRA 1999A (5.50%-5.875%)	2016	2020
LCRA 2001 (5.00%)	2016	2031
LCRA 2001A (5.00%-5.375%)	2016	2032
LCRA 2002 (4.75%-5.00%)	2016	2031
LCRA 2003 (5.00%-5.25%)	2016	2033
LCRA 2004D (4.75%-5.00%)	2016	2034
LCRA 2008 (5.50%)	2016	2016
LCRA 2008A (5.00%-5.75%)	2016	2023
LCRA 2009 (4.00%-5.625%)	2016	2039
LCRA 2010 (3.50%-5.00%)	2016	2020
LCRA 2010A (5.00%)	2016	2040
LCRA 2010B (3.00%-5.00%)	2016	2024
LCRA 2012A (4.00%-5.00%)	2016	2039
LCRA 2012B (2.00%-5.00%)	2016	2037
LCRA 2013 (4.00%-5.50%)	2016	2039
LCRA 2015A (3.00%-5.00%)	2021	2037
LCRA 2015B (3.25%-5.00%)	2020	2031

Commercial paper rates are variable as of June 30, 2015. Rates ranged from 0.08 percent to 0.10 percent.

Outstanding notes are issued with maturities of 270 days or less from their respective issue dates.

LCRA's debt as of June 30, 2015, was rated by Moody's, Standard & Poor's and Fitch, as follows:

	June 30, 2015		
Debt Program	**Moody's Ratings**	**S&P Ratings**	**Fitch Ratings**
LCRA Refunding and Improvement Revenue Bonds	A2 (Stable)	A (Stable)	A (Stable)
LCRA Tax-Exempt Commercial Paper Series A	P-1	A-1	F-1
LCRA Tax-Exempt Commercial Paper Series B	P-1	A-1+	F-1+
LCRA Transmission Services Corporation Contract Refunding Revenue Bonds	A1 (Stable)	A (Stable)	A+ (Stable)
LCRA Transmission Services Corporation Commercial Paper Series	P-1	A-1	F-1
LCRA Transmission Services Corporation Commercial Paper Series B	Inactive	Inactive	Inactive

Bond and note debt payments, excluding commercial paper, are as follows in millions of dollars:

Ending June 30,	Principal	Interest	Total
2016	$ 182.6	$ 160.7	$ 343.3
2017	125.1	152.8	277.9
2018	132.8	146.7	279.5
2019	141.2	140.3	281.5
2020	137.8	133.1	270.9
2021-2025	665.3	564.4	1,229.7
2026-2030	684.0	400.5	1,084.5
2031-2035	689.1	230.5	919.6
2036-2040	418.6	82.5	501.1
2041-2045	131.7	14.5	146.2
	$ 3,308.2	$ 2,026.0	$ 5,334.2
Unamortized Net Discount	203.7		203.7
Total	$ 3,511.9	$ 2,026.0	$ 5,537.9

New and Refunding Bonds: During FY 2015, LCRA issued $89.4 million of tax-exempt commercial paper. In addition, LCRA, on behalf of LCRA TSC, issued $88.5 million of tax-exempt commercial paper. The commercial paper was used to fund capital projects. Currently, the LCRA taxable commercial paper program is inactive with no outstanding balance.

During July 2014, LCRA defeased $0.4 million of tax-exempted commercial paper and paid off the $0.3 million balance of the Camp Swift note payable as part of the sale of the Corix wastewater systems.

On June 18, 2015, LCRA TSC issued $246.0 million Refunding Revenue Bonds, Series 2015. This series was a refunding of $253.6 million tax-exempt commercial paper.

On April 7, 2015, LCRA issued $25.9 million Refunding Revenue Bonds, Series 2015A, and $99.0 million of Refunding Revenue Bonds, Series 2015B. Series 2015A was a current refunding of bonds. A portion of the proceeds from the Series 2015A bonds were used to refund $25.1 million of currently callable bonds from LCRA Series 2002 and LCRA Series 2008A. Series 2015B was an advance refunding. A portion of the proceeds from the Series 2015B bonds was placed in escrow to refund $95.9 million of LCRA Series 2008A bonds. The escrow for the advanced refunding totaled $113.0 million. The advanced refunding resulted in an accounting loss of $17.5 million. As a result of the LCRA 2015 AB refunding, LCRA reduced its aggregate debt service payments by $71.8 million, resulting in an economic gain of $34.2 million.

Also, on April 7, 2015, LCRA issued $50.0 million in tax-exempt commercial paper and used the proceeds to refund $49.0 million of currently callable LCRA Series 2002 bonds. The $50.0 million in tax-exempt commercial paper issued is included as part of the FY 2015 total issuance of $89.4 million referenced previously. Finally, cash from the LCRA revenue fund was used to defease $25.0 million of currently callable bonds from LCRA Series 2002 and LCRA Series 2008A.

During FY 2014, LCRA issued $146.5 million of tax-exempt commercial paper. In addition, LCRA, on behalf of LCRA TSC, issued $116.1 million of tax-exempt commercial paper. The commercial paper was used to fund capital projects. The LCRA taxable commercial paper program was inactive with no outstanding balance as of June 30, 2014.

On Oct. 30, 2013, LCRA issued $188.0 million Refunding Revenue Bonds, Series 2013. This series was a refunding of $188.9 million tax-exempt commercial paper.

LCRA TSC did not issue bonds in FY 2014.

The principal associated with the bonds that have been previously refunded by LCRA but remain outstanding at June 30, 2015, and 2014, totals $248.0 million and $401.6 million, respectively. Proceeds from these refunding bond issues were escrowed to purchase U.S. government obligations that will mature at such time, and yield interest at such amounts, so 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 on June 30, 2015, and 2014.

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

Series	Redeemable on or after:	In increments of:	At a redemption price of:	Maturing on and after:
LCRA TSC 2006A	May 15, 2016	$ 5,000	100 + accrued interest	May 15, 2017
LCRA TSC 2008	May 15, 2018	5,000	100 + accrued interest	May 15, 2019
LCRA TSC 2009	May 15, 2019	5,000	100 + accrued interest	May 15, 2020
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 1999A	Currently Callable	5,000	100 + accrued interest	
LCRA 2001	Currently Callable	5,000	100 + accrued interest	
LCRA 2001A	Currently Callable	5,000	100 + accrued interest	
LCRA 2002	Currently Callable	5,000	100 + accrued interest	
LCRA 2003	Currently Callable	5,000	100 + accrued interest	
LCRA 2004D	Currently Callable	5,000	100 + accrued interest	
LCRA 2008	Currently Callable	5,000	100 + accrued interest	
LCRA 2008A	May 15, 2018	5,000	100 + accrued interest	May 15, 2019
LCRA 2008A	Currently Callable	5,000	100 + accrued interest	
LCRA 2009	May 15, 2019	5,000	100 + accrued interest	May 15, 2020
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

The LCRA bonds outstanding as of June 30, 2015, and 2014, are parity debt under the Master Resolution and they are collateralized by a lien on and pledge of the pledged revenues. Pledged revenues are defined to include all amounts received pursuant to contractual commitments and all lawfully available funds of LCRA. The LCRA Transmission Contract Revenue Bonds Series 2006A, 2008, 2009, 2010, 2011A, 2011B, 2013, 2013A, and 2015 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: LCRA is authorized to issue up to $350.0 million in short-term, tax-exempt obligations and $350.0 million in short-term, taxable obligations to provide system improvements, acquire fuel reserves and facilities, refund outstanding debt, and pay interest on outstanding debt. On Aug. 15, 2012, the LCRA Board authorized the issuance of up to $250.0 million in LCRA Commercial Paper Notes, Series B and Taxable Series B. This commercial paper program will expire on May 15, 2032. Under both programs, outstanding notes are issued in denominations of $100,000 or more with maturities of 270 days or less from their respective issue dates. It is management's intent to periodically renew outstanding commercial paper upon maturity, and to periodically convert the commercial paper balances to long-term bonds.

LCRA maintains credit facilities with banks that provide available borrowings sufficient to pay the principal of the notes. Under the LCRA Series A program, LCRA has entered into a $175.0 million credit facility, which is available to pay $162.0 million principal and $13.0 million interest. This facility will expire on May 8, 2017. Under the LCRA Series B program, LCRA entered into a $100.0 million credit facility which is available to pay $91.7 million principal and $8.3 million interest. This facility will expire on Sept. 11, 2015. Failure by LCRA to meet certain restrictive covenants could result in the withdrawal of the banks' commitments for the unused lines of credit. There were no borrowings under any of the agreements as of June 30, 2015, and 2014.

LCRA issued a $22.0 million taxable bond on Oct. 27, 2011, in place of a taxable commercial paper facility. This bond was paid in full on Jan. 2, 2014.

LCRA TSC is authorized to issue tax-exempt commercial paper notes in an aggregate amount of principal and interest not to exceed $350.0 million under its commercial paper programs. The commercial paper programs will expire on May 15, 2042. It is management's intent to periodically renew outstanding commercial paper upon maturity, and to periodically convert the commercial paper balances to long-term bonds.

LCRA TSC maintains two credit facilities with banks that provide available borrowing sufficient to pay the principal and interest on the notes. LCRA TSC Tax-Exempt Series is a $200.0 million credit facility, which is available for the payment of $183.7 million of principal and $16.3 million of interest. This agreement will expire on April 25, 2018. Additionally, LCRA TSC Series B had a $150.0 million facility, which was allowed to expire on June 18, 2014. LCRA negotiated a new $150.0 million, three-year private placement short-term debt facility that was effective July 17, 2014. This agreement will expire on July 14, 2017. Failure by LCRA or LCRA TSC to meet certain restrictive covenants could result in the withdrawal of the banks' commitments for the unused line of credit. There were no borrowings under the outstanding credit facility agreement as of June 30, 2015, and 2014.

Both LCRA and LCRA TSC issue commercial paper on a regular basis. Therefore, any issuances of commercial paper after June 30, 2015 are not considered subsequent events and are not disclosed in the Notes of Financial Statements.

Letters of Credit: LCRA maintains two facilities with two banks for the issuance of letters of credit. On June 30, 2015, a $30.0 million letter of credit was outstanding under each facility. These facilities will expire on Jan. 7, 2016, and Jan. 11, 2016, respectively.

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 thereof 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 that a portion of a bond may be redeemed only in an integral multiple of $5,000). The mandatory sinking fund redemption dates range from May 15, 2020, to May 15, 2045.

Other Long-Term 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 had unearned revenues related to this agreement in the amounts of $63.9 million, and $66.4 million on June 30, 2015, and 2014, respectively.

Changes in other long-term liabilities were as follows in millions of dollars:

Description	Balance June 30, 2013 (5)	Increase	(Decrease)	Balance June 30, 2014 (5)	Increase	(Decrease)	Balance June 30, 2015 (5)
Unearned Revenues - City of Austin (1)	$ 69.5	$ -	$ (3.1)	$ 66.4		$ (2.5)	$ 63.9
Payables Related to Debt Funded Capital (2)	61.8	26.1	(73.2)	14.7	9.2	(10.4)	13.5
SAWS Project Advances (3)	7.6		(1.2)	6.4		(1.2)	5.2
Land Options (4)	-	2.5		2.5		(2.5)	-
Environmental Liabilities	0.3			0.3	0.2	(0.1)	0.4
Pension Liability-GASB Statement No. 68 (6)	140.6	45.8	(72.3)	114.1	45.9	(57.2)	102.8
Litigation Damages Liability	-	29.9		29.9		(29.9)	-
Other Long-Term Liabilities	17.7	7.6	(11.3)	14.0	6.2	(4.4)	15.8
Total	$ 297.5	$ 111.9	$ (161.1)	$ 248.3	$ 61.5	$ (108.2)	$ 201.6

(1) City of Austin water agreement liability (see above 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 on June 30, 2015 represents the remaining total payments owed to SAWS as the result of the termination of the project and related settlement. Annual payments are $1.4 million less $0.2 million discount amortization.

(4) Land purchases options exercised in FY 2015.

(5) Balances exclude Other Postemployment Benefits (OPEB) payable. See Note 5 - Other Postemployment Benefits.

(6) GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, was implemented in FY 2015 and retroactively recorded a pension liability for 2014. (See Note 4 Retirement and 401K Benefits).

4. Retirement and 401(K) Plan Benefits

Plan Description: The LCRA Retirement Benefits Board of Trustees is the administrator of the plan, a single-employer defined benefit pension plan sponsored by the Lower Colorado River Authority. The Board of Directors of LCRA has sole authority to amend the plan. The plan issues a stand-alone report pursuant to GASB Statement No. 67, which is available from the Board of Trustees. That report may be obtained by writing the LCRA Retirement Benefits Board of Trustees at P. O. Box 220, Austin, Texas 78767. See that report for all information about the plan fiduciary net position.

Benefits Provided: Eligible employees of the LCRA, those hired before May 1, 2012, are covered by the plan, which provides retirement, death and disability benefits. Effective Jan. 1, 2002 the plan was amended to provide cash balance benefits for all employees employed or reemployed on or after Jan. 1, 2002 who become plan participants. Furthermore, active employees as of Dec. 31, 2001 were given the opportunity through the LCRA Retirement Choice Program to elect either to become participants under cash balance provisions (cash balance participants) or to remain under the pension provisions (pension participants).

The pension participant's retirement benefit for each year of service is 1.75 percent of the highest five-year average monthly compensation plus 0.4 percent of that portion of the highest five-year average monthly compensation which exceeds the monthly integration level. The monthly integration level is a sliding scale based upon the calendar year in which termination of employment occurs, with the level being $3,213 for those terminating employment in 2015 and increasing to $3,300 for those terminating employment in 2020, and later. The retirement benefits for pension participants became 100 percent 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. The monthly benefit at retirement for pension participants is payable in a ten-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 plan amendment. Pension participants are not required to contribute to the plan, although the plan retains employee contributions and associated liabilities from plan years prior to April 1, 1984 when the plan did require employee contributions.

All employees initially employed or reemployed by the 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 is zero unless the cash balance participant was employed prior to Jan. 1, 2002, in which case the beginning balance is the pension plan 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 upon credited service and compensation averaged over 60 months of employment, both determined as of Dec. 31, 2001. Contribution credits are equal to 4 percent 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 percent. Cash balance participants became 100 percent vested after three years of service.

Employees Covered by the Plan:

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

	2015	2014
Inactive employees or beneficiaries currently receiving benefits	788	768
Inactive employees entitled to but not yet receiving benefits	133	96
Active employees	1,413	1,529
Total	2,334	2,393

Contributions: At their March 21, 2012 meeting, the LCRA Board of Directors 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 of Directors 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 made that are 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, they recommended that the amortization period for the plan be 25 years beginning April 1, 2012. Furthermore, given the closed group of employee participants, they believed that the amortization of the Net Pension Liability should switch from level percent of participant payroll contributions to level dollar contributions.

Based on this funding policy, the actuaries' recommended contribution for the plan years ending March 31, 2016, and March 31, 2015, are $16.3 million and $18.6 million payable as of April 1, 2015, and April 1, 2014, respectively. For the FY 2015, and FY 2014, the total recommended contributions are 18.0 million and $19.1 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 22 and 23 years respectively. There are no required contributions by the participants; however some employee contributions are made to purchase optional credited service.

Ultimately, the funding policy also depends upon the total return of the plan's assets, which varies from year to year. Investment policy decisions are established and maintained by the LCRA Retirement Benefits Board of Trustees. The board employs and selects investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the years ending March 31, 2015 and March 31, 2014, the money-weighted rate of return on pension plan investments was 5.79 percent and 10.97 percent, 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: The Employer's net pension liability was measured as of FY 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2015.

2015	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
	(Millions of Dollars)		
Amounts as of June 30, 2014[1]	$ 511.6	$ 397.5	$ 114.1
Changes for the year:			
Service cost	7.2		7.2
Interest	37.8		37.8
Differences between expected and actual experience	(6.4)		(6.4)
Contributions by the employer		27.5	(27.5)
Contributions by the participants		0.4	(0.4)
Net investment income		22.9	(22.9)
Benefit payments	(32.9)	(32.9)	
Administrative expenses		(0.3)	0.3
Purchase of optional credited service	0.4		0.4
Plan amendments	0.2	-	0.2
Net changes	6.3	17.6	(11.3)
Amounts as of June 30, 2015[2]	$ 517.9	$ 415.1	$ 102.8

1 Measurements for the fiscal year ended June 30, 2014, were taken as of March 31, 2014.
2 Measurements for the fiscal year ended June 30, 2015, were taken as of March 31, 2015.

The Employer's net pension liability was measured as of FY 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2014.

2014	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
	(Millions of Dollars)		
Amounts as of June 30, 2013[1]	$ 509.8	$ 369.2	$ 140.6
Changes for the year:			
Service cost	7.2		7.2
Interest	37.2		37.2
Contributions by the employer		31.2	(31.2)
Contributions by the participants		1.2	(1.2)
Net investment income		39.9	(39.9)
Benefit payments	(43.8)	(43.8)	
Administrative expenses		(0.2)	0.2
Purchase of optional credited service	1.2	-	1.2
Net changes	1.8	28.3	(26.5)
Amounts as of June 30, 2014[2]	$ 511.6	$ 397.5	$ 114.1

1 Measurements for the fiscal year ended June 30, 2013 were taken as of March 31, 2013.
2 Measurements for the fiscal year ended June 30, 2014 were taken as of March 31, 2014.

Optional Credited Service: Under certain conditions, plan members may purchase optional credited service once they are 100 percent vested and after crediting such optional service, employees would then be eligible to commence immediate payment of an early retirement or normal retirement benefit. Optional credited service may be purchased solely to accelerate satisfaction of 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. The cost related to the purchase of optional credited service can be satisfied by means of a rollover from the employees LCRA 401(k) plan account, LCRA deferred compensation plan account or from any other monetary sources (e.g., checking account).

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

Inflation	3.25	percent
Salary increases	4.00	percent, plus merit and promotion increases that vary by age and service
Investment rate of return	7.50	percent, net of pension plan investment

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table for males and for females (gender distinct) projected to 2018 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 2010.

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 (4.57 percent in 2015, and 4.25 percent in 2014), and by adding expected inflation (3.25 percent for both years). In addition, the final 7.50 percent assumption was selected by “rounding down” and thereby reflects a reduction of 0.32 percent for adverse deviation in 2015.

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

	2015		2014	
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	35%	6.1%	35%	5.6%
Small cap	10	6.0	10	6.3
International equity	20	6.1	20	5.7
Fixed income	35	1.7	35	1.5
Total	100%		100%	
Weighted average		4.57%		4.25%

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. No projection of cash flows was used to determine the discount rate because the April 1, 2015, and April 1, 2014, actuarial valuation showed that expected contributions would pay the normal cost and amortize the Net Pension Liability in 22 and 23 years respectively. That Net Pension Liability was based on an actuarial value of assets that was $2.0 million less than the plan fiduciary net position as of March 31, 2015. Because of the 22-year amortization period with the lower value of assets and with level dollar amortization of the Net Pension Liability, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.50 percent was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the employer for FY 2015 and 2014, respectively, calculated using the discount rate of 7.5 percent, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

(Millions of Dollars)

2015	1 Percent Decrease (6.5%)	Current Discount Rate (7.5%)	1 Percent Increase (8.5%)
Employer's Net Pension Liability	$153.2	$102.8	$59.3

(Millions of Dollars)

2014	1 Percent Decrease (6.5%)	Current Discount Rate (7.5%)	1 Percent Increase (8.5%)
Employer's Net Pension Liability	$164.8	$114.1	$70.5

Plan Fiduciary Net Position: The plan fiduciary net position reported above is the same as reported by the plan. Detailed information about the plan fiduciary net position is available in the plan's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the years ended June 30, 2015, and 2014, the Employer GASB Statement No. 68 pension expense was $13.8 million, and $14.8 million, respectively. Amounts recognized in the fiscal year are for the plan year between the current and prior measurement dates.

Components of Pension Expense for the Fiscal Year Ended

	2015	2014
	(Millions of Dollars)	*(Millions of Dollars)*
Service Cost	$ 7.2	$ 7.2
Interest	37.8	37.2
Amortization of differences between expected and actual experience	(0.8)	
Projected earnings on pension plan investments	(29.7)	(27.3)
Amortization of differences between projected and actual earnings on plan investments	(1.2)	(2.5)
Pension plan administrative expenses	0.3	0.2
Plan amendments	0.2	-
Total pension expense	$ 13.8	$ 14.8

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

2015	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Dollars in Millions)	
Differences between expected and actual experience	$	$ 5.6
Net difference between projected and actual earnings on pension plan investments		2.1
Contributions subsequent to measurement date	4.7	-
Total	$ 4.7	$ 7.7

2014	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Dollars in Millions)	
Differences between projected and actual earnings on pension plan investments	$	$ 10.1
Contributions subsequent to measurement date	11.3	-
Total	$ 11.3	$ 10.1

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

Year Ended June 30,	Deferred Inflows
	(Dollars in Millions)
2016	$ (2.0)
2017	(2.0)
2018	(2.0)
2019	0.6
2020	(0.8)
Thereafter	(1.5)
Total	$ (7.7)

A total of $4.7 million and $11.3 million were contributed subsequent to the measurement dates of the net pension liabilities for FY 2015 and 2014, respectively. These amounts are deferred outflows of resources that will be recognized as a reduction in the net pension liability in the fiscal years ending June 30, 2016, and 2015, respectively.

401(k) Plan: 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 the approval of the LCRA Board.

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 percent of their annual compensation, up to a maximum not to exceed $18,000 in 2015. Employees age 50 or older may contribute an additional $6,000 in 2015.

Effective Jan. 1, 2002, employees under Program A of the pension plan receive an LCRA matching contribution equal to 25 percent of the first 4 percent of compensation that the employee had elected to contribute to the plan. Under Program B of the pension plan, LCRA provides matching contributions equal to 100 percent of the first 4 percent of compensation and 50 percent of the next 2 percent 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 percent of the first 8 percent of compensation. Employees may make contributions on a pretax basis, Roth (after tax) basis, or a combination of the two from 1 percent of their income up to the maximum set by the IRS. Contributions will be vested in the LCRA matching contributions and related earnings after three years of service. Employees are immediately vested in their contributions and related earnings. Both employer and employee contributions are immediately vested for employees under Plan C who are rehired.

Contributions by the LCRA and its employees for the years ended June 30, 2015, 2014, and 2013 are presented below:

	2015	2014	2013
		(Dollars in Millions)	
Employer contributions	$ 4.8	$ 4.3	$ 4.1
Employee contributions	10.2	9.7	10.3

5. Other Postemployment Benefits

Plan Description: The LCRA Employees' Post Retirement Health Benefits Program (OPEB Plan) is a single-employer defined benefit healthcare plan administrated by the LCRA Board. The OPEB Plan provides postemployment healthcare benefits to retirees and terminated employees eligible for such benefits. The OPEB Plan does not issue a stand-alone financial report. Amendments to the OPEB Plan are made only with the authority of the LCRA Board.

Funding Policy: In January 2011, LCRA began funding its employees' and retirees' medical healthcare claim costs (see Note 6 in the Notes of Financial Statements). The LCRA OPEB funding policy pays only for current healthcare costs. LCRA contributes a portion of healthcare costs for retirees but makes no contribution for terminated employees. LCRA may contribute up to 80 percent of the total healthcare costs (cost share amount) depending on the retiree's retirement option choice (see Note 4 in the Notes of Financial Statements). For Program A retirees, LCRA contributes 100 percent of the cost share amount. For Program B and Program C retirees, LCRA may contribute 0, 25, 50, 75 or 100 percent of the cost share amount based on the retiree's length of service. In FY 2015 and FY 2014, retirees contributed $3.3 million and $3.2 million, respectively, toward their health care costs.

Annual OPEB Cost and Net OPEB Obligation: The Annual Required Contribution (ARC) to the OPEB Plan is actuarially determined as of each valuation date. Actuarial valuations are performed on the OPEB Plan every two years. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The LCRA OPEB funding policy pays only for current health care costs, which means no assets were set aside for future benefits. Therefore, a net OPEB obligation exists at year-end. The following represents the ARC, OPEB cost, contributions made, and changes in the net OPEB obligation for FY 2015 and 2014:

	Year Ended June 30, 2015	Year Ended June 30, 2014
	(Dollars in Millions)	
Annual required contribution	$ 10.9	$ 10.4
Interest on net OPEB obligation, beginning of year	1.5	1.5
Adjustment to annual required contribution	(1.3)	(1.2)
Annual OPEB cost (expense)	11.1	10.7
Contributions made - LCRA	(11.2)	(9.6)
Increase in net OPEB obligation	(0.1)	1.1
Net OPEB obligation, beginning of year	36.7	35.6
Net OPEB obligation, end of year	$ 36.6	$ 36.7

LCRA's annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation for FY 2013 through FY 2015 were:

Unaudited
(Dollars in Millions)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$14.1	56%	$35.6
June 30, 2014	10.7	90	36.7
June 30, 2015	11.1	101	36.6

Funded Status and Funding Progress: The Schedule of Funding Progress (unaudited), presented below, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for future benefits. This schedule is presented below and immediately following the notes to the financial statements.

Unaudited
(Dollars in Millions)

Actuarial Valuation Date[1]	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability Entry Age	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll[2]	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
July 1, 2011	-	$213.1	0%	$213.1	144.5%	147%
July 1, 2013	-	211.7	0	211.7	135.8	156
July 1, 2015	-	180.8	0	180.8	128.4	141

[1] Actuarial valuations are only required on a biennial basis.
[2] Based on projected payroll as of valuation date.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include, but are not limited to, assumptions about future employment, mortality and future health care costs. Actuarially determined amounts are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members), the plan included types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2015, actuarial valuation the Entry Age Normal cost method was used. The actuarial assumptions included a 4.00 percent discount rate, a 3.25 percent inflation rate and a projected annual health care cost trend rate of 7.50 percent for FY 2015 reduced by decrements of 0.5 percent to an ultimate rate of 5.5 percent after six years. As of the July 1, 2015, valuation, the Unfunded Actuarial Accrued Liability is being amortized on an open basis as a level 7.48 percent of projected payroll over a 30-year amortization period.

There were changes in benefit provisions from the prior valuation so that all retirees and spouses will participate at ages 65 and over in a package of plans to supplement Medicare and the Medicare prescription Drug Plan, causing the actuarial accrued liability to decrease from $211.7 million in FY 2013 to $180.8 million in FY 2015 (see table above).

6. Commitments and Contingencies

Construction: Construction commitments through calendar year 2020 total $29.2 million for LCRA.

Sandy Creek Energy Station: LCRA signed an agreement to participate as a power purchaser and 11 percent equity partner in the Sandy Creek Energy Station, a coal-fired electric generation plant located near Waco, Texas. LCRA is committed to purchase 100 megawatts (MW) of power capacity from the Sandy Creek Energy Associates through a purchase power agreement.

The unit was under construction and was scheduled to be operational in 2012; however, during start-up testing in October 2011, there was a boiler failure which significantly delayed when the plant would go on-line. The plant went on-line in May 2013. The cost related to the boiler failure, net of insurance proceeds, was written off to the loss on disposition of property on the Statements of Revenues, Expenses and Changes in Net Position. Insurance proceeds received in subsequent years will be recorded as nonoperating revenues and construction work in progress in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. LCRA received insurance proceeds of $1.7 million related to the boiler failure during FY 2014.

LCRA received insurance proceeds of $5.3 million and $1.0 million in FY 2015 and FY 2014, respectively for compensation of damages relating to the delay in the startup of Sandy Creek. Proceeds exceeding expenses resulting from the delay in startup are reflected as nonoperating revenues on the Statements of Revenues, Expenses and Changes in Net Position.

Ferguson Replacement Project: On April 20, 2011 the LCRA Board approved the Ferguson Replacement Project with a budget of $500.8 million to replace the 420-MW Thomas C. Ferguson Power Plant built in 1974. LCRA and a selected contractor executed the contract for the project on Aug. 25, 2011, and began construction on April 27, 2012. The contractor achieved Substantial Completion Aug. 30, 2014, and the plant operations were turned over to LCRA to begin commercial operations at that time. The completed plant's capacity is 540 MW. As of July 31, 2015, the contractor is still completing some minor items to achieve final completion. At that time, LCRA will make the final payment of $4.3 million to the contractor.

Leases: LCRA leases and operates certain transmission facilities and equipment owned by eight of LCRA’s 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, and they 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. In addition, LCRA leases towers and related space to provide shared communications with a number of public entities and leases a portion of its office facilities. LCRA’s lease payments totaled about $14.0 million and $13.4 million in FY 2015 and 2014, respectively. Leases associated with transmission facilities comprise about 81 percent of total LCRA leases for FY 2015.

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, 2015, in millions of dollars:

Fiscal Year	Minimum Lease Payments
2016	$ 12.9
2017	13.1
2018	13.1
2019	13.1
2020	13.2

Coal Contracts: The fuel for the Fayette Power Project (FPP) comes from mines in Wyoming's Powder River Basin, and more than half of the annual fuel requirements are planned or being planned to be supplied under annual and multi-year contracts.

In calendar year 2015, about 50 percent of the annual requirements for FPP units 1 and 2 are being supplied through long-term contracts with terms that expire at the end of calendar years 2015 and 2016. Also for calendar year 2015, about 30 percent of the annual requirements are being supplied pursuant to multiple annual contracts. In calendar year 2016, about 30 percent of the annual requirements are currently contracted under multi-year contracts.

In calendar year 2015, about 38 percent of the annual fuel requirements for FPP Unit 3 are being supplied through long-term contracts with terms expiring at the end of calendar year 2015 and 2016. Three separate annual contracts supply approximately 33 percent of the 2015 annual requirements. In calendar year 2016, about 30 percent of the annual requirements are currently contracted under multi-year contracts.

Any remaining calendar year 2015 coal requirements for FPP units 1, 2 or 3 will be supplied under a mix of shorter-term contracts at spot market prices from multiple vendors. LCRA's management does not anticipate difficulties in purchasing the remaining requirements at the then-prevailing market prices because LCRA uses multiple suppliers and various types of coal contracts.

Rail Transportation Contracts: Both the Union Pacific Railroad and the BNSF Railway Company have transportation access to FPP. Currently, LCRA and the City of Austin are using a long term transportation contract to deliver coal to FPP.

Natural Gas: LCRA has several long-term contracts to provide a portion of the natural gas requirements to its gas-fired generation units through 2018. LCRA is committed to buy a fixed amount of gas annually. LCRA's gas purchases under these contracts totaled $110.0 million for FY 2015 and $112.6 million in FY 2014. LCRA paid $2.2 million in FY 2015 and $3.9 million in FY 2014 in firm transportation rights on interstate pipeline to deliver gas from supply points.

Purchased Power: LCRA had one contract for 5 MW for the period July 2015, with power marketers that provide firm electric energy.

Wind Power: In FY 2015, LCRA is committed to purchase 200 MW of wind power from Papalote Creek Wind Farm and 51 MW of wind power from Indian Mesa Wind Farm. Total wind power capacity is 251 MW for LCRA and its customers. LCRA expects to pay about $58.0 million for purchases from all wind power plants in FY 2016 through FY 2020.

Water Project Study: In FY 2012, San Antonio Water Systems (SAWS) and LCRA settled a lawsuit filed by SAWS against LCRA. As part of the settlement LCRA agreed to pay SAWS $1.4 million per year for eight years, without interest, beginning Nov. 1, 2012. The payments are reported on the Statements of Cash Flows as SAWS lawsuit settlement. The remaining payments of $5.6 million are being recovered from LCRA's water customers as payments are made.

Insurance Self-Funding: In addition to the purchase of commercial insurance, LCRA has established a self-insurance program to finance risk of loss. LCRA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee medical costs.

LCRA self-funds each worker's compensation claim up to $0.75 million. Self-funding of property damage ranges from, $0.1 million to $2.0 million, depending on the insurance deductible for the loss event. Several commercial liability insurance policies cover liability claims up to the policy limits after meeting the deductibles. Based on an insurance risk analysis, LCRA carries no commercial insurance on transmission lines or dam structures. Settled claims have not exceeded commercial insurance limits in any of the past three fiscal years.

As of Jan. 1, 2011, LCRA pays employees' and retirees' medical health care benefit claim costs up to $0.3 million per person. Any cost above this limit is covered by insurance. In addition, insurance covers aggregate actual costs that exceed 115 percent of projected aggregate claim costs. LCRA pays drug prescription benefits and carries no insurance. LCRA charges employees and retirees a premium for medical and prescription benefits.

The accrued liability presented in the table below is associated with obligations resulting from workers' compensation, long-term disability liabilities, and medical claims for employees and retirees. Presently, no materially adverse impacts are anticipated.

Changes in the accrued liability amount for FY 2013 through FY 2015 in millions of dollars:

	Balance Beginning of Year	Changes in Estimates	Payments	Balance End of Year
FY 2013	$ 3.1	$ 23.2	$ (23.2)	$ 3.1
FY 2014	3.1	24.8	(24.8)	3.1
FY 2015	3.1	26.5	(26.8)	2.8

Grants: LCRA received federal and state grants for specific purposes that are 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. Management believes such disallowances, if any, would be immaterial.

7. Capital Asset Activity

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Transfers from Construction in Progress	Retirements	Depreciation	Ending Balance
	(Dollars in Millions)					
Utility plant in service:						
Depreciable assets	$ 4,995.5	$	$ 615.5	$ (76.8)	$	$ 5,534.2
Non-depreciable assets	289.2		4.1	(1.7)		291.6
Total utility plant in service	5,284.7	-	619.6	(78.5)	-	5,825.8
Construction work in progress:						
Non-depreciable assets	518.9	186.5	(620.3)	(0.9)	-	84.2
Oil and gas property:						
Depletable assets	28.2					28.2
Other physical property:						
Depreciable assets	51.1		0.7	(0.1)		51.7
Non-depreciable assets	19.1					19.1
Total other physical property	70.2	-	0.7	(0.1)	-	70.8
Less accumulated depreciation	(1,869.1)	(14.3)		48.3	(173.2)	(2,008.3)
Water Rights	94.8		6.9			101.7
Capital assets, net	$ 4,127.7	$ 172.2	$ 6.9	$ (31.2)	$ 173.2	$ 4,102.4

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Transfers from Construction in Progress	Retirements	Depreciation	Ending Balance
	(Dollars in Millions)					
Utility plant in service:						
Depreciable assets	$ 4,685.6	$	$ 433.8	$ (123.9)	$	$ 4,995.5
Non-depreciable assets	217.5		72.0	(0.3)		289.2
Total utility plant in service	4,903.1	-	505.8	(124.2)	-	5,284.7
Construction work in progress:						
Non-depreciable assets	726.1	301.1	(508.3)			518.9
Oil and gas property:						
Depletable assets	28.2					28.2
Other physical property:						
Depreciable assets	48.7		2.5	(0.1)		51.1
Non-depreciable assets	20.5			(1.4)		19.1
Total other physical property	69.2	-	2.5	(1.5)	-	70.2
Less accumulated depreciation	(1,815.6)			108.7	(162.2)	(1,869.1)
Water Rights	94.8					94.8
Capital assets, net	$ 4,005.8	$ 301.1	$ -	$ (17.0)	$ (162.2)	$ 4,127.7

In July 2014, LCRA sold to an outside party, 18 water and wastewater systems with a net book value of about $25.2 million for $13.7 million of cash and other considerations. The sale resulted in a loss of $17.0 million. The sale is reflected as a special item on the Statement of Revenues, Expenses and Changes in Net Position. Revenues and expenses associated with the sale of the systems for FY 2015 and FY 2014 are:

	FY 2015	**FY 2014**
Revenues	$0.7 million	$4.6 million
Expenses	$0.6 million	$5.4 million

This sale is not expected to have a significant impact on LCRA operations.

8. 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 activity's 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 qualifies as a component unit. LCRA Wholesale Energy Services Corporation (WSC Energy) also qualifies as a component unit.

Segment and component unit information for LCRA TSC:

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF NET POSITION

(Dollars in Millions)

	June 30, 2015	June 30, 2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 42.2	$ 69.8
Unrestricted investments	85.0	35.0
Receivables, net	50.8	58.9
Inventories, net	2.3	1.3
Other	0.1	-
Total current assets	180.4	165.0
Long-term Assets:		
Restricted cash and cash equivalents	0.6	-
Accounts receivable from LCRA - restricted	94.5	86.7
Capital assets:		
Depreciable capital assets, net	1,933.4	1,861.9
Nondepreciable capital assets	286.5	296.4
Other charges		
Costs to be recovered from future revenues	35.6	47.5
Other charges	17.4	19.2
Total long-term assets	2,368.0	2,311.7
Total Assets	2,548.4	2,476.7
Deferred Outflow of Resources:		
Total Deferred Outflow of Resources	55.1	60.9
Total Assets and Deferred Outflow of Resources	$ 2,603.5	$ 2,537.6

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF NET POSITION

(Dollars in Millions)

	June 30, 2015	June 30, 2014
Liabilities		
Current Liabilities:		
Accounts payable to LCRA	$ 7.1	$ 14.8
Accounts payable	1.0	1.1
Interest payable	10.4	10.7
Other current liabilities	14.7	10.3
Bonds, notes, and loans payable	101.7	259.0
Total current liabilities	134.9	295.9
Long-term Liabilities:		
Accounts payable to LCRA from construction fund	9.0	11.4
Accounts payable from restricted assets	2.7	2.3
Bonds, notes, and loans payable	1,938.1	1,766.0
Other credits	0.3	0.3
Total long-term liabilities	1,950.1	1,780.0
Total Liabilities	2,085.0	2,075.9
Net Position		
Net investment in capital assets	363.7	317.8
Unrestricted	154.8	143.9
Total Net Position	518.5	461.7
Total Liabilities and Net Position	$ 2,603.5	$ 2,537.6

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(*Dollars in Millions*)

	Year Ended June 30, 2015	Year Ended June 30, 2014
Operating Revenues		
Transmission	$ 357.6	$ 332.8
Transformation	13.8	14.0
Other	0.1	0.8
Total Operating Revenues	371.5	347.6
Operating Expenses		
Operations	110.3	102.8
Maintenance	7.7	8.8
Depreciation and amortization	65.7	56.8
Total Operating Expenses	183.7	168.4
Operating Income	187.8	179.2
Nonoperating Revenues (Expenses)		
Other expenses	(15.8)	(6.4)
Interest income	0.3	0.6
Amortization of losses on refundings	(5.7)	(5.8)
Loss on disposition of property	(11.9)	(13.8)
Interest on debt	(79.3)	(80.2)
Total Nonoperating Revenues (Expenses)	(112.4)	(105.6)
Income Before Prior Costs to be (Prior Cost) Recovered From Revenues, Capital Contributions and Transfers Out	75.4	73.6
Prior Costs Recovered From Revenues	(11.9)	(10.1)
Capital Contributions	0.4	2.3
Transfers In (Out)	(7.1)	(7.1)
Change in Net Position	56.8	58.7
Total Net Position, Beginning of Year	461.7	403.0
Total Net Position, End of Year	$ 518.5	$ 461.7

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF CASH FLOWS

(Dollars in Millions)

	Year Ended June 30, 2015	2014
Cash Flows From Operating Activities		
Receipts from customers	$ 379.6	$ 332.3
Payments to suppliers	(112.6)	(111.4)
Net cash provided by operating activities	267.0	220.9
Cash Flows Used in Noncapital Financing Activities		
Other Expenses	(15.8)	(6.5)
Transfers out	(7.1)	(7.1)
Net cash (used in) noncapital financing activities	(22.9)	(13.6)
Cash Flows From Capital and Related Financing Activities		
Purchases of property, plant and equipment	(158.6)	(171.4)
Cash received on sale of assets	1.5	1.7
Debt issue costs	(1.4)	-
Capital contributions	0.4	2.3
Proceeds from long-term debt	263.0	-
Proceeds from commercial paper	88.5	116.1
Principal payments on long-term debt	(71.6)	(60.9)
Interest paid	(89.6)	(95.5)
Payments to defease and refund debt	(253.6)	-
Net cash used in capital and financing activities	(221.4)	(207.7)
Cash Flows From Investing Activities		
Sale and maturity of investments	122.0	122.2
Purchase of investments	(172.2)	(105.5)
Interest received	0.5	1.0
Net cash provided by (used in) investing activities	(49.7)	17.7
Net Increase (Decrease) in Cash and Cash Equivalents	(27.0)	17.3
Cash and Cash Equivalents, Beginning of Year	69.8	52.5
Cash and Cash Equivalents, End of Year	$ 42.8	$ 69.8

LCRA TRANSMISSION SERVICES CORPORATION
STATEMENTS OF CASH FLOWS

(Dollars in Millions)

	Year Ended June 30, 2015	Year Ended June 30, 2014
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$ 187.8	$ 179.2
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	65.7	56.8
Changes in assets, liabilities, and deferred outflow of resources:		
Accounts receivable	8.0	(15.5)
Inventories	(0.8)	0.5
Current liabilities	4.5	1.1
Other charges and deferred ouflow of resources	1.7	(1.4)
Other credits and other long-term liabilities	0.1	0.2
Net cash provided by operating activities	$ 267.0	$ 220.9
Noncash Investing and Capital and Related Financing Activities		
Investment market adjustments	$ (0.2)	$ (0.3)

Component unit information for GenTex Power Corporation:

GENTEX POWER CORPORATION
STATEMENTS OF NET POSITION

(Dollars in Millions)

	Year Ended June 30, 2015	2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 1.6	$ 17.2
Unrestricted investments	-	3.9
Accounts receivable from LCRA	0.3	1.8
Inventories, net	1.7	3.2
Other	0.1	-
Total current assets	3.7	26.1
Long-term Assets:		
Restricted cash and cash equivalents	0.3	4.9
Restricted investments	3.8	3.4
Unrestricted investments	13.7	7.8
Capital assets:		
Depreciable capital assets, net	7.0	99.6
Total long-term assets	24.8	115.7
Total Assets	$ 28.5	$ 141.8
Liabilities		
Current Liabilities:		
Accounts payable	$ 0.5	$ 1.6
Other current liabilities	0.9	1.6
Total current liabilities	1.4	3.2
Long-term Liabilities:		
Other credits	11.6	99.4
Total Liabilities	13.0	102.6
Deferred Inflow of Resources:		
Total Deferred Inflow of Resources	4.1	8.3
Net Position		
Net investment in capital assets	(4.2)	14.1
Unrestricted	15.6	16.8
Total Net Position	11.4	30.9
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 28.5	$ 141.8

GENTEX POWER CORPORATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(Dollars in Millions)

	Year Ended June 30, 2015	Year Ended June 30, 2014
Operating Revenues		
Electric	$ 97.2	$ 143.7
Other	-	0.1
Total Operating Revenues	97.2	143.8
Operating Expenses		
Fuel	69.4	104.7
Operations	3.9	4.4
Litigation damages (See Note 10 of the Notes to Financial Statements)	-	12.0
Maintenance	7.9	10.1
General and Administrative	6.8	9.4
Depreciation, depletion and amortization	3.5	6.6
Total Operating Expenses	91.5	147.2
Operating Income (Loss)	5.7	(3.4)
Nonoperating Revenues (Expenses)		
Interest and other expenses	(2.0)	(1.6)
Special Items - net book value of assets and lliabilities transfered to LCRA	(23.2)	-
Total Nonoperating Revenues (Expenses)	(25.2)	(1.6)
Change in Net Position	(19.5)	(5.0)
Total Net Position, Beginning of Year	30.9	35.9
Total Net Position, End of Year	$ 11.4	$ 30.9

GENTEX POWER CORPORATION
STATEMENTS OF CASH FLOWS

(Dollars in Millions)

	Year Ended June 30, 2015	2014
Cash Flows From Operating Activities		
Receipts from customers	$ 97.1	$ 143.8
Payments to suppliers	(88.3)	(128.8)
Other payments	(0.3)	(8.3)
Net cash provided by operating activities	8.5	6.7
Cash Flows From Noncapital Financing Activities		
Other expenses	(1.6)	(1.7)
Other transfers out	(23.6)	
Net cash used in noncapital financing activities	(25.2)	(1.7)
Cash Flows From Capital and Related Financing Activities		
Purchases of property, plant and equipment	(1.0)	(0.1)
Net cash used in capital and financing activities	(1.0)	(0.1)
Cash Flows From Investing Activities		
Sale and maturity of investments	5.0	-
Purchase of investments	(7.5)	(15.0)
Net cash provided by investing activities	(2.5)	(15.0)
Net Decrease in Cash and Cash Equivalents	(20.2)	(10.1)
Cash and Cash Equivalents, Beginning of Year	22.1	32.2
Cash and Cash Equivalents, End of Year	$ 1.9	$ 22.1
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	$ 5.7	$ (3.4)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3.5	6.6
Changes in assets and liabilities:		
Inventories	1.5	(0.1)
Current liabilities	(0.2)	(2.3)
Other credits, other long-term liabilities, and deferred inflow of resources	(2.0)	5.9
Net cash provided by operating activities	$ 8.5	$ 6.7

WSC Energy financial activity is not material to these financial statements; however, for FY 2015 total assets are $519,465, liabilities are $560,844, and net position is ($41,379).

9. Derivative Instruments

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

The contracts are accounted for in accordance with GASB Statement No. 53. GASB Statement No. 53 addresses recognition, measurement and disclosure related to derivative instruments. GASB Statement No. 53 requires derivatives to be reported on the Statements of Net Position at fair value and change in fair value to be deferred and reported on the Statements of Net Position or recognized on the Statements of Revenues, Expenses and Changes in Equity depending on effectiveness.

Contracts are evaluated pursuant to GASB 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.

At the end of each month, LCRA tests its fuel derivative instruments for effectiveness. If the net cash flow of the future gas purchased and the associated family of derivative instruments falls within the target unit price range established by management, the option contracts are considered effective and the change in fair value of the instruments is deferred on the Statements of Net Position. If deemed to be ineffective, the change in fair value of the instruments is immediately recognized in the Statements of Revenues, Expenses and Changes in Equity as an operating expense and then deferred to the Statements of Net Position through the fuel factor (see Note 1, *Fuel and Power Cost Recovery Factor* (Fuel Factor) in accordance with regulatory accounting under GASB Statement No. 62.

LCRA's hedging transactions during FY 2015 were composed of call options, fixed price natural gas futures, basis and index swaps, and future swing swaps. The referenced index used for these transactions are Houston Ship Channel and Henry Hub. Settled transactions, with closing dates between February 2015, to June 2015, had settled with a loss of $0.3 million. Open transactions entered into during the year with closing dates after June 30, 2015 have a current mark to market gain of $0.1 million. The total notional amount as of June 30, 2015 for the closed hedging transactions was $26.0 million MMBtu; open transactions consist of $12.9 million MMBtu. The change in fair value for all hedging instruments held during FY 2015 was a $0.1 million gain.

On June 30, 2015, the total fair value of outstanding derivative instruments was a net asset of $0.1 million reported in the Other Current Asset line item on the Statements of Net Position. LCRA did not hold any derivative instruments at June 30, 2014. Changes in fair value for effective derivatives (deferred outflow and inflow) are reported on the Statements of Net Position. Changes in fair value for ineffective derivatives (investment derivative) are recognized as fuel operating expenses in the Statements of Revenues, Expenses and Changes in Equity and then deferred to the Statements of Net Position through the Fuel Factor.

Credit Risk: Credit risk is the risk of loss due to a counterparty defaulting on its obligations. LCRA's fuel derivative contracts and physical bi-lateral power sales expose LCRA to custodial credit risk. In the event of default or nonperformance by brokers or New York Mercantile Exchange (NYMEX), 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.

Termination Risk: Termination risk is the risk that a derivative or physical bi-lateral 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 that LCRA would lose the hedging benefit of a derivative or bi-lateral 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. LCRA has no formal policy to address exposure to termination risk. Termination risk is associated with all of LCRA's derivatives up to the fair value amounts. LCRA believes termination risk is very low.

Basis Risk: Basis risk is the risk that arises when a hedged item and a derivative that is attempting to hedge that item are based on different indices. LCRA is exposed to basis risk on its financial and physical fuel hedges because it prices its financial derivative contracts on the NYMEX exchange while operationally, natural gas purchases are 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. For June 2015, the NYMEX price was $2.82 per MMBtu, the WAHA price was $2.79 per MMBtu, and the HSC price was $2.82 per MMBtu. For June 2014, the NYMEX price was $4.62 per MMBtu, the WAHA price was $4.28 per MMBtu, and the HSC price was $4.44 per MMBtu.

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

10. Financial Statement Disclosures related to Defaulting Customers

In 2012, LCRA entered into litigation with eight of its customers, separated into the following six cases:

- *Lower Colorado River Authority v. Central Texas Electric Cooperative, Inc., Fayette Electric Cooperative, Inc., and San Bernard Electric Cooperative, Inc.*
- *Lower Colorado River Authority v. City of Seguin, Texas*
- *Lower Colorado River Authority v. City of Georgetown, Texas*
- *Lower Colorado River Authority v. City of Boerne*
- *Lower Colorado River Authority v. City of Kerrville, Acting by and through Kerrville Public Utility Board*
- *New Braunfels Utilities v. Lower Colorado River Authority*

In 1974, LCRA entered into Wholesale Power Agreements (WPAs) with more than 40 customers, including the above-referenced cities and electric cooperatives (“co-ops”).

The WPAs were amended in the late 1980s and early 1990s. One purpose of the amendments was to extend the WPAs an additional 25 years to 2016. If either party wanted to terminate the WPA in 2016, that party was required to provide notice to the other party in 2011. All of the above-referenced cities and co-ops gave notice in 2011 that they intended to terminate their WPAs in 2016. Thirty-three LCRA customers chose not to terminate their WPAs in 2016 and entered into amended/restated contracts with LCRA through 2041 (the “2041 Contracts”). In 2012, eight customers claimed that LCRA breached the WPAs.

In April and May 2014, LCRA settled with four of the disputing customers: San Bernard Electric Co-operative, Fayette Electric Co-operative, Central Texas Electric Co-operative, and City of Georgetown. The settled customers paid LCRA in the form of assets and cash and discontinued their contracts with LCRA immediately. The difference between the cash and assets received and the amounts owed to LCRA resulted in a write-off of bad debt of $19.5 million. LCRA and GenTex settled with New Braunfels Utilities in December of 2014. In the same month, LCRA settled with Boerne and Seguin. LCRA and Kerrville Public Utility Board settled their lawsuit in May 2015.

In FY 2015, LCRA made settlement payments totaling $26.8 million to its remaining litigating customers. Because $29.9 million was accrued in FY 2014, there was a net credit to expense of $3.1 million in FY 2015 as shown on the Statements of Revenues, Expenses and Changes in Net Position.

LCRA recognized $24.1 million and $59.5 million of bad debt expense in FY 2015 and FY 2014, respectively related to the write-off of customer receivables.

In all of these settlements, LCRA received the customers' share of output related to the GenTex Power Corporation.

11. Subsequent Event

On Sept. 17, 2015, LCRA issued $133.9 million in LCRA Refunding Revenue Bonds, Series 2015D. The proceeds from the issuance were used to refund all of LCRA Refunding Revenue Bonds, Series 1999A and Series 2001. A portion of LCRA Refunding Revenue Bonds, Series 2001A and 2002, were also refunded.

LOWER COLORADO RIVER AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION (Unaudited)
As of and for the Years Ended June 30, 2015, and 2014
(Dollars in Millions)

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

	Fiscal Year Ending June 30, 2015	Fiscal Year Ending June 30, 2014
1. Total Pension Liability		
a. Service cost	$ 7.2	$ 7.2
b. Interest	37.8	37.2
c. Purchase of optional credited service	0.4	1.2
d. Differences between expected and actual experience	(6.4)	
e. Benefit payments	(32.9)	(43.8)
f. Plan amendments	0.2[2]	
g. Net Change in Total Pension Liability	6.3	1.8
h. Total Pension Liability – Beginning	511.6	509.8[3]
i. Total Pension Liability – Ending	$ 517.9	$ 511.6
2. Plan Fiduciary Net Position		
a. Contributions by the employer	$ 27.5	$ 31.2
b. Contributions by the participants	0.4	1.2
c. Net investment income	22.9	39.9
d. Benefit payments	(32.9)	(43.8)
e. Administrative expenses	(0.3)	(0.2)
f. Net Change in Plan Fiduciary Net Position	17.6	28.3
g. Plan Fiduciary Net Position – Beginning	397.5	369.2
h. Plan Fiduciary Net Position – Ending	$ 415.1	$ 397.5
3. Employer's Net Pension Liability – Ending [Item 1(j) – 2(i)]	$ 102.8	$ 114.1
4. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.2%	77.7%
5. Covered-Employee Payroll	$ 114.7	$ 123.2
6. Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	89.6%	92.6%

Notes to Schedule:

[1] This schedule is presented to illustrate the requirement to show information for 10 years. However, 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.

LOWER COLORADO RIVER AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION (Unaudited)
As of and for the Years Ended June 30, 2015, and 2014
(Dollars in Millions)

Schedule of Employer Contributions for the Last 10 Fiscal Years[1]

	Fiscal Year Ending June 30, 2015	Fiscal Year Ending June 30, 2014
1. Actuarially determined contribution	$ 19.3	$ 20.9
2. Contributions in relation to the actuarially determined contribution	27.5	31.2
3. Contribution deficiency (excess)	$ (8.2)	$ (10.3)
4. Covered-employee payroll	$ 123.2	$ 123.3
5. Contributions as a percentage of covered-employee payroll	22.3%	25.3%

Notes to Schedule:

Valuation Date: April 1, 2014

Actuarially determined contribution amount for the plan year ending March 31, 2015 was calculated in the April 1, 2014 actuarial valuation.

Methods and assumptions used to determine the actuarially determined contribution:

Actuarial cost method	Entry age
Amortization method	Level amount, closed period
Remaining amortization period	23 years
Asset valuation method	5-year smoothed market
Inflation	3.25%
Salary increases	4.00% plus merit and promotion increases that vary by age and service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	rates that vary by age and service
Mortality	RP-2000 Combined Healthy Mortality Table for males and for females (gender distinct) projected to 2018 by scale AA

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

LOWER COLORADO RIVER AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION (Unaudited)
As of and for the Years Ended June 30, 2015, and 2014
(Dollars in Millions)

Schedule of Funding Progress – Other Postemployment Benefits

Actuarial Valuation Date[1]	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability Entry Age	(3) Funded Ratio (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll [2]	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
July 1, 2011	$ -	$213.1	0%	$213.1	$144.5	147%
July 1, 2013	-	211.7	0	211.7	135.8	156
July 1, 2015	-	180.8	0	180.8	128.4	141

[1] Actuarial valuations are only required on a biennial basis.
[2] Based on projected payroll as of valuation date.

Schedule of Contributions – Other Postemployment Benefits

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$14.1	56%	$35.6
June 30, 2014	10.7	90	36.7
June 30, 2015	11.1	101	36.6