

THE BRAZOS RIVER AUTHORITY
AN AGENCY OF THE STATE OF TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Nº 13

MAP OF THE STATE OF TEXAS

Engraved to Illustrate

MITCHELL'S,

School and Family Geography.

EXPLANATION.

Capitals are represented thus, County Towns The figures attached to Cities and towns indicate the amount of the population thus, Galveston 2 signifies 2000 inhabitants. The figures attached to Rivers indicate their length of course thus the Rio Grande del Norte 18 signifies 1800 miles. These characters signify steam boat, ship and sloop navigation, the distance of which from the sea in miles is pointed out by the annexed figures. Remarkable battles are pointed out by a flag thus the annexed figures indicate the years in which they took place.

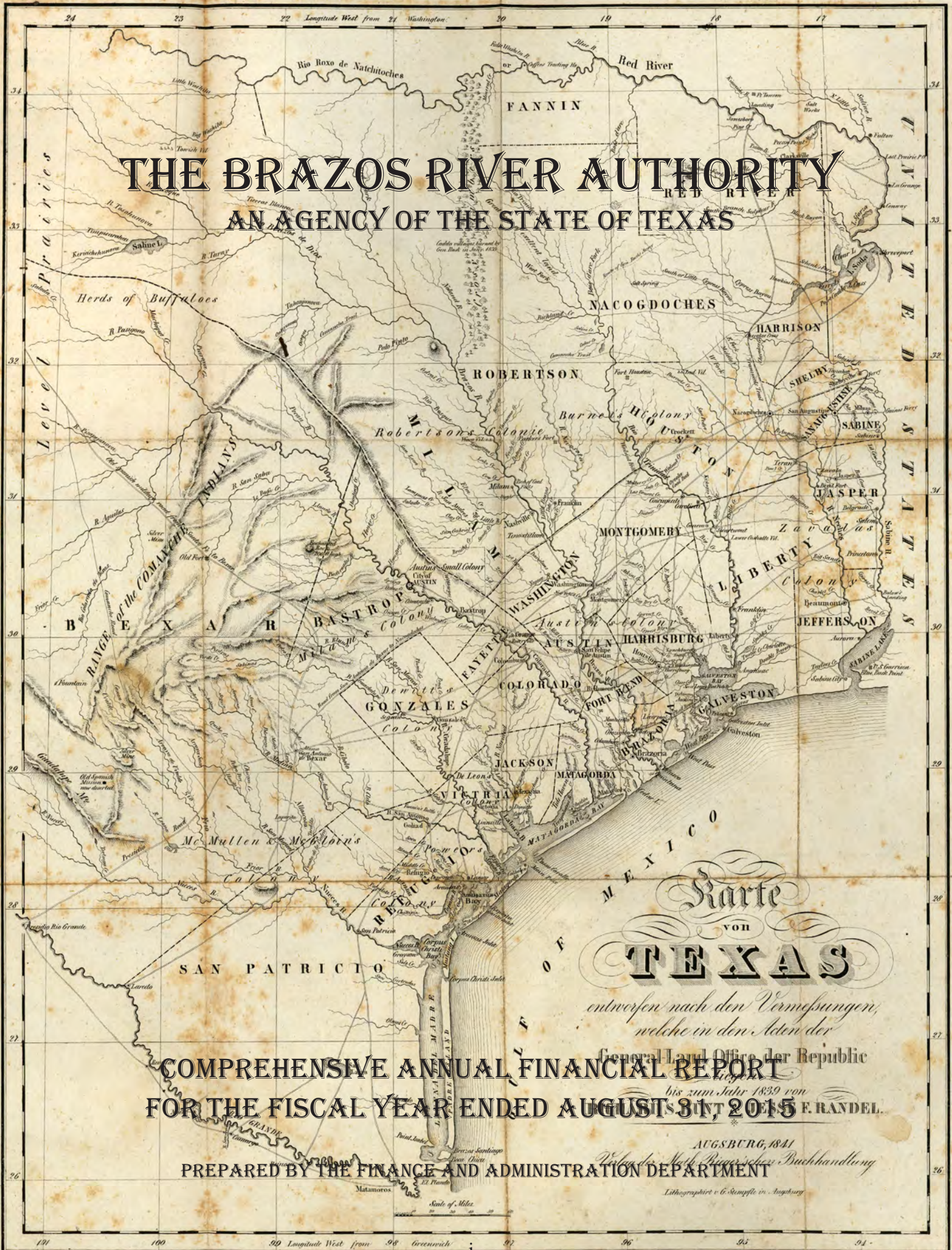
Scale of Miles.
0 50 100 150

Front Cover: 1846 Map of Texas with its borders bound by the Arkansas River and the Rio Grande. Map from Mitchell's School and Family Geography.

Page i: 1841 Republic of Texas map published by Math. Rieger'schen Buchhandlung and published in Augsburg (Germany). From the Historic Map Collection, Texas State Library and Archives Commission, Map 3938.

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AN AGENCY OF THE STATE OF TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

PREPARED BY THE FINANCE AND ADMINISTRATION DEPARTMENT

Karte
VON
TEXAS

entworfen nach den Vermessungen,
welche in den Acten der
General-Land-Office der Republic
bis zum Jahr 1839 von
J. F. RANDEL.

AUGSBURG, 1841
Verhandelt Nach Ringer'scher Buchhandlung
Lithographie v. G. Schuppel in Augsburg

**BRAZOS RIVER AUTHORITY
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"The Republic of Texas" - "1836"

Map 1010

INTRODUCTORY SECTION

Secretary



**F. LeRoy
Bell**

Director



**William
Masterson**

**Assistant
Presiding Officer**



**Richard
Ball**

Guthrie

Upper
Region

Tuscola

Director



**Raleigh R.
White IV**

Director



**Jean
Killgore**

Director



**Russel D.
Boles**

Director



**Cynthia A.
Flores**

Director



**Christopher S.
Adams, Jr.**

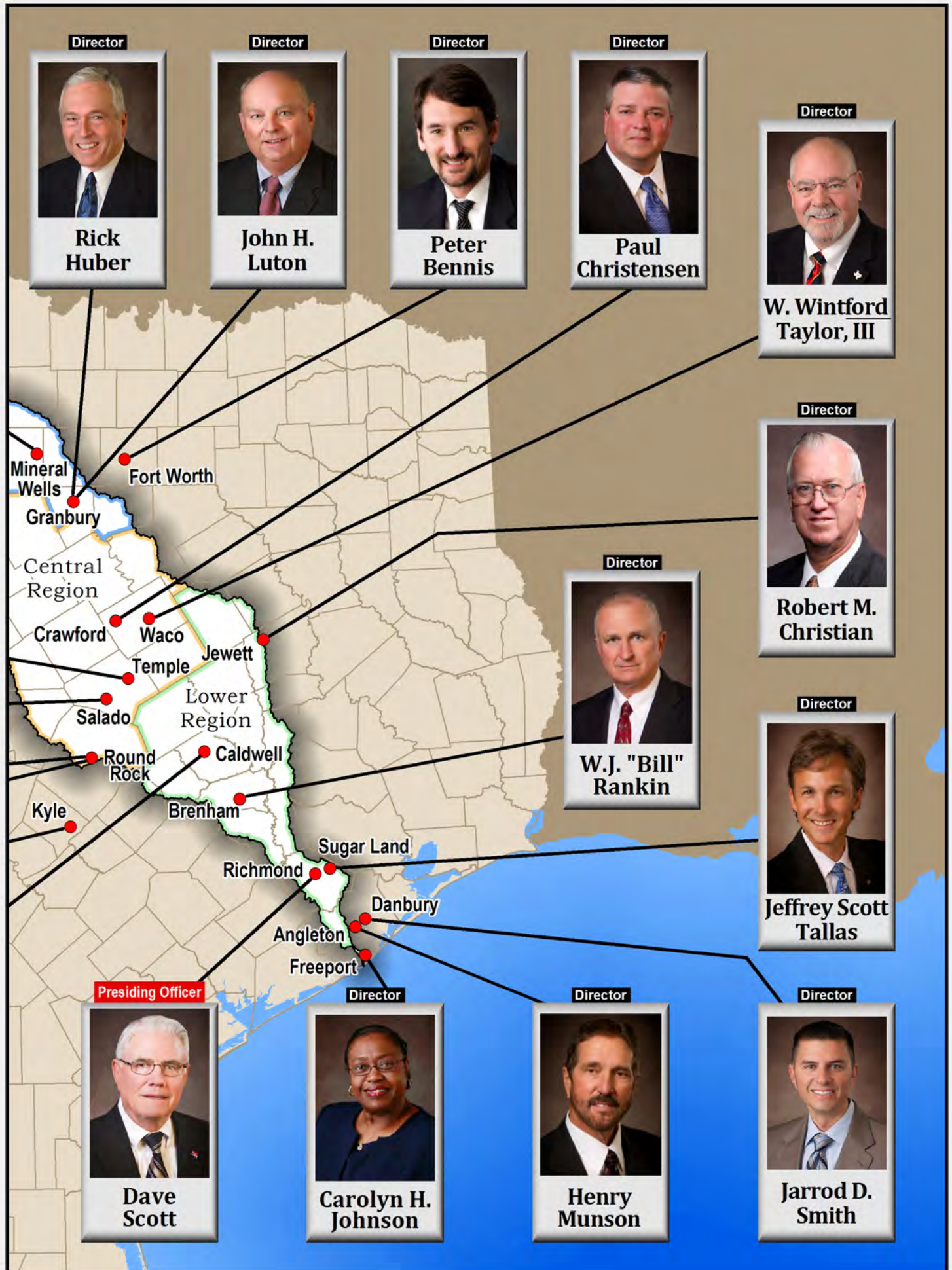
Director



**Salvatore A.
Zaccagnino**



Brazos River Authority Board of Directors





Management Team



David Thompson
Chief Financial Officer



Phillip J. Ford
General Manager/CEO



Lauralee Vallon
General Counsel



Courtney Dobogai
Information Technology
Manager



Jim Forte
Planning &
Development
Manager



David Collinworth
Central and Lower
Basin Manager



Terry Lopas
Technical Services
Manager



Michael McClendon
Upper Basin
Manager



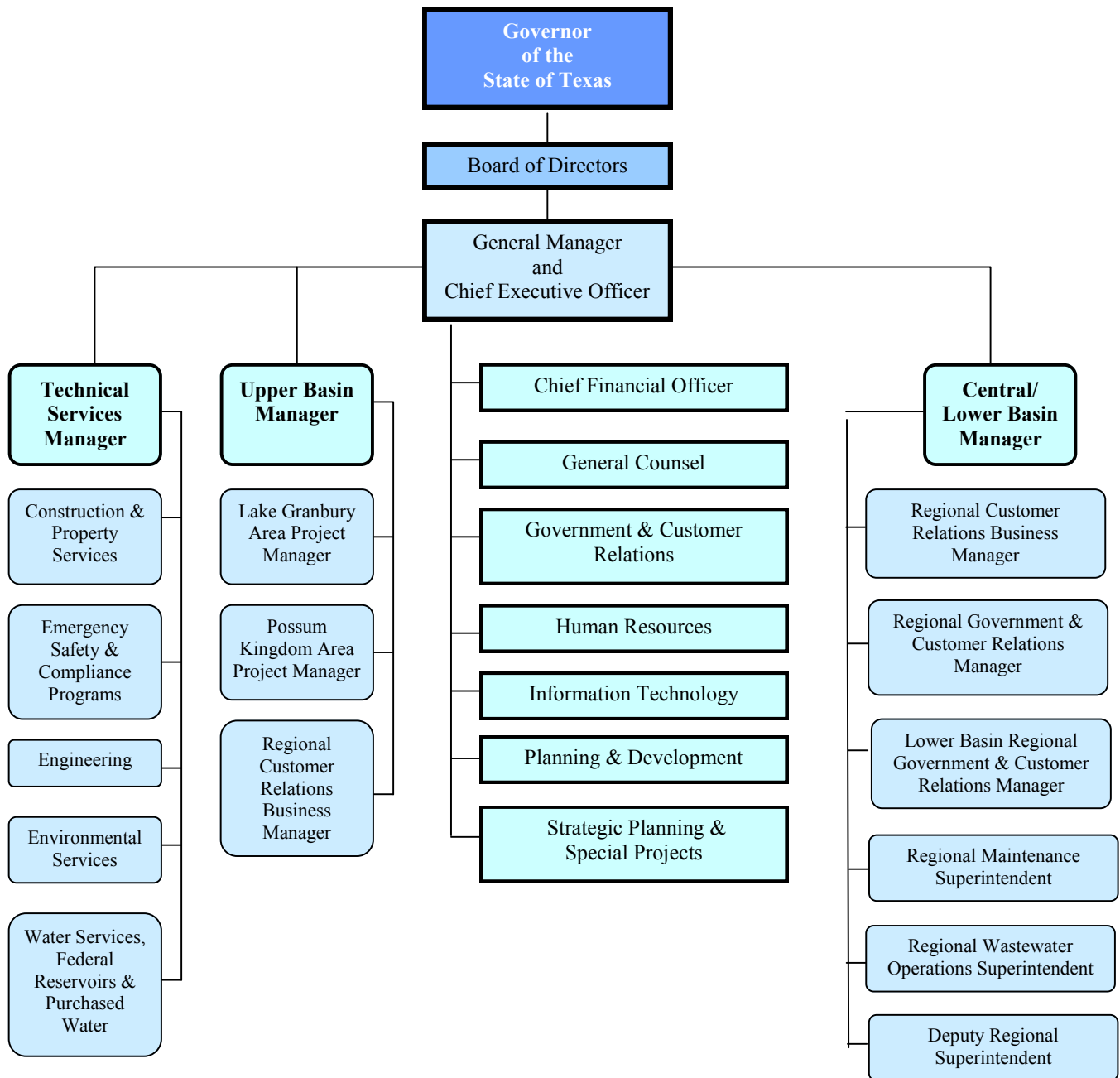
Matt Phillips
Government &
Customer Relations
Manager



Monica Wheelis
Human Resources
Manager



Brazos River Authority Organizational Chart



CONSTITUENCY/CUSTOMERS OF THE BRA:
Advisory Boards, Water Customers, Elected Officials, Bond
Rating Companies, Citizens of the Brazos River Basin



Brazos River Authority



January 25, 2016

Mr. Dave Scott, Presiding Officer
And Members of the Board of Directors
Brazos River Authority
4600 Cobbs Drive
Waco, TX 76710

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Brazos River Authority (BRA) for the fiscal year ended August 31, 2015. The purpose of the report is to provide the Board of Directors, our customers, stakeholders, and other interested parties with reliable financial information about the BRA. The BRA's Finance Department has prepared the CAFR in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the BRA management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the BRA.

The BRA's financial statements for the fiscal year ended August 31, 2015 have been audited by Padgett Stratemann & Co. LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the BRA for the fiscal year ended August 31, 2015 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion and that the BRA's financial statements for the fiscal year ended August 31, 2015 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

To provide a reasonable basis for making these representations, management of the BRA has established a comprehensive internal control framework that is designed both to protect the BRA's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the BRA's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the BRA's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The BRA's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE BRA

The BRA was established by the Texas Legislature in 1929 as the first State agency in the United States specifically created for the purpose of developing and managing the water resources of an entire river basin. Although the BRA is a political subdivision of the State of Texas, it does not levy or collect taxes. With the exception of a relatively small number of governmental grants, the BRA is entirely self-supporting. It maintains and operates reservoirs, transmission facilities, and treatment systems through revenues from the customers it serves.

The BRA's Board of Directors (Board) consists of 21 members appointed by the Governor and subject to confirmation by the Texas Senate. Directors serve a six-year, staggered term, with one-third being either replaced or reappointed each odd-numbered year. The Presiding Officer of the Board is also appointed directly by the Governor. The BRA functions under the direction of a General Manager/CEO, who reports to the Board.

The more than 42,000 square miles that comprise the Brazos River basin are divided into three geographic regions, Upper, Central and Lower Basins, each with distinctive climate, topography and water needs. Each region falls under the direction of a Regional Basin Manager.

Water Supply

The BRA built, owns, and operates three reservoirs for water supply – Possum Kingdom Lake, Lake Granbury, and Lake Limestone. The BRA also contracts with the U.S. Army Corps of Engineers (USACE) for storage space in eight multi-purpose federal reservoirs – Lakes Whitney, Belton, Proctor, Somerville, Stillhouse Hollow, Granger, Georgetown, and Aquilla. These lakes, owned and operated by the USACE, provide flood control to the Brazos River basin as well as being sources for water supply.

Together, the eleven reservoirs have conservation storage of more than 2.4 million acre-feet of water when full. The BRA has approximately 660,000 acre-feet of water permitted to sale. The BRA contracts to supply water from these reservoirs on a wholesale basis to municipal, industrial, and agricultural water customers from West Texas to the Gulf Coast.

Water and Wastewater Treatment

The BRA operates a potable (drinking) water treatment system for the City of Leander, and also owns and operates the East Williamson County Regional Water System (EWCWRS) at Lake Granger.

Wastewater treated and released by the BRA at the eight sewerage systems it operates: Temple-Belton, Doshier Farm (in Bell County), Sugar Land North and South plants, Brushy Creek East and West plants (in Williamson County), Clute and Hutto is returned to the Brazos River Watershed. At the Temple-Belton plant sludge, a by-product of the treatment process is composted with wood chips and sold as fertilizer and soil enhancers to local municipalities and individuals.

Water Quality

Water quality is a high priority with the BRA. Staff charged with environmental responsibilities work to monitor the quality of water resources and health of aquatic communities in the Brazos River basin through sampling and analysis. Since 1991, the BRA has partnered with the Texas Commission on Environmental Quality (TCEQ) to conduct the Clean Rivers Program for the basin. The BRA, working with other agencies and basin residents, identifies and evaluates water quality and watershed management issues, establishes priorities for corrective actions, and works to implement those solutions. As part of a basin monitoring program, the staff collects water quality samples at strategic locations throughout the Brazos River basin.

Regional Water Planning

The BRA supports the ongoing state and regional water planning process to meet water supply needs in the basin. The BRA participates in the development of regional water plans as established by the Texas Legislature in 1997 with the passage of Senate Bill 1. Significant portions of three of the sixteen planning areas lie within the basin including: Region O (High Plains), Region H (Houston-area), and Brazos G (Central Texas). The BRA serves as the administrative agency for Brazos G.

ECONOMIC CONDITION AND OUTLOOK

For the fiscal year ended August 31, 2015 (FY2015), the economy has continued to travel a jagged path. The first quarter of 2015 was negatively impacted by severe winter weather throughout much of the United States (U.S.) and consumption and production slowed as a result. GDP during the first quarter was a disappointing 0.7% after posting strong reports in the third and fourth quarters of 2014 (+4.3% and +2.1% respectively). The economy came back to life in the second quarter of 2015 and GDP rebounded to +3.9% as the bad news subsided for a while. Then early in the third quarter, the markets were jolted by very negative economic reports from China and other U.S. trading partner nations. The U.S. markets reacted on concerns about a reduction of export capacity due to these downturns. Oil prices have plummeted since the beginning of 2014 as a glut of supply has entered the pipeline. This has positively impacted the consumer, but has had negative impacts on gas producers and the Texas state economy.

The Federal Open Market Committee (FOMC) remained accommodative throughout the year to provide the markets with liquidity. The markets have been anticipating an increase in the Federal Funds Rate since late in the second quarter of 2015. This action would be the first step in the removal of the stimulus program that has supported the markets since 2008. With improvements in the employment sector, it appeared that the FOMC was close to achieving their goals for the various stimuli and were poised to raising that critical short-term interest rate. When the news about China took the headlines, the International Monetary Fund and the World Bank issued pleas to the FOMC to not make that interest rate move and the FOMC appeared to relent. As we enter the final quarter of 2015, the expectation of any Federal Funds Rate increase is focused on the December FOMC meeting. The FOMC has stated that their decision will be data dependent, so the markets will continue to be volatile as speculation of an increase changes day-to-day.

The housing market was also mixed during the year. The early winter weather led to very dismal housing sales, but the markets rebounded during the spring and summer. Higher home prices and low supply have negatively impacted the results, but homebuilders and realtors remain optimistic. Distressed units have reached a very low level and this has positively impacted the market value of properties. The employment situation has been on a moderate pace of growth but the economy has yet to experience meaningful growth in the earnings rate. The Unemployment Rate fell to 5.1% by the end of August. The stock market was volatile during the fiscal year as it reacted to global economic news.

The Texas economy continues to improve at a faster pace than the national economy, but the pace of growth has slowed when compared to 2014. During the past year, the Unemployment Rate in Texas has declined from 5.3% in August 2014 to 4.2% by August 2015, compared to the current national average rate of 5.1%. Since August 2014, Texas has added over 224,000 jobs, representing an increase of 1.9% over this time last year. By comparison, California has experienced an increase of 2.8%, New York has increased 1.4% percent, and Florida has increased 3.0%. Texas sales tax revenues increased 3.7% this year as compared to 7.9% last year. Texas is still enjoying a moderate rebound in the housing sector. Texas single-family housing permits were up 3.0% from this time last year, much weaker than the 17.9% increase last year.

The outlook for FY2016 is for continued moderate growth. It is likely that the FOMC will begin to raise the Federal Funds Rate either in late 2015 or early 2016, which will lead to improved investment rates for BRA positions.

Interest rates for investments allowed by the BRA's Investment Policy and State Law have remained low during the year. Investment Pool rates were 0.07% at the end of August 2015, improved from the 0.03% yield at the end of August 2014. Rates for Certificates of Deposit (CD) were improved. At the end of August 2015, a one-year CD yielded between 0.50% and 0.70% as compared to 0.35% at the end of August 2014. CDs and other financial institution deposits still remain significantly more attractive than alternative Treasury and Agency positions.

LONG-TERM FINANCIAL PLANNING

In July 2015, the BRA's Board reviewed the FY2016 Long Range Financial Plan. This fifty-year look into the future is both an inventory of projects anticipated to be undertaken by the BRA to satisfy its mission, as well as

an analysis of the implications of those projects on the BRA's System Water Rate. The inventory of projects is a mixture of infrastructure repair and replacement, new water source development, operations and maintenance needs, central services projects, security, and water quality initiatives.

The ratemaking process also includes anticipated future income from conversion of legacy contracts to the System Water Rate upon their expiration, as well as new income from sales of water from new sources. Initial indications based on this analysis are that the BRA's System Water Rate over the next several decades will continue to be among the lowest in the State of Texas; while maintaining a level of service sufficient to address the obligations placed upon it by our enabling legislation, our Strategic Plan, and the vision of our Board and management. Future ratemaking will be based upon a combination of both debt-funded initiatives, as well as those in which a cash infusion will be made, through the use of the Board designated series of reserve funds, to balance and stabilize rates. Additional information on the BRA's Board Designated Reserves can be found in Note 12 of the Notes to the Basic Financial Statements.

RELEVANT FINANCIAL POLICIES

The BRA maintains financial policies with regards to budget, investments and management, financial audit, debt financing, industrial development bonds and pollution control bonds, capital improvement plan, and reserve funds. None of these policies had a significant impact on the current period's financial statements.

MAJOR INITIATIVES

During FY2015, the BRA managed many new and ongoing water quality and water supply projects. Development of new water supply remains the priority for the BRA as we continue work to (1) obtain a major water right through the System Operations Permit, (2) pursue groundwater development, and (3) initiate permitting and design of Allens Creek Reservoir. The following is a synopsis of select programs and projects managed by the BRA in FY2015:

WATER SUPPLY

Drought Management and Response Initiatives

FY2015 started out with the historic drought conditions that began in 2011 across much of the Brazos River basin. Water supply management continued to be a top priority with various drought declarations in place for different portions of the basin under the BRA Drought Contingency Plan (DCP). Lake Proctor was the most severely impacted of the reservoirs, reaching its low point of 28 percent full with a Stage 4 Pro-Rata Curtailment declaration in place under the BRA DCP early in calendar year 2015.

BRA focused on ensuring the continued supply of water to its customers during the drought, increasing communication efforts through media and web updates, as well as managing construction projects and maintaining water delivery systems. Fortunately, the drought was broken in the spring of 2015, and all reservoirs were completely full by June 1. Drought declarations that had been in place under the BRA DCP were terminated.

June 1 was also the official start date for the Brazos Basin Watermaster Program. This new program was implemented by the TCEQ to provide more real-time monitoring and enforcement of surface water use by water right holders in the Brazos River basin. The program requires more stringent metering and reporting requirements by all surface water right holders including the BRA and its customers. Estimated fiscal year cost to BRA's Water Supply System customers is approximately \$400,000.

Water Conservation

Along with drought management, the BRA continued on-going efforts to develop and encourage water conservation practices by all BRA contract holders in FY2015. BRA also began evaluating water conservation information reported to the Texas Water Development Board (TWDB) by BRA customers to better inform and guide future BRA water conservation activities and reporting requirements.

System Operation Permit

In 2003, the BRA initiated the System Operation Permit project with the goal of maximizing use of existing reservoir storage in conjunction with unappropriated sources of water throughout the basin. During FY2015, the process involved a return to the State Office of Administrative Hearings (SOAH) for continuation of the contested case process. With new parties added, and new issues identified, the hearings addressed a number of topics ranging from implementation of the Senate Bill 3 mandated environmental flow rules, lake levels and economic implications to lakeside communities, as well as the impact of the permit on existing water rights. It is now anticipated that approval of the permit by the Commissioners of the TCEQ could occur in early calendar 2016.

Reallocation of Flood Storage – Lake Aquilla Pool Rise Update

In 2008, the BRA Board authorized a detailed feasibility study to evaluate the potential for water supply storage reallocation, or “pool rise”, at three USACE reservoirs, with Lake Aquilla slated for an initial evaluation. In FY2015, the BRA continued coordination with the USACE, the agency conducting the study work, to finalize the report documenting the feasibility study efforts for Lake Aquilla in order to determine the viability of the project and gain approval from the USACE for implementation. The report is expected to be finalized in FY2016.

Allens Creek Reservoir

Allens Creek Reservoir is a planned off-channel water storage reservoir permitted for construction on Allens Creek, a tributary of the Brazos River. An off-channel reservoir impounds water pumped from the Brazos mainstem during high flow events to be released back to the mainstem at times of low flows. Along with the City of Houston and the TWDB, the BRA purchased the site and acquired the permit originally held by Houston Lighting and Power.

In FY2014, the BRA notified the City of Houston of the intent to move forward with the Federal 404 Permitting process including an extensive evaluation of the project’s impacts and required mitigation. In FY2015, BRA issued a Request for Proposal for engineering firms to complete the required permitting studies and design. BRA anticipates executing a contract with the selected firm in FY2016.

Williamson County Water Supply Plan & Groundwater Development

The BRA has been actively engaged in groundwater development efforts near Williamson County. In 2013, the BRA initiated a groundwater demonstration project on the grounds of the EWCWRS property to evaluate whether Trinity groundwater, conjunctively used with the Granger Lake surface water, will provide an additional source of water for the rapidly growing communities along the Interstate 35 (I-35) and State Highway 130 corridors in Williamson County. The test well, funded in part with TWDB bond funds remaining from the new Granger Lake Intake project, was completed in FY2014. The results indicated that the Trinity Aquifer is a viable source for water supply purposes. A production well, to be located on the EWCWRS site, was designed in FY2015 and will be constructed in FY2016 and FY2017.

Lower Basin Flood Protection Planning Study

In FY2014, the BRA received a grant from the TWDB to conduct Phase I of a flood protection planning study for the lower Brazos River. The study utilizes topography data to develop comprehensive hydrologic and hydraulic models of the lower Brazos River watershed. These models will be used to analyze the feasibility of various flood reduction alternatives for communities and entities in the lower basin and to update flood hazard maps from Richmond to the Gulf. The TWDB grant funding is being matched by entities in the lower basin, and the Phase I study work is expected to be completed in early FY2017.

In FY2015, the BRA received a second grant from the TWDB to conduct Phase II of the study which would extend the detailed flood mapping along the Brazos River from near Richmond upstream to the Hempstead area. BRA is currently working to secure local matching funding that will be required in order to conduct the Phase II work.

WATER TREATMENT

Expanding and Continuing Treatment Operations

The BRA signed an agreement with the Cities of Temple and Belton to expand wastewater treatment management by taking over operation of the City of Temple’s Doshier Farm facility which had been previously run by a private firm.

East Williamson County Regional Water System

Formerly owned and operated by the City of Taylor, the 5.5 million gallons per day (MGD) plant was purchased by the BRA in 2004 and expanded in 2008 to 12.8 MGD. The upgrades included the refurbishment of the existing plant and replacement of computer and water testing systems to compliment the new facility. Construction of a new deep-water intake facility and pipeline from Granger Lake is expected to be completed in FY2016. Additionally, the BRA added another major treated water customer to complement the current contracts with the City of Taylor and Jonah Water Special Utility District.

WATER DELIVERY

Williamson County Regional Raw Water Line

The Williamson County Regional Raw Water Line is a water transportation pipeline operated by the BRA for three municipal customers in Williamson County. The line delivers water from Stillhouse Hollow Lake in Bell County to Lake Georgetown in Williamson County. BRA determines when to pump water based on lake elevation trigger levels. Approximately 21,000 acre-feet of water was moved through the line from September 1, 2014, through May 11, 2015. Rainfall refilled Lake Georgetown in May of 2015, and no additional water was pumped during the remainder of the fiscal year.

West Central Brazos Water Distribution System

Acquired by the BRA in 2002, the West Central Brazos Water Distribution System (WCBWDS) supplies water to an area southwest of Possum Kingdom Lake. The infrastructure and right-of-way associated with the WCBWDS acquisition allowed the BRA to address immediate and future municipal, industrial, mining, and agricultural demands of the region. In July 2009, the BRA Board took action to reverse a trend indicating that the costs of operations and maintenance of the system had grown to the point that a substantial subsidization was occurring.

As a direct result of the extended drought that began in 2011, the City of Abilene's water supplies were at near critical levels. Knowing that the pipeline needed substantial improvements in a very short time span, and after months of negotiations, it was determined that the most efficient and effective means to address Abilene's water demands was to sell the pipeline to the West Central Texas Municipal Water District (District). The District, whose Board is comprised of representatives from Abilene, will provide transportation and delivery of the water as originally envisioned when BRA acquired the pipeline. Both the BRA and District passed Resolutions authorizing the sale and transfer. Contract negotiations are nearly complete and closing is anticipated to occur in FY2016.

MAINTENANCE

Dam Rehabilitation Projects

As part of proactively addressing the safety, preventive maintenance and ongoing operational efficiency of the BRA-owned dams during FY2015, the BRA continued modifications to low-flow gates at Lake Granbury's DeCordova Bend Dam. The low flow gate modification project has taken significantly longer than anticipated due to design and contractor inefficiencies discovered during construction. The BRA expects satisfactory resolution of the issues and completion of the project in FY2016. These delays have temporarily delayed the stop log trolley replacement and the walkway and lighting improvements project.

Maintenance of the spillway gates at Possum Kingdom Lake continues. Additionally, selection of a firm to assist in the structural assessment and potential concrete remediation activities is progressing along with other improvements to the Dam.

The BRA has also begun a series of comprehensive studies to determine the need for future rehabilitation projects on the Sterling C. Robertson Dam at Lake Limestone. This will be a multi-year effort and will include improvements to the tainter gates. Sterling C. Robertson Dam is approaching forty years old.

Internal Engineering Design and Project Oversight

Internal engineering efforts in FY2015 included the following: construction oversight of the bulkhead improvements at Lake Granbury's Hunter Park and Rough Creek Park; the installation of the replacement Variable Frequency Drive pump controls at the West Central Brazos Intake Pump Station; the oversight of construction for the relocation of the WCRRWL pipeline at I-35 and Bud Stockton Loop; and design and installation of standby power

at the Central Office Disaster Recovery Facility; the design of the EWCRRS Production Well; the preparation of the bid package for waterline, handrail and platform replacement at Possum Kingdom; and the upgrading of power and automation at Lake Granbury and Doshier Farm.

Central Office Remediation

In September 2012, the BRA identified mold contamination at various locations within its Central Office facility in Waco. The Heating/Ventilation/Air Conditioning (HVAC) system was determined to be a contributing factor to the high numbers of mold spores found in the building. The first and second phases of the HVAC remediation project were completed in FY2013. Phase III, the complete replacement of the existing HVAC system, was placed on hold during FY2014 prior to construction contract award, due to errors and omissions found in the construction plans and documents. Additionally, the performance of the Phase II dedicated outside air makeup units has not met contract requirements. These units will contribute to the performance of the new HVAC system, thus the performance issues must be resolved. Discussions are underway with all involved to reach a resolution. Design of the replacement of the HVAC system is anticipated to begin in FY2016 with construction of the new HVAC system expected in FY2017.

PROPERTY MANAGEMENT

Possum Kingdom Lake Property Divestiture

In accordance with legislative mandates, the BRA continued negotiations with SET Ranch and the current lessees of Costello Island regarding divestiture of specific tracts of property. The sale of approximately 235 acres of Costello Island was finalized by a third-party appraisal with an established value of \$1.65 million. Concurrent with the Costello activity was BRA's effort to sell property associated with SET Ranch to the adjacent landowners in accordance with a prior legislative directive. Unfortunately, delays on the part of SET Ranch led to the expiration of the statutory timeline for the sale of the property. At present, BRA is under no further statutory obligation to sell the subject property associated with SET Ranch to the adjacent landowners.

In addition, the BRA pursued a legislatively directed sale of approximately 510 acres of residential and commercial leasehold properties through a sealed bid process. After rejection of Patterson PK2 Land Partnership's \$6.5 million offer, BRA re-issued a Request For Bids and aggressively sought additional bidders. In July 2015, the BRA received six bids ranging from \$7.6 million to \$10.1 million. Patterson PK2 Land Partnership's bid of \$10,150,000 was the winning bid, representing approximately 74% of the assessed value.

A contract was executed with Patterson PK2 Land Partnership in August 2015, pursuant to the legislation. The projected closing is scheduled to occur in February or March 2016.

Salt Creek, Graham, Texas Floodplain Project

In partnership with the USACE, the BRA serves as the non-federal sponsor on a project to minimize the flood risk to homeowners and commercial businesses located within the 10-year floodplain in the City of Graham. In FY2015, the BRA attempted to continue negotiations with the USACE to ultimately transfer the acquired lands to the City of Graham. As it became evident that the USACE would not honor its commitment and in fact was attempting to re-negotiate assurances, the BRA has elected to pursue and is in the process of seeking congressional de-authorization of the project. In brief, the BRA would honor the commitments it made in a tripartite agreement between the BRA, City of Graham, and the USACE. However, the USACE would no longer be a party and is no longer necessary.

ENVIRONMENTAL

Texas Clean Rivers Program and Other Environmental Assessments

Since the 1990's, the BRA has collected and assessed surface water quality data in streams and reservoirs throughout the Brazos River basin as part of the Texas Clean Rivers Program. During FY2015, the BRA submitted over 50,000 water quality and environmental data points to the Texas Clean Rivers Program. The Environmental Services Department completed a series of aquatic life monitoring events on the North Bosque River in FY2015. Planned aquatic life monitoring on Allen's Creek was postponed due to springtime flooding. It is anticipated to be completed in FY2016, stream flows permitting.

Environmental Services provided support to BRA's wastewater and reservoir operations. These services included investigating algal blooms, investigating the cause of irregularities in wastewater system inflows, stream assessments for wastewater permitting, assistance with waste classification, storage and disposal, and providing technical assistance to basin customer relation's staff.

Additionally, BRA staff has collaborated with TCEQ staff on a variety of issues including the development of water quality standards for nutrients, the application of appropriate bacteria standards to impaired waterbodies, and developing plans to address water quality impairments and concerns in the basin.

Instream Flows

Environmental Services staff completed six instream flow assessments in five different river segments and channel surveys, riparian assessments, and sediment surveys in three different river segments to contribute to the verification of adopted instream flow standards. Environmental Services' ability to complete instream flow-related studies was greatly impeded in FY2015 due to the impact of springtime flooding in all of the identified study reaches.

AWARDS AND ACKNOWLEDGEMENTS

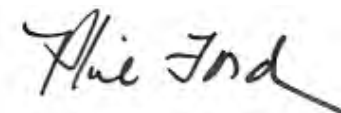
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the BRA for its CAFR for the fiscal year ended August 31, 2014. This was the 29th consecutive year that the BRA has received this prestigious award. In order to be awarded a Certificate of Achievement, the BRA published an easily readable and efficiently organized CAFR. The report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting the report to the GFOA to determine its eligibility for another certificate.

The preparation of this CAFR would not have been possible without the efficient and dedicated endeavors of the entire staff of the Finance and Administration Department. We would like to express our sincere appreciation to Matt Wheelis, Melissa Anthony, Judy Wallace, Michele Giroir, Lupe Diaz, Cheryl Hoelscher, Kim Goolsby, Janie Crowder, Gloria Nieder, Marian Kuntz, Crystal Bloodworth, Tom Downey, Karen McCleney, Cindy Geer and all other employees who contributed to the preparation of this report.

Our appreciation is also extended to the members of the Board for their support in planning and conducting the financial operations of the BRA in a responsible and professional manner and for providing the tools and resources to ensure the integrity of the assets of the BRA.

Respectfully submitted,



Phillip J. Ford
General Manager/CEO



David Thompson, CPA
Chief Financial Officer



Government Finance Officers Association

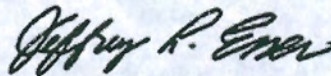
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Brazos River Authority
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2014



Executive Director/CEO

Texas 1850

Texas became the 28th State to join the Union December 29, 1845.
(admitted as slave state and joined the Confederate States of America Feb. 1, 1861)



The State Flag of Texas is the oldest State flag in the contiguous United States, adopted in 1839. (The Hawaii flag dates back to 1816...other states did not adopt their State Flag until the Civil War era and after)...The Texas flag was adopted when Texas was an independent Republic...and was carried over to Texas Statehood in 1845. The red, white and blue design, with its single Lone Star, is symbolic of the American who fought for and won their independence from Mexico in 1836.

Anglomanized Territory

Sept. 9, 1850 - The Compromise of 1850: Texas Statehood boundaries became established by the United States Congress. The Adams-Onís Treaty served as the basis for the eastern boundary; "...From the mouth of the Sabine River upstream to the 32° parallel; thence due north to the Red River...follow the Red River upstream to the 100th meridian. From this junction, due north to the 36° - 30' parallel; thence west to the 103rd meridian; thence south to the 32° parallel; thence west to the Rio Grande"...The Rio Grande was established as the natural western boundary by the Republic of Texas in 1836...All territorial claims beyond the boundaries so outlined were ceded to the United States, which became part of the established Territories of the New Mexico, and Utah Territory...The State of California was then admitted as the 31st state of the Union.

New Mexico Territory
became
New Mexico - 1912

became
Oklahoma - 1907

Arkansas
6-15-1836

Louisiana
4-30-1812

State of Texas
1850
Population - 154,034
Counties - 90
State Capital - Austin
5 Largest Cities:
(1) Galveston (2) San Antonio
(3) Houston (4-5) A tie between
Nacogdoches and Palestine

1836 - The Republic of Texas
The Texas Declaration of Independence from Mexico was initiated March 2, 1836...The fall of the Alamo on March 6 added stimulus to the Texas Revolution and hastened the birth of a new Republic...The Texas (American) victory at the Battle of San Jacinto over the Mexican army and General Santa Anna, President of Mexico, on April 21, 1836 was the culmination of the revolution...The Treaty of Velasco, documented and ratified on May 14, 1836, recognized Texas as a Free and Independent Republic.

1845 - The Annexation of the Republic of Texas
The United States annexed the Republic of Texas on December 29, 1845 and became the 28th State to join the Union.

1850 - The State of Texas
The boundary lines of the State were finally outlined and established in the Compromise of 1850.

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Texas joins the Union - 1845

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FINANCIAL SECTION



Padgett Stratemann

Independent Auditor's Report

To the Board of Directors
Brazos River Authority
Waco, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Brazos River Authority (the "BRA") as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the BRA's basic financial statements, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the BRA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BRA'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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the BRA as of August 31, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 8 to the financial statements, effective September 1, 2014, the BRA implemented Governmental Accounting Standards Board ("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*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedules of Changes in the Net Pension Liability and Related Ratios, and Schedules of BRA's Contributions*, as listed in the foregoing 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 GASB, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the BRA's basic financial statements. The accompanying supplemental information – the Schedule of Changes in Assets and Liabilities (Agency Funds) and the Comparison of Budgeted Revenues and Expenditures to Actual, as listed in the foregoing table of contents – are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Changes in Assets and Liabilities (Agency Funds) and the Comparison of Budgeted Revenues and Expenditures to Actual are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Changes in Assets and Liabilities (Agency Funds) and the Comparison of Budgeted Revenues and Expenditures to Actual are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections, as listed in the foregoing table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 on our consideration of the BRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BRA's internal control over financial reporting and compliance.

Padgett, Statemann + Co., L.L.P.

Austin, Texas
December 9, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2015 (in thousands)

- As Management of the Brazos River Authority (BRA), we offer readers of the BRA's financial statements this narrative overview and analysis of the financial activities of the BRA for the Fiscal Year ended August 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on Pages 6 to 13 of the Introductory Section of this report.
- During Fiscal Year 2015, the BRA implemented Governmental Accounting Standards Board (GASB) Statement No. 68 (Statement). The Statement's primary objective is to improve accounting and financial reporting by state and local government for pensions. For the first time, the net pension liabilities are now reported on the statement of net position, in addition to expanded footnote requirements. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The Statement requires entities to restate prior periods for all periods reported, when practical, and if not practical, the entity should report the cumulative effect of applying this Statement, if any, as a restatement of beginning net position for the earliest period restated. The BRA has elected the latter and as a result will not show comparative basic financial statements in the year of implementation. For presentation, the Management's Discussion and Analysis will show Fiscal Year ended August 31, 2014 with the current year presentation.

Financial Highlights

Total Assets and Deferred Outflows of Resources

- Total assets and deferred outflows of resources at the end of Fiscal Year 2015 and 2014 were \$373,998 and \$369,066, respectively. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the end of Fiscal Year 2015 and 2014 by \$247,307 and \$244,990, respectively.
- Total assets and deferred outflows of resources for Fiscal Year 2015 increased by \$4,932 over prior year, primarily as a net result of continued income from operations and the increase in deferred outflows of resources as a result of the implementation of GASB Statement No. 68 and the pension plan deferrals recorded.
- The BRA's net position increased by \$7,472 for the Fiscal Year ended August 31, 2015.

Capital Assets

- The increases and decreases in capital assets for the past two years and the events causing these changes are noted below:

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Net additions to land storage and water rights | \$ 278 | \$ (542) |
| Additions to construction-in-progress (CIP) | 4,551 | 4,680 |
| Transfers from CIP to capital assets being depreciated | (2,209) | (9,495) |
| Additions and transfers to capital assets being depreciated | 998 | 9,772 |
| Net deletions and transfers | 1,273 | (1,627) |
| Normal annual depreciation and amortization | (7,244) | (7,274) |
| Total | \$ (2,353) | \$ (4,486) |

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2015 (in thousands)

- During Fiscal Year 2015, the BRA had over 50 capital projects outstanding that were being worked on during the year, with 11 of those coming to fruition at a current year expenditure of \$2,209. In addition, the BRA invested \$998 in capital equipment. With those additions, the sale of various capital assets, and the recording of depreciation on all depreciable assets, capital assets decreased by \$2,353 during the year.
- During Fiscal Year 2014, the BRA completed the controlled outlet conduit (COC) at Possum Kingdom Lake and transferred the total amount of \$7,633 to capital assets being depreciated. In addition, the BRA's capital assets decrease as a result of the transfer of ownership and operation of the Temple Belton Wastewater Treatment Plant.

Noncurrent Liabilities

Outstanding debt:

- For Fiscal Year 2015, total outstanding debt (current and noncurrent) decreased by \$4,277. This net decrease is a result of annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$2,435, \$1,903 and \$61, respectively.
- For Fiscal Year 2014, total outstanding debt decreased by \$11,482. This net decrease is a result of the early retirement of the Series 2005B (AMT) in the amount of \$8,535, and annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$1,875, \$1,146 and \$74, respectively.

Net Pension liability:

- During Fiscal Year 2015, the BRA implemented GASB Statement No. 68 (Statement). The Statement's primary objective is to improve accounting and financial reporting by state and local government for pensions. For the first time, the net pension liabilities are now reported on the statement of net position, and as a result, the BRA recorded a net pension liability of \$8,081 for the Retirement Plan for Employees of the BRA and a net pension asset of \$274 for the Texas County and District Retirement System plan as of the Fiscal Year ended August 31, 2015.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the BRA's basic financial statements. The BRA's basic financial statements are composed of Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; Statement of Fiduciary Net Position; Notes to the Basic Financial Statements; and the Required Supplementary Information. This report also contains other supplementary information and statistical information in addition to the basic financial statements themselves.

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2015 (in thousands)

Basic Financial Statements. The financial statements are designed to provide readers with an overview of the BRA's finances in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the BRA's assets and deferred outflows of resources as well as BRA's liabilities and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BRA is improving or deteriorating. The Statement of Net Position can be found on Page 34 of this report.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the BRA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of the BRA's current year operations on its financial position. The Statement of Revenues, Expenses and Changes in Net Position can be found on Page 36 of this report.

The *Statement of Cash Flows* summarizes all of the BRA's cash flows into three categories as applicable: 1) cash flows from operating activities, 2) cash flows from capital and related financing activities, and 3) cash flows from investing activities. The Statement of Cash Flows can be found on Page 37 of this report. The Statement of Cash Flows, along with the related notes and information in other financial statements, can be useful in assessing the following:

- The BRA's ability to generate future cash flows;
- The BRA's ability to pay its debt as the debt matures;
- Reasons for the difference between the BRA's operating cash flows and operating income; and
- The effect on the BRA's financial position of cash and non-cash transactions from investing, capital and financing activities

The *Statement of Fiduciary Net Position* summarizes the BRA's agency fund transactions. Generally, an agency fund is created to act as a custodian for other funds, governmental entities, or private entities. Assets are recorded by the agency fund, held for a period of time as determined by a legal contract or circumstance and then returned to their owners. Generally only assets and a liability representing the parties that are entitled to the assets are presented in the Statement of Fiduciary Net Position. The Statement of Fiduciary Net Position can be found on Page 38.

The *Notes to the Basic Financial Statement* provides additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to the Basic Financial Statements can be found starting on Page 40 of this report.

Financial Analysis

Schedule of Net Position - As noted earlier, net position may serve over time as a useful indicator of the BRA's financial position. In the case of the BRA, assets and deferred outflows of resources exceeded liabilities for Fiscal Year 2015, by \$247,307.

The largest portion of the BRA's net position, 76% in Fiscal Year 2015, reflects its investment in capital assets (e.g., land, storage rights, reservoirs, water treatment and sewerage facilities, and buildings and equipment), less any related debt used to acquire those assets that is still outstanding. Although the BRA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The largest portion of the BRA's net position, 77% in Fiscal Year 2014, reflects its investment in capital assets (e.g., land, storage rights, reservoirs, water treatment and sewerage facilities, and buildings and equipment), less any related debt used to acquire those assets that is still outstanding. Although the BRA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

For Fiscal Year 2015, about 79% (\$196,324) of the BRA's net position represent resources that are not available for expenditure (invested in capital assets or restricted). The remaining balance of *unrestricted net assets* (\$50,983) may be used to meet the BRA's ongoing obligations.

For Fiscal Year 2014, about 80% (\$196,105) of the BRA's net position represent resources that are not available for expenditure (invested in capital assets or restricted). The remaining balance of *unrestricted net assets* (\$48,885) may be used to meet the BRA's ongoing obligations.

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2015 (in thousands)

Condensed Schedule of Net Position
August 31, 2015 and 2014

| | 2015 | 2014 |
|--|-------------------|-------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Current assets - unrestricted | \$ 70,884 | \$ 66,129 |
| Current assets - restricted | 5,652 | 5,831 |
| Noncurrent assets - restricted | 6,985 | 6,946 |
| Capital assets, net | 285,002 | 287,355 |
| Noncurrent assets | 2,570 | 2,489 |
| TOTAL ASSETS | 371,093 | 368,750 |
| DEFERRED OUTFLOWS OF RESOURCES | 2,905 | 316 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 373,998 | \$ 369,066 |
| LIABILITIES AND DEFERRED INFLOWS | | |
| Current liabilities (payable from current assets) | \$ 16,362 | \$ 19,775 |
| Current liabilities (payable from restricted assets) | 6,176 | 5,378 |
| Noncurrent liabilities | 103,616 | 98,923 |
| TOTAL LIABILITIES | 126,154 | 124,076 |
| DEFERRED INFLOWS OF RESOURCES | 537 | - |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | \$ 126,691 | \$ 124,076 |
| NET POSITION | | |
| Net Investment in capital assets | \$ 187,640 | \$ 187,305 |
| Restricted for construction and debt service | 8,684 | 8,800 |
| Unrestricted | 50,983 | 48,885 |
| TOTAL NET POSITION | \$ 247,307 | \$ 244,990 |

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2015 (in thousands)

Condensed Schedule of Revenues, Expenses and Changes in Net Position
Fiscal Years Ended August 31, 2015 and 2014

| | 2015 | 2014 |
|--|-------------------|-------------------|
| OPERATING REVENUES | | |
| Water supply system | \$ 41,788 | \$ 38,157 |
| Cost reimbursable operations | 13,140 | 12,871 |
| TOTAL OPERATING REVENUES | 54,928 | 51,028 |
| OPERATING EXPENSES | | |
| Operating and Maintenance | 37,764 | 36,579 |
| Depreciation and amortization | 7,244 | 7,274 |
| TOTAL OPERATING EXPENSES | 45,008 | 43,853 |
| OPERATING INCOME | 9,920 | 7,175 |
| Total net non-operating revenues (expenses) | (3,322) | (5,386) |
| INCOME BEFORE CONTRIBUTIONS | 6,598 | 1,789 |
| Capital contributions | 874 | 479 |
| CHANGE IN NET POSITION | 7,472 | 2,268 |
| NET POSITION, BEGINNING (as restated in 2015) | 239,835 | 242,722 |
| NET POSITION, ENDING | \$ 247,307 | \$ 244,990 |

For Fiscal Year 2015, the Change in Net Position was an increase of \$7,472. The increase is a result of increased water sales and the gain on sales of assets when in prior year a loss on sale of assets was recorded.

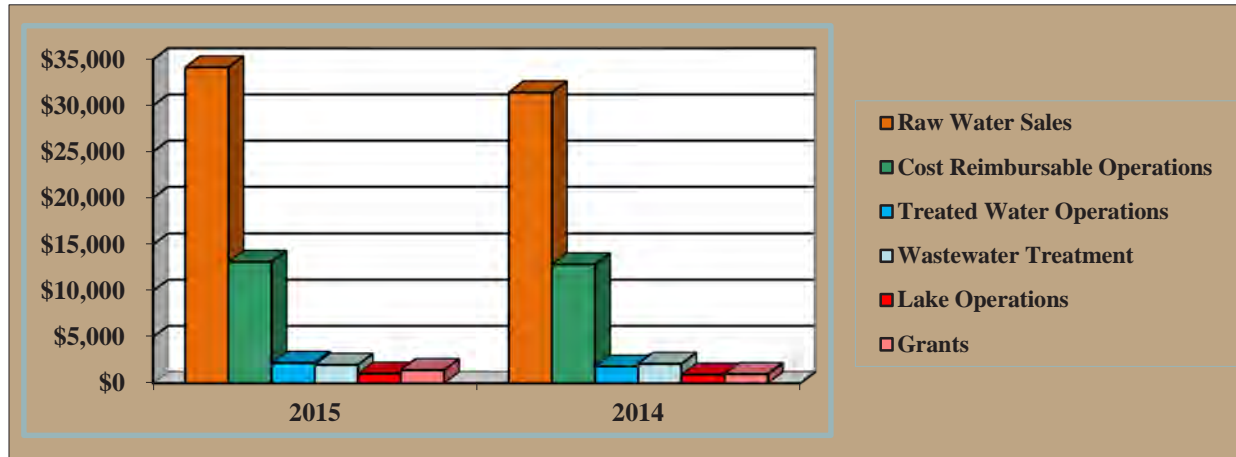
For Fiscal Year 2014, the Change in Net Position decreased, when compared to prior year, by \$1,771. This decrease is a result of the reduction in raw water sales.

Operating Income

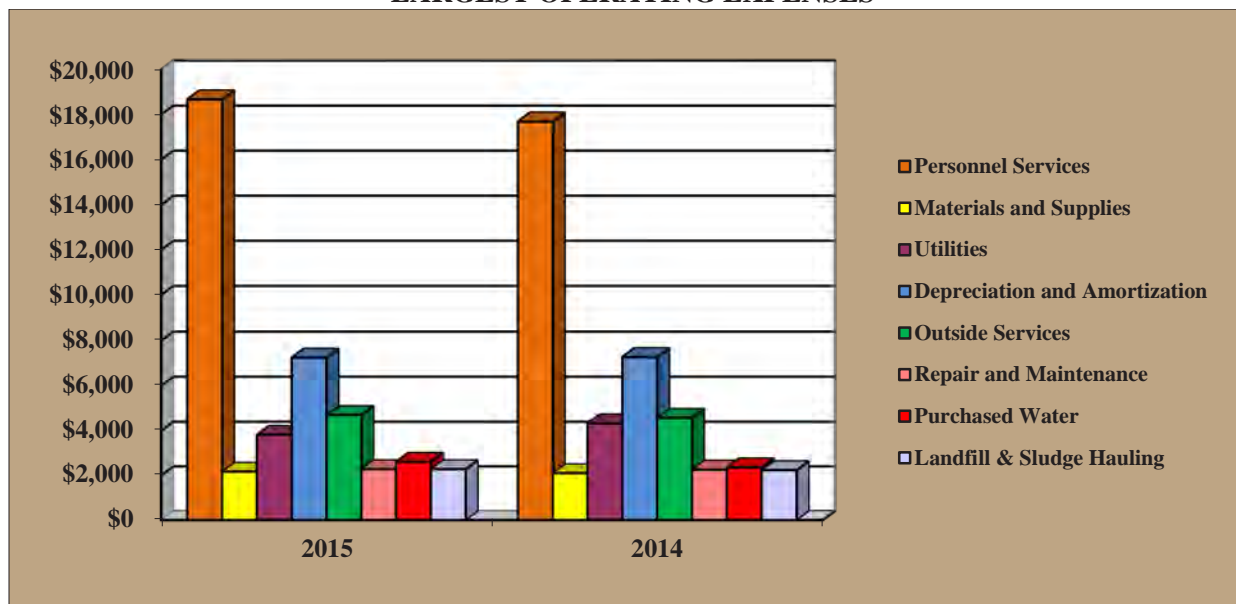
For Fiscal Year 2015, change in net position increased over prior year as a result of the increase in the rate charged for long term water and interruptible water contracts. The rate experienced a 5.86% increase from \$65.65 per acre feet to \$69.50 per acre feet of water under contract.

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2015 (in thousands)**

LARGEST OPERATING REVENUES



LARGEST OPERATING EXPENSES



Total net non-operating revenues (expenses)

For Fiscal Year 2015, the amount recorded as net non-operating expense was \$3,322. The majority of the non-operating expense represents the interest payments on the BRA's debt, in the amount of \$4,367, net of the gain on the sale of various assets of the BRA, during the year.

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2015 (in thousands)

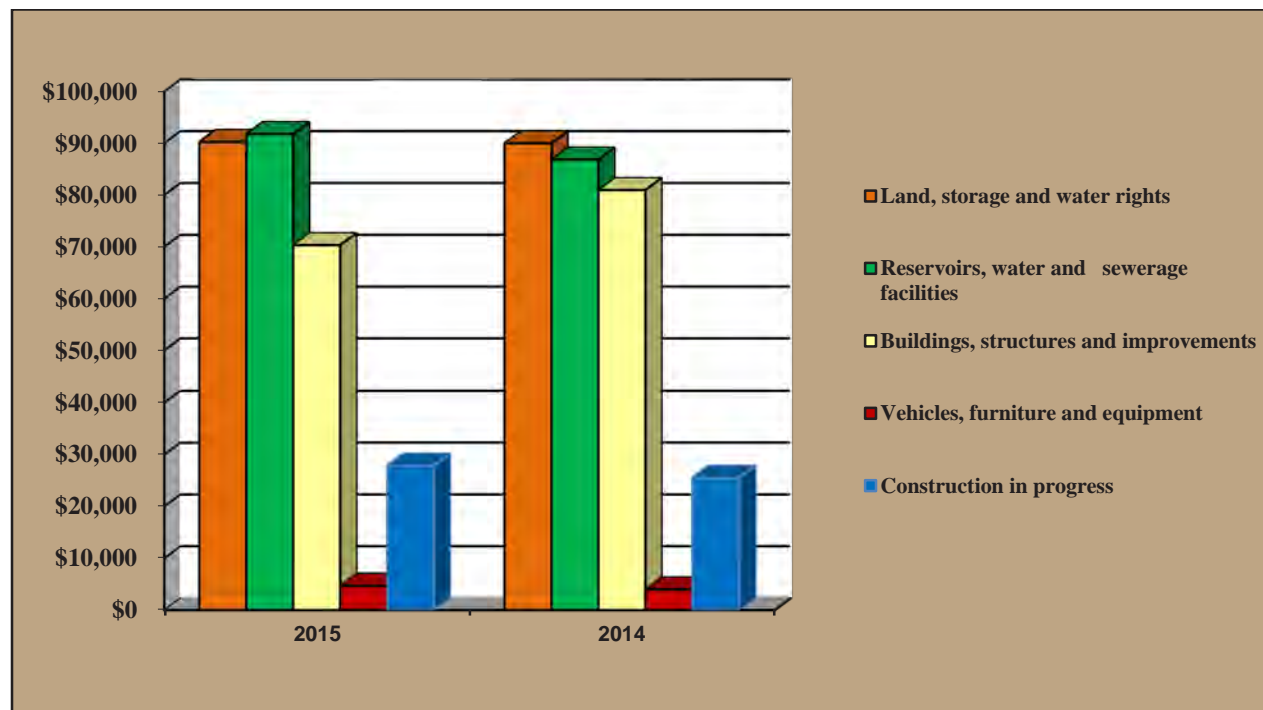
Capital Assets and Outstanding Debt

Capital Assets - The BRA's capital assets, as of August 31, 2015 amounted to \$285,002, (net of accumulated depreciation and amortization). For Fiscal Year 2015, the BRA continued its commitment to our customers and stakeholders to ensure the longevity of our capital assets. During Fiscal Year 2015, the BRA invested over four million dollars on over 40 capital improvement projects.

Capital Assets
(net of accumulated depreciation and amortization)
August 31, 2015 and 2014

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Land, storage and water rights | \$ 90,262 | \$ 89,984 |
| Reservoirs, water and sewerage facilities | 91,775 | 86,847 |
| Buildings, structures and improvements | 70,339 | 80,970 |
| Vehicles, furniture and equipment | 4,736 | 4,006 |
| Construction in progress | 27,890 | 25,548 |
| Total | <u>\$ 285,002</u> | <u>\$ 287,355</u> |

Additional information on the BRA's capital assets can be found in Notes 4 and 10 of this report.

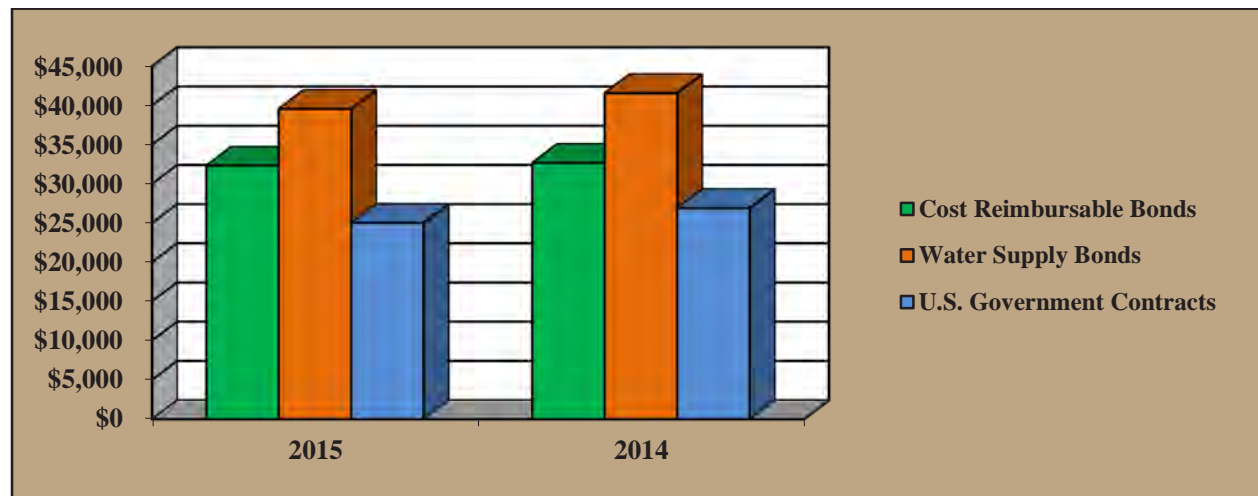


BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2015 (in thousands)

Outstanding Debt – At the end of Fiscal Year 2015, the BRA had total outstanding debt of \$96,853. Of the Fiscal Year 2015 amount, 67% and 33% is reflected in Water Supply System and Cost Reimbursable Operations, respectively.

During Fiscal Year 2015, the BRA refunded the Series 2009 revenue bonds issued for the expansion of the East Williamson County Regional Water System. The new issue, *Brazos River Authority Water Supply System Revenue Refunding Bonds, New Series 2015* will restructure such indebtedness while providing a net present savings in the amount of \$2,493 over the life of the new debt issuance.

On July 21, 2009 Standard & Poor's Ratings Services raised its underlying rating (SPUR) on the BRA's water supply system revenue bonds one notch to 'AA' from 'AA-'. This was based on the BRA's maintenance of a strong and likely sustainable financial position due to its favorable position as the raw water provider of choice throughout a watershed nearly the size of the State of Tennessee during a time when demand is increasing rapidly from both municipalities and electric power generators. In addition, on November 21, 2006 Moody's investor service, in its last rating for the BRA, assigned an A1 rating to the BRA.



The changes in the BRA's debt for Fiscal Year 2015 and 2014 are shown in the following table:

| | 2015 | 2014 |
|--|-------------------|--------------------|
| Accretion of interest on capital appreciation bonds | \$ 61 | \$ 74 |
| Early retirement of Series 2005B | - | (8,535) |
| Current refunding of the Series 2006 Revenue Bonds | (17,270) | - |
| Water Supply System Revenue Refunding Bonds, New Series 2015 | 16,860 | - |
| Principal payments made during each year | (3,928) | (3,021) |
| Decrease In Debt | <u>\$ (4,277)</u> | <u>\$ (11,482)</u> |

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2015 (in thousands)**

Currently known facts

During Fiscal Year 2015, the BRA pursued a legislatively directed sale of approximately 510 acres of residential and commercial leasehold properties, through a sealed bid process. By August 31, 2015 a contract was executed and closing set for the second quarter of Fiscal Year 2016. The closing of the sale of those properties, will result in a \$10.1 million dollar inflow of cash to the BRA.

Requests for Information

This financial report is designed to provide a general overview of the BRA's finances and to demonstrate the BRA's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Chief Financial Officer, 4600 Cobbs Drive, P.O. Box 7555, Waco, TX 76714-7555. For more detailed information about the BRA's CIP projects and Capital Asset additions, please visit our website at www.brazos.org.

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BASIC FINANCIAL STATEMENTS

BRAZOS RIVER AUTHORITY
STATEMENT OF NET POSITION
AUGUST 31, 2015 (in thousands)

| | 2015 |
|--|-------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | |
| CURRENT ASSETS: | |
| UNRESTRICTED: | |
| Cash and cash equivalents | \$ 9,591 |
| Investments | 55,676 |
| Receivables: | |
| Accounts | 4,254 |
| Accrued interest | 31 |
| Other current assets | 1,332 |
| TOTAL UNRESTRICTED | 70,884 |
| RESTRICTED: | |
| Cash and cash equivalents | 5,652 |
| TOTAL RESTRICTED | 5,652 |
| TOTAL CURRENT ASSETS | 76,536 |
| NONCURRENT ASSETS : | |
| RESTRICTED: | |
| Cash and cash equivalents | 528 |
| Investments | 6,452 |
| Interest | 5 |
| TOTAL RESTRICTED | 6,985 |
| CAPITAL ASSETS: | |
| Land, storage and water rights | 90,262 |
| Reservoirs, water treatment and sewerage facilities | 139,432 |
| Building, structures and improvements | 105,171 |
| Vehicles, furniture and equipment | 18,009 |
| Construction in progress | 27,890 |
| TOTAL CAPITAL ASSETS | 380,764 |
| Less accumulated depreciation | (95,762) |
| NET CAPITAL ASSETS | 285,002 |
| OTHER NONCURRENT ASSETS: | |
| Net pension asset | 274 |
| Capital Appreciation Bonds due from others | 455 |
| Other assets | 1,841 |
| TOTAL OTHER NONCURRENT ASSETS | 2,570 |
| TOTAL NONCURRENT ASSETS | 294,557 |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Deferred amount on refunding | 400 |
| Pension plans | 2,505 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 2,905 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 373,998 |

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENT OF NET POSITION
AUGUST 31, 2015 (in thousands)

| | 2015 |
|---|------------|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | |
| CURRENT LIABILITIES: | |
| PAYABLE FROM CURRENT ASSETS: | |
| Accounts payable | \$ 7,849 |
| Contracts payable | 1,179 |
| Accrued interest | 529 |
| Unearned revenues | 6,805 |
| TOTAL PAYABLE FROM CURRENT ASSETS | 16,362 |
| PAYABLE FROM RESTRICTED ASSETS: | |
| Accrued interest | 1,496 |
| Construction contracts payable | 2,113 |
| Revenue bonds payable | 2,075 |
| Unearned revenues | 298 |
| Other | 194 |
| TOTAL PAYABLE FROM RESTRICTED ASSETS | 6,176 |
| TOTAL CURRENT LIABILITIES | 22,538 |
| NONCURRENT LIABILITIES: | |
| Revenue bonds payable, net of current portion | 70,467 |
| Contracts payable, net of current portion | 23,819 |
| Net pension liability | 8,081 |
| Unearned revenues | 406 |
| Other liabilities | 843 |
| TOTAL NONCURRENT LIABILITIES | 103,616 |
| TOTAL LIABILITIES | 126,154 |
| DEFERRED INFLOWS OF RESOURCES | 537 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | \$ 126,691 |
| NET POSITION: | |
| Net Investment in capital assets | \$ 187,640 |
| Restricted for construction and debt service | 8,684 |
| Unrestricted | 50,983 |
| TOTAL NET POSITION | \$ 247,307 |

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FISCAL YEARS ENDED AUGUST 31, 2015 (in thousands)

| | 2015 |
|--|------------|
| OPERATING REVENUES: | |
| Water Supply System: | |
| Raw water sales | \$ 34,133 |
| Treated water | 2,208 |
| Wastewater treatment | 1,992 |
| Lake operations | 1,025 |
| Grants | 1,419 |
| Other | 1,011 |
| Cost Reimbursable Operations: | |
| Water conveyance/supply | 3,230 |
| Water treatment | 1,225 |
| Wastewater treatment | 8,685 |
| TOTAL OPERATING REVENUES | 54,928 |
| OPERATING EXPENSES: | |
| Personnel services | 18,675 |
| Materials and supplies | 2,168 |
| Utilities | 3,814 |
| Depreciation and amortization | 7,244 |
| Outside services | 4,697 |
| Repair and maintenance | 2,281 |
| Landfill and sludge hauling | 2,280 |
| Purchased water | 2,610 |
| Other | 1,239 |
| TOTAL OPERATING EXPENSES | 45,008 |
| OPERATING INCOME | 9,920 |
| NON-OPERATING REVENUES (EXPENSES): | |
| Investment income | 493 |
| Interest expense | (4,367) |
| Other expenses | (268) |
| Net gain on sale of capital assets | 820 |
| TOTAL NET NON-OPERATING REVENUES (EXPENSES) | (3,322) |
| INCOME BEFORE CONTRIBUTIONS | 6,598 |
| Capital contributions | 874 |
| CHANGE IN NET POSITION | 7,472 |
| NET POSITION, BEGINNING (restated) | 239,835 |
| NET POSITION, ENDING | \$ 247,307 |

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENT OF CASH FLOWS
FISCAL YEARS ENDED AUGUST 31, 2015 (in thousands)

| | 2015 |
|---|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers | \$ 53,870 |
| Cash paid to suppliers for goods and services | (24,932) |
| Cash paid to employees for services | (13,507) |
| Net cash provided by operating activities | <u>15,431</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Cash paid for capital assets | (6,235) |
| Interest paid | (4,228) |
| Principal payments on long-term debt | (3,928) |
| Proceeds from disposal of capital assets | 1,820 |
| Capital contributions | 502 |
| Other | 25 |
| Net cash used in capital and related financing activities | <u>(12,044)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Sales of investments | 22,974 |
| Purchases of investments | (29,706) |
| Interest received | 491 |
| Net cash provided by in investing activities | <u>(6,241)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | <u>(2,854)</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | |
| (including \$6,638 reported in restricted accounts) | <u>18,625</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | |
| (including \$6,180 reported in restricted accounts) | <u><u>\$ 15,771</u></u> |
| RECONCILIATION OF OPERATING INCOME TO | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating income | \$ 9,920 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 7,222 |
| Amortization | 22 |
| Change in assets, liabilities and deferred inflows and outflows of resources: | |
| Increase in accounts receivable | (522) |
| Decrease in other current assets | 770 |
| Increase in deferred outflows of resources | (1,071) |
| Increase in accounts payable | 81 |
| Decrease in unearned revenue and other liabilities | (426) |
| Decrease in deferred inflows of resources | (565) |
| Total adjustments | <u>5,511</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u><u>\$ 15,431</u></u> |
| NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Bond proceeds deposited into an escrow account for purposes of refunding | <u>\$ 17,555</u> |
| Amounts recorded for accretion on WCRRWL Series 2000 | |
| Capital Appreciation Bonds | <u>\$ 61</u> |

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2015 (in thousands)

| | 2015 |
|------------------------------|---------------|
| ASSETS | |
| Cash | \$ 70 |
| Investments | 835 |
| Accrued Interest | 1 |
| TOTAL ASSETS | \$ 906 |
| LIABILITIES | |
| Held for future debt service | \$ 906 |
| TOTAL LIABILITIES | \$ 906 |

The accompanying notes are an integral part of these statements.

NOTES TO THE BASIC FINANCIAL STATEMENT

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The BRA was created by the Texas Legislature in 1929, pursuant to constitutional Provision Section 59, Article 16, as a governmental agency of the State of Texas. The BRA is governed by a Board of 21 Directors appointed by the Governor for six-year terms, subject to approval by the Texas Senate. The BRA is not financially accountable to the State of Texas. The BRA is responsible for conservation, control, and development of the surface water resources of the Brazos River basin. The BRA cooperates with cities and other local agencies in the construction and operation of water treatment and regional sewerage systems to improve and maintain the quality of water in the Brazos River and its tributaries. The BRA also plans and develops water supply projects and commits the water it can supply under contracts to cities, towns, industries, and other water users throughout the Brazos River basin and adjacent areas.

Principles of Accounting - The accompanying basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting as prescribed by the Governmental Accounting Standards Board ("GASB"). The BRA consists of a single enterprise fund through which all financial activities are recorded, and one agency fund that reports assets and liabilities held by the BRA in a custodial capacity for others.

Basis of Presentation - The BRA presents its financial statements in accordance with the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards. Accordingly, the basic financial statements of the BRA consist of Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Statement of Fiduciary Net Position and Notes to the Basic Financial Statements.

The BRA implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, effective as of September 1, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

Statement No. 68 requires entities to restate prior periods for all periods reported, when practical, and if not practical, the entity should report the cumulative effect of applying this Statement, if any, as a restatement of beginning net position for the earliest period restated. The BRA has elected the latter and as a result will not show comparative basic financial statements in the year of implementation.

Reclassification – Certain prior year balances (Capital Assets) have been reclassified to conform to current year presentation.

Enterprise Funds – Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third-party requirements that the cost of providing services include capital cost, be recovered with fees and charges, or (c) has a pricing policy designed for the fees and charges to record similar cost.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

Agency Funds - The BRA's Agency Fund is created to act as a custodian for the Jonah Water Special Utility District for the facilitating of bond proceeds in accordance with the Inter-local Agreements relating to financial programs. The Agency Fund only reports assets and liabilities in a statement of fiduciary net position.

Revenue Recognition - Revenues are recorded when earned. Unearned revenues are reflected in the accompanying statement of net position as unearned revenues. Nonrefundable charges to contracting parties relating to the acquisition of capital assets or project development costs are initially recorded as noncurrent unearned revenues and are amortized to income over periods equal to the lives of the assets purchased from such charges on a straight-line basis. Refundable charges to contracting parties relating to the acquisition of capital assets or project development costs are recorded as other noncurrent liabilities.

The BRA has constructed reservoir, water treatment and sewerage system facilities which were financed primarily by the issuance of revenue bonds and/or federal grants. The recipients of the services provided by these facilities generally contract to pay the BRA amounts equivalent to operating and maintenance expenses and the debt service requirements of the related revenue bonds. Revenue bond debt service is predominantly applicable to interest in the early years with the portion applicable to principal retirements increasing in later years. Depreciation expense, provided on the straight-line method, usually exceeds the portion of revenues applicable to the principal portion of bond retirements which partially results in reporting operating losses in early years which will reverse in later years.

Deposits and Investments - All highly liquid investments (including restricted assets) with original maturities of three months or less when purchased are considered to be cash equivalents. All investments for the BRA are reported at fair value.

State Statute and Board Policy authorize the BRA to invest any and all of its deposits in fully collateralized CD's, direct securities of the United States of America and other investments specifically allowed by Chapter 2256 of the Texas Government Code (The Public Funds Investment Act)

The BRA's collateral agreement requires that all deposits be fully collateralized by government securities or Texas municipal bonds rated A or better, or Letters of Credit issued or guaranteed by the US Government, its agencies and instrumentalities that have a market value exceeding the total amount of cash and investments held at all times.

Accounts Receivable - Accounts receivable are considered to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operating expenses when that determination is made.

Restricted Assets - Certain proceeds of the BRA's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants. When those proceeds are restricted for the acquisition or construction of noncurrent assets or are restricted for liquidation of long term debt, then they are further classified as noncurrent restricted assets.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

Capital Assets - All purchased capital assets are stated at historical cost. Donated assets are stated at their estimated fair values on the date donated. Newly acquired assets with a cost of five thousand dollars or more and a useful life greater than three years will be capitalized. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|---|----------------|
| Reservoir facilities | 30 to 85 years |
| Water and sewerage system facilities | 25 to 50 years |
| Buildings, structures, and improvements | 20 to 70 years |
| Vehicles, furniture, and equipment | 3 to 35 years |

Other Assets - By agreement in 1988, the BRA amended a water contract with a utility company which provided for the sale of 162,000 acre feet of water per year through the year 2030. The amendment reduced the utility company's right to purchase water to 83,000 acre feet per year beginning January 1, 1989. As consideration for the 79,000 acre-feet reduction, the BRA (1) paid the utility company \$3,823 in 1988 and (2) reduced charges to the utility company by approximately \$350 per year beginning January 1, 1989. The BRA has sold the 79,000 acre-feet to various third parties under long-term water contracts. The balance of \$1,841 at August 31, 2015 is included in other noncurrent assets and will be amortized against related revenues from such contracts over the contract lives.

Compensated Absences - Prior to May 1, 2002 the BRA's employees were granted vacation and sick leave in specified amounts. Effective May 1, 2002 vacation and sick leave were superseded by Personal Time Off (PTO). The BRA's current policy states that upon termination an employee will be paid for 100% of unused vacation time and 50% of their PTO balance up to a maximum of 160 hours (20 days) combined. In addition, for employees eligible to retire only, unused sick leave is paid out at a rate of 50% of their balance or 144 hours (18 days) whichever is less. The total recorded liability for compensated absences, as of August 31, 2015 was \$778. Based on historical data, a portion of the accrual for compensated absences is classified as other noncurrent liabilities.

Budgets and Budgetary Accounting - The BRA is not required under its enabling act to adopt a budget; therefore, comparative statements of actual expenses compared to budgeted expenses are not part of the basic financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Operating Revenues and Expenses - Operating revenues and expenses for Proprietary Funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing or investing activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Post-Employment Benefits (other than pension benefits) - Except for health insurance, provided pursuant to the *Consolidated Omnibus Budget Reconciliation Act* (COBRA), the BRA provides no post-employment benefits.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

2. DEPOSITS AND INVESTMENTS

As of August 31, 2015, the BRA had the following investments:

| Investment Type | 2015 | |
|-------------------------------------|------------|-----------------------------------|
| | Fair Value | Weighted Average Maturity (Years) |
| Certificates of Deposit Total Value | \$ 62,128 | 0.70 |

Credit Risk

Certificates of Deposit - The BRA's adopted Investment Policy ("Policy") and State law restrict certificates of deposit to those which are fully collateralized or insured by the FDIC or its successor. The certificates of deposit must be from banks or an approved broker doing business within the State of Texas or be obtained through a depository institution that has its main office or a branch office in Texas and that contractually agrees to place the funds in a federally insured depository institution with the conditions prescribed in Section 2256.010(b) of the Act. A written depository agreement approved by the bank board or loan committee is required. By Policy, the certificates of deposit must be collateralized to 102% of principal and interest by obligations of the U.S. Government, its agencies and instrumentalities including mortgage backed securities which pass the bank test or obligations of municipal entities of any state rated as to investment quality by a nationally recognized rating agency as "A" or its equivalent or by Letter of Credit issued or guaranteed by the US Government, its agencies and instrumentalities. The bank party is held contractually liable for maintaining the margin daily. All pledged collateral is held by an independent custodian in the BRA's account. All certificates of deposit are restricted to a maximum of thirty-six (36) months to its stated maturity.

Repurchase Agreements - State law and the BRA's adopted Policy require repurchase agreements defined as a buy-and-sell transaction. The transactions must have a defined termination date and be placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank doing business in Texas. They must be secured by obligations of the US Government, its agencies or instrumentalities, to include mortgage backed securities. Collateral is held with a third party selected or approved by the BRA and held in the BRA's name. The custodian or counter-party is held contractually liable for maintaining a margin of 102% of principal and interest. Repurchase agreements include reverse repurchase agreements in which the reinvestment security shall not mature later than the reverse. All BRA repurchase agreement transactions are governed by an executed Master Repurchase Agreement. The maximum stated maturity is 90 days except for flex repurchase agreements used only for bond funds which are matched to the expenditure plan of the bonds. A flex requires additional approval by the General Manager/CEO and the Chief Financial Officer on an issue-by-issue basis.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

Money Market Mutual Funds - The BRA's adopted Policy requires that SEC registered money market mutual funds be AAA-rated as to investment quality, with a dollar weighted average portfolio maturity of 90 days or less and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. However, the Policy restricts BRA participation in these funds to 10% of the total assets of any individual money market mutual fund, excluding bond proceeds and reserves and other funds held for debt service in money market mutual funds.

The BRA's adopted Policy does not authorize no-load mutual funds. State law prohibits investment in no-load mutual funds for any bond proceeds or debt service funds. Participation in such funds is dependent upon specific Board review and authorization.

Local Government Investment Pools - The local government investment pools in Texas are required by state statute to be rated no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service. Pools must comply with the restrictions of state statute (Local Government Code 2256.016).

Portfolio disclosure as of August 31, 2015

- Certificates of deposits represented 79.75% of the total portfolio,
- Fully collateralized demand deposits represented 20.25 % of the total portfolio,
- The BRA had two certificates of deposits with a maturity greater than two years.

Concentration of Credit Risk

The BRA's Policy requires diversification on all investments and diversification is monitored on at least a monthly basis. Diversification by investment type is established by Policy with the following maximum percentages of investment type to the total BRA investment portfolio:

| | <u>Maximum</u> |
|--|-------------------------------|
| a. U.S. Treasury Bills/Notes/Bonds..... | 90% |
| b. U.S. Agencies & Instrumentalities | 90% |
| c. States, Agencies, Counties, Cities, & Other | 50% |
| Limit per issuer..... | 5% |
| d. Certificates of Deposit..... | 90% |
| e. Authorized Local Government Investment Pools..... | 75% |
| Limit per pool..... | 50% |
| f. Money Market Mutual Funds..... | 75% |
| Limit per fund..... | 50% |
| g. Repurchase Agreements..... | 50% (excluding bond proceeds) |

Portfolio disclosure as of August 31, 2015:

- All portfolio sectors were under the maximum percentages allowed by the Policy.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the BRA's Policy sets a maximum maturity on any investment of three (3) years in operating funds and five (5) years in repair and replacement funds and reserve funds. Bond proceeds are to be matched to the planned expenditures of the funds. The Policy restricts the dollar weighted average maturity of operating funds to less than 365 days. The maximum dollar weighted average maturity for repair and replacement funds is two years, for reserve funds is three years, and for debt service funds is one year.

Portfolio disclosure as of August 31, 2015:

- The dollar weighted average maturity of the total portfolio was 255 days
- The portfolio contained no structured securities and no mortgage backed securities

Custodial Credit Risk

To control custody risk State law and the BRA's Policy require all BRA owned securities and all repurchase agreement collateral be transferred delivery versus payment and all owned securities, repurchase agreement collateral and collateral pledged for time and demand deposits be held by an independent party approved by the BRA in the BRA's account. The custodian is required to provide original safekeeping receipts. Repurchase agreements and deposits must be collateralized to 102% by Policy and contract.

Portfolio disclosure as of August 31, 2015:

- The portfolio contained 66 certificates of deposit
- The portfolio contained no repurchase agreements
- All bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits were held by an independent institution outside the bank's holding company.

3. RESTRICTED ASSETS

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

Net position has been restricted for the excess of restricted assets over related liabilities to the extent such restricted assets were accumulated from revenues (i.e., in some cases, restricted assets were obtained in total or in part from the proceeds of bond sales or grants).

Restricted assets represent:

- *Bond Proceeds funds* - Construction of facilities, restricted by purpose of the debt issuance.
- *Debt Service funds* - Current interest and principal of bonded indebtedness, as required by bond covenants.
- *Bond Reserve funds* - Payment of final serial maturity on bonded indebtedness or payment of principal and interest of bonded indebtedness when and to the extent the amount in the debt service funds is insufficient, as required by bond covenants.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

- *Repair and Replacement funds* – Unexpected or extraordinary expenditures for which funds are not otherwise available or for debt service to the extent of debt service funds deficiencies as required by bond covenants.
- *Other funds* – Miscellaneous contractual obligations.

Interest and redemption (sinking funds), reserve funds, and contingency funds have been established as required, in accordance with bond resolutions. Funds may be placed in secured time deposits or invested in direct obligations of, or obligations guaranteed by, the U.S. Government. Interest earned is retained in the applicable funds or transferred to meet debt service requirements in accordance with bond resolutions.

The cash and cash equivalents, investments, and accrued interest components of each fund represented by restricted assets at August 31, 2015 were as follows:

| | 2015 | | |
|------------------------------------|---------------------------------|-----------------|---------------------|
| | Cash and Cash Equivalents | Investments | Accrued Interest |
| CURRENT RESTRICTED: | | | |
| Water Supply System: | | | |
| Debt service funds | \$ 830 | \$ - | \$ - |
| Bond proceeds funds | 2,509 | - | - |
| Water Supply System Total | 3,339 | - | - |
| Cost Reimbursable Operations: | | | |
| Bond proceeds funds | 438 | - | - |
| Debt service funds | 1,875 | - | - |
| Cost Reimbursable Operations Total | 2,313 | - | - |
| TOTAL CURRENT RESTRICTED | \$ 5,652 | \$ - | \$ - |
| NONCURRENT RESTRICTED: | | | |
| Water Supply System: | | | |
| Bond reserve funds | \$ - | \$ 1,425 | \$ 4 |
| Repair and replacement funds | 196 | 4,304 | 1 |
| Other funds | 328 | 227 | - |
| Water Supply System Total | 524 | 5,956 | 5 |
| Cost Reimbursable Operations: | | | |
| Repair and replacement funds | 4 | 496 | - |
| Cost Reimbursable Operations Total | 4 | 496 | - |
| TOTAL NONCURRENT RESTRICTED | \$ 528 | \$ 6,452 | \$ 5 |

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

4. CAPITAL ASSETS

A summary of changes in capital assets for August 31, 2015 follows:

| Classification | Balance at August 31, 2014 | Additions and Transfers | Deletions and Transfers | Balance at August 31, 2015 |
|--|---|--|--|---|
| Capital assets, not being depreciated/amortized: | | | | |
| Land, storage and water rights | \$ 89,984 | \$ 14 | \$ 264 | \$ 90,262 |
| Construction in progress | <u>25,548</u> | <u>4,551</u> | <u>(2,209)</u> | <u>27,890</u> |
| Total capital assets, not being depreciated/amortized | <u>115,532</u> | <u>4,565</u> | <u>(1,945)</u> | <u>118,152</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Reservoirs, water treatment and sewerage facilities | 125,912 | 23 | 13,497 | 139,432 |
| Buildings, structures and improvements | 118,713 | 158 | (13,700) | 105,171 |
| Vehicles | 2,817 | 220 | (151) | 2,886 |
| Furniture | 753 | - | - | 753 |
| Computers | 4,369 | 314 | 233 | 4,916 |
| Tools and heavy equipment | <u>8,578</u> | <u>283</u> | <u>593</u> | <u>9,454</u> |
| Total capital assets, being depreciated/amortized | <u>261,142</u> | <u>998</u> | <u>472</u> | <u>262,612</u> |
| Total Capital Assets | <u>\$ 376,674</u> | <u>\$ 5,563</u> | <u>\$ (1,473)</u> | <u>\$ 380,764</u> |
| Less accumulated depreciation/amortization: | | | | |
| Reservoirs, water treatment and sewerage facilities | \$ 39,065 | \$ 2,556 | \$ 6,036 | \$ 47,657 |
| Buildings, structures and improvements | 37,743 | 3,745 | (6,656) | 34,832 |
| Vehicles | 2,344 | 217 | (153) | 2,408 |
| Furniture | 753 | - | - | 753 |
| Computers | 3,505 | 245 | (13) | 3,737 |
| Tools and heavy equipment | <u>5,909</u> | <u>481</u> | <u>(15)</u> | <u>6,375</u> |
| Total accumulated depreciation/amortization | <u>\$ 89,319</u> | <u>\$ 7,244</u> | <u>\$ (801)</u> | <u>\$ 95,762</u> |
| Net Capital Assets | <u>\$ 287,355</u> | <u>\$ (1,681)</u> | <u>\$ (672)</u> | <u>\$ 285,002</u> |

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

5. UNEARNED REVENUES

Nonrefundable charges to contracting parties relating to the acquisition of capital assets or project development costs are initially recorded as noncurrent unearned revenues and are amortized to income over periods equal to the lives of the assets purchased from such charges on a straight-line basis. Charges that do not yet meet the criteria for revenue recognition are recorded as current unearned revenues until they are available to liquidate liabilities of the current period. Unearned revenues at August 31, 2015 were as follows:

| | 2015 | |
|------------------------------------|--|---|
| | Current Unearned Revenues | Noncurrent Unearned Revenues |
| Unrestricted | | |
| Water Supply System: | | |
| Lake Granbury | \$ 366 | \$ - |
| Lake Limestone | 83 | - |
| Possum Kingdom Lake | 666 | - |
| Federal Reservoirs | 4,971 | - |
| Other Water Supply System | 4 | - |
| Total Water Supply | <u>6,090</u> | <u>-</u> |
| Cost Reimbursable Operations: | | |
| Williamson County RRWL | 250 | 406 |
| Temple-Belton RSS | (133) | - |
| Clute-Richwood RSS | 152 | - |
| Hutto WWS | 315 | - |
| Brushy Creek RWS | 131 | - |
| Total Cost Reimbursable Operations | <u>715</u> | <u>406</u> |
| Total Unrestricted | <u><u>\$ 6,805</u></u> | <u><u>\$ 406</u></u> |
| Restricted | | |
| Cost Reimbursable Operations: | | |
| Williamson County RRWL | \$ 298 | \$ - |
| Total Restricted | <u><u>\$ 298</u></u> | <u><u>\$ -</u></u> |

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

6. NONCURRENT LIABILITIES

Revenue Bonds Payable

Revenue bonds payable consists of the following at August 31, 2015:

| | Balance at August 31, 2014 | Additions | Retired | Balance at August 31, 2015 | Amount Due Within One Year |
|--|---|-------------------------|-------------------------|---|---|
| <i>Water Supply System:</i> | | | | | |
| Series 2002 State Participation Loan | \$ 6,000 | \$ - | \$ - | \$ 6,000 | \$ - |
| Series 2006 Revenue Bonds | 17,805 | - | 17,805 | - | - |
| Series 2009 Revenue Bonds | 17,760 | - | 1,065 | 16,695 | 1,070 |
| Series 2015 Revenue Bonds | - | 16,860 | - | 16,860 | 590 |
| Total Water Supply System | <u>\$ 41,565</u> | <u>\$ 16,860</u> | <u>\$ 18,870</u> | <u>\$ 39,555</u> | <u>\$ 1,660</u> |
| <i>Cost Reimbursable Operations:</i> | | | | | |
| Series 1999 State Participation Loan | \$ 14,955 | \$ - | \$ - | \$ 14,955 | \$ - |
| Series 2000 Capital Appreciation Bon | 1,349 | 61 | 305 | 1,105 | 300 |
| Series 2011 Revenue Bonds | 16,360 | - | 120 | 16,240 | 115 |
| Total Cost Reimbursable Operations | <u>\$ 32,664</u> | <u>\$ 61</u> | <u>\$ 425</u> | <u>\$ 32,300</u> | <u>\$ 415</u> |
| <i>Net (Premium)/Discount on revenue bonds payable</i> | <u>\$ 23</u> | <u>\$ 596</u> | <u>\$ (68)</u> | <u>\$ 687</u> | <u>\$ -</u> |
| <i>Total Net Revenue Bonds Payable</i> | <u><u>\$ 74,252</u></u> | <u><u>\$ 17,517</u></u> | <u><u>\$ 19,227</u></u> | <u><u>\$ 72,542</u></u> | <u><u>\$ 2,075</u></u> |

Revenue bonds payable at August 31, 2015, is further detailed as follows:

Water Supply System:

- *Series 2002 (\$6,000) Brazos River Authority State Participation Loan (Allens Creek Project)* – for purchase of land for Allens Creek Reservoir site; due in installments of \$260 to \$580 beginning from 2022 through 2036; interest at 5.776% to 5.876%
- *Series 2006 (\$17,805) Brazos River Authority* – revenue bonds for the expansion of the East Williamson County Regional Water System due in annual installments of \$535 to \$1,275 through 2035; interest at 4% to 4.5% **(refunded February 2015 with Series 2015)**
- *Series 2009 (\$22,000) Brazos River Authority* – revenue bonds for the construction of a new deep water intake structure, raw water pump station and transmission pipeline at Granger Lake due in annual installments of \$1,060 to \$1,380 through 2029; interest at .174% to 2.815%
- *Series 2015 (\$16,860) Brazos River Authority Refunding Bonds* – Proceeds from the sale of the bonds were used to refund the Water Supply System Revenue Bonds, Series 2006 (originally issued to fund the expansion of the East Williamson County Regional Water System.) The new bonds are due in annual installment of \$590 to \$1,120 through 2028; interest at 2.0% to 4.0%

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

Cost Reimbursable Operation:

- *Series 1999 (\$14,955) Brazos River Authority Texas Water Development Board State Participation Loan for Williamson County Regional Raw Water Line* – due in annual installments of \$860 to \$1,630 beginning from 2021 through 2033; Interest at 4.35% to 5.50%
- *Series 2000 (\$2,795) Brazos River Authority* – capital appreciation bonds for Williamson County Regional Raw Water Line; due in annual installments of \$300 to \$605 through 2019
- *Series 2011 (\$17,190) Brazos River Authority Contract Revenue and Refunding Bonds, (Williamson County Regional Raw Water Line Project)* - to refund the serial portion of the Contract Revenue Bonds Series 2000 for Williamson County Regional Raw Water Line. In addition, proceeds from the sale of the bonds were used to add additional pumps to the project intake structure; due in annual payments of \$115 to \$1,545 through 2030; interest at 2.0% to 5.13%

The Water Supply System bond covenants require that the BRA will fix, establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary to produce Net Revenues for each year, which are at least 1.10 times the maximum annual debt service requirements of all then outstanding bonds and additional parity obligations. For the year ended August 31, 2015, the BRA's coverage rate was 3.53. The BRA was in compliance with this and all other bond covenants and restrictions.

The BRA has adopted the provisions of Governmental Accounting Standards Board Statement No. 23, as amended, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." The Statement requires that the difference between the reacquisition price and the net carrying amount of the refunded old debt be deferred and amortized as a component of interest expense in a systematic and rational manner over the shorter of the life of the old debt or the life of the new debt. GASB 65 further requires the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflows of resources or a deferred inflows of resources. For the year ended August 31, 2015 the cumulative unamortized deferred outflows of resources amounted to \$400. The deferred amount resulted from refunding of debt in 2011 and 2015.

Annual requirements to retire revenue bonds outstanding including interest are:

| | Water Supply System | | Cost Reimbursable Operations | |
|-----------|----------------------------|------------------|-------------------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | \$ 1,660 | \$ 1,522 | \$ 415 | \$ 1,815 |
| 2017 | 1,685 | 1,490 | 843 | 1,821 |
| 2018 | 1,725 | 1,454 | 848 | 1,820 |
| 2019 | 1,765 | 1,415 | 848 | 1,817 |
| 2020 | 1,805 | 1,371 | 910 | 1,742 |
| 2021-2025 | 10,975 | 4,802 | 10,090 | 6,827 |
| 2026-2030 | 11,670 | 2,674 | 13,175 | 3,562 |
| 2031-2035 | 7,690 | 1,041 | 5,171 | 410 |
| 2036 | 580 | 34 | - | - |
| Total | <u>\$ 39,555</u> | <u>\$ 15,803</u> | <u>\$ 32,300</u> | <u>\$ 19,814</u> |

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

Contracts Payable consists of the following at August 31, 2015:

| | Balance at August 31, 2014 | Retired/ (Additions) | Balance at August 31, 2015 | Amts Due Within One Year |
|--|----------------------------------|-------------------------|----------------------------------|--------------------------------|
| \$5,124 to acquire water conservation storage space in the Belton Reservoir; due in annual installments of principal and interest of \$170 through 2006 and \$126 from 2007 through 2024; interest at 2.50% to 2.54% | \$ 1,104 | \$ 98 | \$ 1,006 | \$ 101 |
| \$1,314 to acquire water conservation storage space in the Proctor Reservoir; due in annual installments of principal and interest of \$43 through 2015 and \$35 from 2016 through 2024; interest at 2.69% | 314 | 34 | 280 | 28 |
| \$7,127 to acquire water conservation storage space in the Stillhouse Hollow Reservoir; due in annual installments of principal and interest of \$284 through 2018; interest at 2.72% | 1,061 | 255 | 806 | 262 |
| \$7,383 to acquire water conservation storage space in the Somerville Reservoir; due in annual installments of principal and interest of \$266 through 2023 and \$253 from 2024 through 2027; interest at 2.74% | 2,835 | 188 | 2,647 | 193 |
| \$5,532 to acquire water conservation storage space in the Waco Reservoir; due in annual installments of principal and interest of \$188 through 2015; interest at 2.50% | 184 | 184 | - | - |
| \$15,178 to acquire water conservation storage space in the Granger Reservoir; due in annual installments of principal and interest of \$599 through 2041 and \$598 in 2042; interest at 3.25% | 10,903 | 245 | 10,658 | 252 |
| \$7,130 to acquire water conservation storage space in the Georgetown (formerly Northfork) Reservoir; due in annual installments of principal and interest ranging from \$285 through 2032 to \$135 in 2042; the interest at 3.25% | 4,791 | 129 | 4,662 | 133 |
| \$550 to acquire water rights from Brazos Electric Power Cooperative, Inc., due in annual installments of principal only of \$10 to \$45 through 2020 | 270 | 45 | 225 | 45 |
| \$5,439 to fund the required repair, replacement and rehabilitation of the Belton Reservoir, due in annual installments of principal and interest of \$312 through 2043; interest at 4.25% | 5,439 | 725 | 4,714 | 165 |
| Total | \$ 26,901 | \$ 1,903 | \$ 24,998 | \$ 1,179 |

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

Annual requirements to retire contracts payable outstanding, including interest, are:

| | Contracts Payable | | Total |
|-----------|--------------------------|------------------|------------------|
| | Principal | Interest | |
| 2016 | \$ 1,179 | \$ 773 | \$ 1,952 |
| 2017 | 1,160 | 791 | 1,951 |
| 2018 | 1,194 | 757 | 1,951 |
| 2019 | 946 | 722 | 1,668 |
| 2020 | 974 | 694 | 1,668 |
| 2021-2025 | 4,920 | 3,006 | 7,926 |
| 2026-2030 | 4,251 | 2,231 | 6,482 |
| 2031-2035 | 4,396 | 1,504 | 5,900 |
| 2036-2040 | 4,580 | 703 | 5,283 |
| 2041-2042 | 1,398 | 68 | 1,466 |
| Total | <u>\$ 24,998</u> | <u>\$ 11,249</u> | <u>\$ 36,247</u> |

Other Noncurrent Liabilities

Other noncurrent liability activity for the year ended August 31, 2015 was as follows:

| | Balance at August 31, 2014 | Additions | Reductions | Balance at August 31, 2015 | Amounts Due Within One Year |
|----------------------|---|------------------|-------------------|---|--|
| Unearned Revenues: | | | | | |
| Lake Limestone | \$ 1,920 | \$ - | \$ 1,920 | \$ - | \$ - |
| WCRRWL | 496 | - | 45 | 451 | 45 |
| Total | <u>\$ 2,416</u> | <u>\$ -</u> | <u>\$ 1,965</u> | <u>\$ 451</u> | <u>\$ 45</u> |
| Other Liabilities: | | | | | |
| Hydroelectric | \$ 323 | \$ - | \$ - | \$ 323 | \$ - |
| Trans TX Phase II | 210 | - | - | 210 | - |
| Compensated Absences | 205 | 23 | 14 | 214 | 15 |
| Other | 109 | 2 | - | 111 | - |
| Total | <u>\$ 847</u> | <u>\$ 25</u> | <u>\$ 14</u> | <u>\$ 858</u> | <u>\$ 15</u> |

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

7. NET POSITION

Details of Net Position of investment in capital assets

| | 2015 |
|--|-------------------|
| Net capital assets | \$ 285,002 |
| Deferred outflows of resources | 400 |
| Revenue bonds payable - current & noncurrent | (71,106) |
| Capital Appreciation Bonds due from others | 455 |
| Construction contracts payable | (2,113) |
| Contracts payable, current & noncurrent | (24,998) |
| Total Net Position of investment in capital assets | <u>\$ 187,640</u> |

The unspent proceeds of debt issued for capital purposes and the related debt are excluded from the computation of capital assets. At August 31, 2015 the balance of unspent bond proceeds for capital purposes was \$1,436.

8. RETIREMENT PLANS

Retirement Plan for Employees of Brazos River Authority (Plan):

Plan Description

The Plan, a single employer plan, was established in 1959 by the BRA, a governmental agency of the State of Texas, and was amended and restated effective September 1, 1997. Prior to the revision, the Plan was an exclusive defined benefit structure. Effective September 1, 1997, the Plan was changed to a combination defined benefit and defined contribution structure (Internal Revenue Code Section 401 (a) plan) for all eligible employees who first become participants (or who reenter plan participation) on or after September 1, 1997. Employees who were active plan participants on August 31, 1997 made a one-time irrevocable election to choose either to remain under the benefit provisions of the prior plan as it existed August 31, 1997 or to have benefits determined under the new benefit provisions effective September 1, 1997. On July 16, 2007 the Board of Directors of the BRA approved adoption to freeze the Plan as of September 30, 2007. The resolution amended the Plan by closing the Plan to new entrants, freezing benefit accrual service, limiting compensation and service contributions to the defined contribution component of the Plan. On October 18, 2010 the Board of Directors of the BRA approved a resolution to amend and restate substantially the form of the Plan effective November 30, 2010. The resolution spun-off the defined contribution portion into its own plan and at the same time made effective November 30, 2010 the termination of the Defined Contribution Plan for Employees of Brazos River Authority. The Plan is administered by a Retirement Committee appointed by the BRA's Board of Directors and has a fiscal year-end of the last day in February.

Copies of the Plan's audited annual financial report may be obtained from the BRA's office: P.O. Box 7555, Waco, TX 76714-5555 or on the BRA's website at www.brazos.org.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

Benefits Provided

Eligible employees of the BRA, those hired before September 30, 2007 are covered by the plan, which provides retirement, death and disability benefits. Provided, however, compensation for calendar years beginning on or after January 1, 2008 shall not be included in the determination of average monthly compensation. Effective September 1, 1997 the plan was amended and the structure of benefits was changed. Employees who were active plan participants on August 31, 1997 made a one-time irrevocable election to choose either to remain under the benefit provisions of the prior plan as it existed August 31, 1997 or to have benefits determined under the new benefit provisions effective September 1, 1997.

If electing the provisions prior to August 31, 1997, the participant was classified as a Prior Plan Electing Participants. The pension participant's retirement benefit under the Prior Plan Electing Participant status is determined by the following Formula A or Formula B (whichever produces the greater amount):

- (1) Formula A: The sum of (i) 1.75 percent of average monthly compensation multiplied by the participant's years of benefit accrual service, plus (ii) .52 percent of that portion, if any, of average monthly compensation that is in excess of monthly covered compensation multiplied by the participant's years of benefit accrual service up to a maximum of 35 years.
- (2) Formula B: The sum of (i) 2.70 percent of average monthly compensation multiplied by the participant's years of benefit accrual service up to a maximum of 22 years, plus (ii) 0.52 percent of average monthly compensation multiplied by the participant's years of benefit accrual service in excess of 22 years (up to a maximum of six years), plus (iii) 0.52 percent of that portion, if any, of average monthly compensation that is in excess of monthly covered compensation multiplied by the participant's years of benefit accrual service up to a maximum of 28 years.

If electing the provisions after August 31, 1997 the participant's benefit shall be determined by taking 1% of average monthly compensation multiplied by the participant's years of benefit accrual service.

Employees covered by the Plan

Participation in the Plan, as of the beginning of the year evaluation date, March 1, 2015, is composed of the following:

| Group | 2015 |
|--|-------------|
| Retirees and beneficiaries currently receiving benefits | 110 |
| Terminated Plan members entitled to but not yet receiving benefits | 116 |
| Deferred beneficiaries | 5 |
| Transferred Canal Division employees* | 6 |
| Active Plan members | 114 |
| Total | 351 |

*These participants were transferred to the Galveston County Water Authority on July 21, 1988. These participants are currently employed by the Galveston County Water Authority.

BRAZOS RIVER AUTHORITY
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Contributions

The BRA's employees were not required or allowed to contribute to the Plan. The BRA intends to make, but does not guarantee, annual contributions in amounts at least equal to the amounts that would be required to meet the minimum funding requirements of Section 412 of the Code. The actuarial valuations for the Plan for the valuation date of March 1, 2014 was performed by Gallagher Benefit Services, Inc. A copy of the assumptions used and methods of determining the required contribution for the fiscal years commencing September 1, 2014 can be obtained by contacting the Human Resources Manager at 254-761-3104. The BRA made the minimum funding requirement for the plan years ending February 28, 2014.

Net Pension Liability

The BRA's net pension liability was measured as of March 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

| Actuarial Valuation Information | |
|---------------------------------|---------------|
| | 2015 |
| Actuarial valuation date | March 1, 2015 |
| Actuarial cost method | Entry age |
| Actuarial Assumptions | |
| Investment return* | 6.5% |
| Projected salary increases | N/A** |
| Inflation | 3.5% |

*Includes inflation at the stated rate

** Not applicable due to the amendment to freeze the Plan to new entrants as of 2007.

The schedules of the BRA's net pension liability, presented as required supplementary information ("RSI") following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the plan fiduciary net position.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

BRAZOS RIVER AUTHORITY
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The mortality rates were based on the RP-2000 Combined Healthy Mortality Table, Fully Generational with Scale AA, setback 1 year for males (Changed from RP-2000 Combined Healthy Mortality Table effective March 1, 2015).

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of February 28, 2015 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------------|--------------------------|---|
| Equities-small cap funds | 10% | 9.24% |
| Equities-large cap funds | 25% | 8.49% |
| International equity | 15% | 9.24% |
| Fixed income | 25% | 4.35% |
| Master limited partnerships | 10% | 9.20% |
| Real estate investment trusts | 10% | 8.55% |
| Private equity partnerships | 5% | 10.13% |
| Cash | 0% | 2.00% |

Discount rate

The discount rate used to measure the total pension liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from the BRA will meet the minimum funding requirements as supplied by the actuarially determined computation. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BRAZOS RIVER AUTHORITY
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Changes in the Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|--|--|--|--|
| Balances at 8/31/2014 | \$ 27,970 | \$ 21,721 | \$ 6,249 |
| Changes for the year: | | | |
| Interest | 1,765 | | 1,765 |
| Differences between expected and actual experience | 638 | | 638 |
| Change in assumptions | 1,259 | | 1,259 |
| Benefit payment, including refunds of employee contributions | (1,656) | (1,656) | - |
| Employer contributions | | 682 | (682) |
| Net investment income | | 1,227 | (1,227) |
| Administrative expenses | | (79) | 79 |
| Net changes | 2,006 | 174 | 1,832 |
| Balances at 8/31/2015 | \$ 29,976 | \$ 21,895 | \$ 8,081 |

Sensitivity in the discount rate

The following presents the net pension liability of the Plan calculated using the discount rate of 6.5 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

| | February 28, 2015 | | |
|-----------------------------|-----------------------|------------------------------------|-----------------------|
| | 1% Decrease (5.5%) | Current Discount Rate (6.5%) | 1% Increase (7.5%) |
| BRA's net pension liability | \$11,538 | \$8,081 | \$5,181 |

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. Investment 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.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Pension expense and deferred outflows of resources and deferred inflows of resources related to pension

For the year ended August 31, 2015, the BRA recognized expense of \$1,538. At August 31, 2015 the BRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 577 | \$ - |
| Change in assumptions | 993 | - |
| Net differences between projected and actual earnings on pension plan investments | - | 537 |
| Total | <u>\$ 1,570</u> | <u>\$ 537</u> |

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

| Year ended August 31: | |
|------------------------------|-----------------|
| 2016 | \$ 713 |
| 2017 | 362 |
| 2018 | (73) |
| 2019 | 31 |
| 2020 | - |
| Thereafter | - |
| Total | <u>\$ 1,033</u> |

Texas County and District Retirement System:

Plan Description

The BRA participates in the Texas County and District Retirement System (TCDRS). TCDRS is a non-profit public trust providing pension, disability, and death benefits for the eligible employees of participating counties and districts. TCDRS was established by legislative act in 1967 under authority of Article XVI of the Texas Constitution. The TCDRS Act (Subtitle F, Title 8, and Texas Government Code) is the basis for TCDRS administration. TCDRS issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That annual report may be downloaded at <http://www.tcdrs.org>.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Benefits Provided

The BRA provides retirement, disability, and death benefits for all of its employees through a nontraditional defined benefit pension plan in the statewide TCDRS. A percentage of each employee's paycheck is deposited into his or her TCDRS account. That percentage has been set by the BRA at 6% and the BRA has elected a matching rate of \$2 to \$1. The employee's savings grow at a rate of 7%, as set by state law, compounded annually. At retirement, the employee's account balance is combined with the BRA's matching and converted into a lifetime monthly benefit. Employees earn one month of service credit for each month that they make a deposit into their account. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to a monthly benefit, which includes the employer matching contribution, at age 60 or older.

The plan provisions are adopted by the Board of Directors, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages sixty and above with eight or more years of service, with thirty years of service regardless of age, or when the sum of their age and years of service equals eighty or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer financed benefit. Members who withdraw their personal contribution in a lump sum are not entitled to any amounts contributed by the BRA. The plan offers no post-employment benefits.

Any TCDRS member who is a vested member under Section 844.207 (d) may retire and received a disability retirement annuity if he or she is certified as disabled, as defined by the plan.

Any TCDRS member who has four or more years of service credit with the BRA is eligible for purpose of the Survivor Annuity Death Benefit.

Employees covered by the Plan

Participation in the Plan, as of December 31, 2014, is composed of the following:

| Group | 2014 |
|--|-------------------|
| Retirees and beneficiaries currently receiving benefits | 32 |
| Terminated Plan members entitled to but not yet receiving benefits | 94 |
| Active Plan members | <u>238</u> |
| Total | <u><u>364</u></u> |

Contributions

As an agent, multiple-employer plan, each participating employer in the TCDRS system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

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The BRA has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the annual employer contribution rate for calendar years 2015 and 2014 was 7.33% and 7.78% respectively. The required contribution rate payable by the employee members is 6.0% as adopted by the Board of Directors. The employee and employer contribution rates may be changed by the BRA's Board of Directors within the options available in the TCDRS Act.

Net Pension Liability

The BRA's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| Actuarial Valuation Information | |
|--|-------------------|
| 2015 | |
| Actuarial valuation date | December 31, 2014 |
| Actuarial cost method | Entry age |
| Actuarial Assumptions | |
| Investment return | 8.0% |
| Projected salary increases | 2.0% |
| Inflation | 3.0% |

The mortality rates, for depositing members, were based on the RP-2000 Active Employee Mortality Table for males with a two year set forward and the RP-2000 Active Employee Mortality Table for females with a four year setback, both with the projection scale AA.

Long-term expected rate of return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7 – 10 year time horizon.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Long-term Expected rate of return by Asset Class

| Asset Class | Target Allocation | Geometric Real Rate of Return |
|----------------------------------|--------------------------|--|
| US Equities | 16.50% | 5.35% |
| Private Equities | 12.00% | 8.35% |
| Global Equities | 1.50% | 5.65% |
| International Equities-Developed | 11.00% | 5.35% |
| International Equities-Emerging | 9.00% | 6.35% |
| Investment-Grade Bonds | 3.00% | 0.55% |
| High-Yield Bonds | 3.00% | 3.75% |
| Opportunistic Credit | 5.00% | 5.54% |
| Direct Lending | 2.00% | 5.80% |
| Distressed Debt | 3.00% | 6.75% |
| REIT Equities | 2.00% | 4.00% |
| Commodities | 2.00% | -0.20% |
| Master Limited Partnerships | 2.00% | 5.30% |
| Private Real Estate Partnerships | 3.00% | 7.20% |
| Hedge Funds | 25.00% | 5.15% |

Discount rate

The discount rate used to measure the total pension liability was 8.0 percent gross. The projection of cash flows used to determine the discount rate assumed the contributions from the BRA will meet the minimum funding requirements as supplied by the actuarially determined computation. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability / (Asset)

| | Total Pension Liability (a) | (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a) - (b) |
|--|--|---|--|
| Balances at 8/31/2014 | \$ 15,310 | \$ 15,673 | \$ (363) |
| Changes for the year: | | | |
| Service cost | 1,615 | - | 1,615 |
| Interest | 1,296 | - | 1,296 |
| Differences between expected and actual experience | 32 | - | 32 |
| Benefit payment, including refunds of employee contr | (225) | (225) | - |
| Employer contributions | - | 1,023 | (1,023) |
| Member contributions | - | 789 | (789) |
| Net investment income | - | 1,049 | (1,049) |
| Administrative expenses | - | (13) | 13 |
| Other | - | 6 | (6) |
| Net changes | 2,718 | 2,629 | 89 |
| Balances at 8/31/2015 | \$ 18,028 | \$ 18,302 | \$ (274) |

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

Sensitivity in the discount rate

The following presents the net pension liability of the Plan calculated using the discount rate of 8.0 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

| | December 31, 2014 | | |
|--|-----------------------|------------------------------------|-----------------------|
| | 1% Decrease (7.0%) | Current Discount Rate (8.0%) | 1% Increase (9.0%) |
| Brazos River Authority's net pension liability | \$2,006 | (\$ 274) | (\$2,236) |

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. Investment 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 pension

For the year ended August 31, 2015, the BRA recognized expense of \$848. At August 31, 2015 the BRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 26 | \$ |
| Change in assumption | - | |
| Net difference between projected and actual earnings on pension plan investments | 237 | |
| BRA's contributions subsequent to the measurement date | 672 | |
| Total | <u>\$ 935</u> | <u>\$</u> |

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

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

| Year ended August 31: | |
|-----------------------|---------------|
| 2016 | \$ 64 |
| 2017 | 65 |
| 2018 | 65 |
| 2019 | 64 |
| 2020 | 5 |
| Theareafter | - |
| Total | <u>\$ 263</u> |

A total of \$672 was contributed subsequent to the measurement date of the net pension asset. The amount is recorded in deferred outflows of resources that will be recognized as an increase in the net pension asset in the Fiscal Year ending August 31, 2016.

9. FINANCING ARRANGEMENTS

The BRA regularly enters into agreements with various companies to issue tax-exempt and taxable debt for the benefit of the companies. The BRA issues the debt in amounts sufficient to provide for the construction of the specified capital improvements (usually pollution control and waste disposal facilities) and charges the companies an issuance fee based on the size of the bond issue. The companies then make payments (in the form of installment purchase agreements) to the BRA's trustee in amounts sufficient to service the debt.

- 1) CenterPoint (formerly Houston Industries and Reliant Energy) - Air and/or Water Pollution Control & Waste Disposal facilities:

| Year Issued | Original Amount | Year of Maturity | Interest Rate % | Balance at August 31, 2015 |
|--------------------------|-----------------|------------------|-----------------|----------------------------|
| 1997 | 50,000 | 2018 | 5.050 | \$ 50,000 |
| 1998A | 100,000 | 2019 | Variable | 100,000 |
| 1998B | 90,000 | 2020 | Variable | 90,000 |
| 1998C | 100,000 | 2019 | Variable | 100,000 |
| 1998D | 68,700 | 2015 | 4.900 | 68,700 |
| 1999A | 100,000 | 2026 | Variable | 100,000 |
| 1999B | 100,000 | 2018 | Variable | 100,000 |
| Subtotal for CenterPoint | | | | <u>\$ 608,700</u> |

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

- 2) Texas Competitive Electric Holdings Company LLC - (formerly Texas Utilities Energy Company LLC) - Air and/or Water Pollution Control and Waste Disposal Facilities:

| Year Issued | Original Amount | Year of Maturity | Interest Rate % | Balance at August 31, 2015 |
|--|------------------------|-------------------------|------------------------|-----------------------------------|
| 1994A | 39,170 | 2029 | 5.40 | \$ 39,170 |
| 1994B | 39,170 | 2029 | Variable * | 39,170 |
| 1995A | 50,670 | 2030 | Variable * | 49,770 |
| 1995B | 118,355 | 2030 | Variable * | 113,895 |
| 1999A | 110,545 | 2033 | 7.70 | 110,545 |
| 1999B | 15,955 | 2034 | 15.00 * | 15,955 |
| 1999C | 50,000 | 2032 | 7.70 | 50,000 |
| 2001A | 120,750 | 2030 | 8.25 | 70,750 |
| 2001B | 19,180 | 2029 | Variable * | 19,180 |
| 2001C | 273,985 | 2036 | 15.00 * | 217,180 |
| 2001D-1 | 170,895 | 2033 | 8.25 | 170,895 |
| 2001D-2 | 97,410 | 2033 | Variable * | 97,410 |
| 2001 I | 62,920 | 2036 | Variable * | 61,790 |
| 2002A | 60,650 | 2037 | Variable * | 44,630 |
| 2003A | 43,685 | 2038 | 15.00 * | 43,685 |
| 2003B | 39,025 | 2032 | 6.30 | 39,025 |
| 2003C | 72,335 | 2038 | 6.75 | 51,825 |
| 2003D | 30,820 | 2029 | 5.40 | 30,820 |
| 2006 | 100,000 | 2041 | 5.00 | 100,000 |
| Subtotal for Texas Competitive Electric Holdings Company LLC | | | | <u>\$ 1,365,695</u> |
| Total Pollution Control Financing Arrangements | | | | <u><u>\$ 1,974,395</u></u> |

* Amounts represent bonds held by Texas Competitive Electric Holding Company LLC

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

The BRA has entered into agreements with cities (contracting parties) to issue tax-exempt debt for the benefit of the contracting parties. The BRA issues the debt in amounts sufficient to provide for construction of sewerage treatment and water supply systems. The contracting parties then make payments to the BRA in amounts sufficient to service the debt.

The BRA has no liabilities for repayment of the bonds. The contracting parties pledge revenues from the project as security for the bondholders. Upon redemption of the bonds or completion of the projects, title and interest in the projects transfer to the contracting parties. Accordingly, the constructed assets and the related debt are not reflected in the basic financial statements of the BRA. However, bond proceeds, monies received from the contracting parties, and the related disbursements are included in the BRA's agency funds.

The following is a schedule of the debt issued and outstanding for the contracting parties:

| Contracting Party | Date of Issue | Original Amount | Date of Maturity | Interest Rate | Balance at August 31, 2015 |
|--------------------------|----------------------|------------------------|-------------------------|----------------------|-----------------------------------|
| Jonah Water SUD | 2007 | \$ 3,170 | 2009-2028 | 4.0% to 4.5% | \$ 2,330 |
| Jonah Water SUD | 2008 | \$ 2,630 | 2010-2029 | 3.0% to 5.0% | 2,060 |
| Jonah Water SUD | 2012 | \$ 5,090 | 2015-2032 | 3.0% to 5.0% | 4,875 |
| Total | | | | | <u>\$ 9,265</u> |

10. COMMITMENTS & CONTINGENCIES

Deferred Compensation Plans

The BRA offers its employees a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457 and 401(a). The plans are available to all regular full-time and part-time BRA employees; the plans permit employees to defer a portion of their salary until future years. Participation in the plan is optional.

All regular full-time and part-time employees who contribute to the 457 Deferred Compensation Plan are eligible for employer contributions to the 401 (a) plan. The employer contribution is based on 50% of the employee's 457 semi-monthly deferral (maximum employer contribution is 3% of the employee's semi-monthly gross compensation). Employees are vested in the employer contribution and related investment earnings (losses) after completing five or more years of continuous BRA service. Non-vested employer contributions are deposited into the ICMA Traditional Growth Fund until vesting occurs. Total deposits into the non-vested account for the twelve months ended August 31, 2015 were \$28.

Investments are managed by the plan's administrator under various participant-directed investment options. The choice of the investment option(s) is made by the participant. In accordance with GASB Statement 32, this plan is not reported because the assets are not held by the BRA in a trustee capacity or as an agent for the participant.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

Construction Projects

During Fiscal Year 2015, the BRA made progress on the following projects:

| Name | In Progress at August 31, 2015 | Total Project Budgeted Cost | Estimated Project Comp. Date |
|---|---|--|---|
| System Permit Application | \$ 15,321 | \$ 23,703 | 2021+ |
| Graham Flood Control | 5,191 | 6,840 | 2016 |
| DeCordova Bend Dam Low Flow Facility | 3,712 | 4,004 | 2017 |
| PK Dam Improvement Projects | 723 | 4,549 | various |
| Lake Limestone Improvement Projects | 610 | 8,211 | various |
| Lake Granbury Improvement Projects | 518 | 2,200 | various |
| Allens Creek Reservoir | 259 | 70,169 | 2021+ |
| West Central Brazos Pipeline Improvements | 99 | 1,157 | 2016 |
| Other | 1,457 | - | various |
| Total | <u>\$ 27,890</u> | | |

Other

The BRA has participated in a number of state and federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

The BRA is subject to various other claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the BRA in connection with such claims and lawsuits, it is the opinion of management that the disposition or ultimate determination of such claims and lawsuits will not have a material effect on the financial position of the BRA.

11. RISK MANAGEMENT

The BRA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions, natural disasters, and job-related injuries or illnesses to employees for which the BRA carries commercial insurance or participates in the Texas Municipal League Intergovernmental Risk Pool (Pool). The BRA's relationship with the Pool parallels that with a commercial insurance company. The Pool has the responsibility to defend any suit seeking damages on account of any liability up to the applicable limits of the agreement. The BRA has the responsibility to notify the Pool of all potential claims and pay for any amounts up to the agreement's deductible.

The BRA maintains a partially self-insured plan for medical and dental. The purpose of the partially self-insured plan is to reduce total medical cost for both employees and the BRA. Medical claims exceeding \$90 per covered individual are insured through Texas Municipal League.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

The past three years of changes to the accrued liability account are as follows:

| Fiscal Year Ended | Beginning Balance | Additions | Deletions | Ending Balance |
|------------------------------|------------------------------|------------------|------------------|-----------------------|
| August 31, 2013 | \$ 1,236 | \$ 2,042 | \$ (2,747) | \$ 531 |
| August 31, 2014 | \$ 531 | \$ 3,524 | \$ (3,611) | \$ 444 |
| August 31, 2015 | \$ 444 | \$ 3,816 | \$ (3,933) | \$ 327 |

Liabilities are reported for claims incurred by participants but not reported to the Pool as of the BRA's year end. In the past three years, the BRA has had no settlements which exceeded insurance coverage. The Schedule of Insurance can be found on pages 104 and 105 of this report.

12. BOARD DESIGNATED RESERVES

On April 25, 2005, the Board of Directors of the BRA approved and adopted a contingency reserves policy and incorporated such policy into Section 4.06, "Contingency Reserve" of the BRA Operations Policies Manual. The amount of Board Designated Reserves is included in Unrestricted Net Position.

The balances of those reserves at August 31, 2015 are represented as follows:

| | |
|---------------------------------|------------------|
| Working Capital Reserve | \$ 6,588 |
| Contingency Reserve Fund | 5,000 |
| Self Insurance Fund | 500 |
| Rate Stabilization Reserve Fund | 42,434 |
| Total | <u>\$ 54,522</u> |

13. RECENTLY ISSUED GASB STATEMENTS

In June 2012, the GASB issued Statement No 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement was adopted by the BRA beginning September 1, 2014.

In February 2015, the GASB issued Statement No 72, *Fair Value Measurement and Application*. The requirements of this Statement focus on disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2015 (in thousands)

14. RESTATEMENT – CHANGE IN ACCOUNTING PRINCIPLE

In June 2012, the GASB issued Statement No 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement was adopted by the BRA beginning September 1, 2014.

Upon adoption, the BRA's net pension asset/liability, deferred inflows and outflows of resources and pension expense are now reported in the BRA's financial statements in accordance with this Statement.

Net position as of September 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

| | |
|---|------------|
| Net Position as previously reported at August 31, 2014 | \$ 244,990 |
| Prior period adjustment: | |
| Net Pension Asset – TCDRS (measurement date as of December 31, 2014) | 363 |
| Net Pension Liability – BRA (measurement date as of February 28, 2014) | (6,193) |
| Deferred Outflows of Resources: | |
| BRA's contributions made to TCDRS, after the measurement date of December 31, 2013, made during the Fiscal Year 2014 | 675 |
| Total prior period adjustment | (5,155) |
| Net Position as restated, September 1, 2014 | \$ 239,835 |

REQUIRED SUPPLEMENTAL INFORMATION

**RETIREMENT PLAN FOR EMPLOYEES OF BRAZOS RIVER AUTHORITY
AS OF FEBRUARY 28, 2015 (in thousands) (Unaudited)**

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

LAST 10 YEARS*

| | <u>2015</u> |
|--|------------------|
| Total pension liability | |
| Interest | \$ 1,765 |
| Differences between expected and actual experience | 638 |
| Change of assumptions | 1,259 |
| Benefit payment, including refunds of member contributions | <u>(1,656)</u> |
| Net change in total pension liability | 2,006 |
| Total pension liability --beginning | 27,970 |
| Total pension liability --ending (a) | <u>\$ 29,976</u> |
| Plan fiduciary net position | |
| Employer contributions | \$ 682 |
| Net investment income | 1,226 |
| Benefit payment, including refunds of member contributions | (1,656) |
| Administrative expenses | <u>(79)</u> |
| Net change in plan fiduciary net position | 173 |
| Plan fiduciary net position -- beginning | 21,722 |
| Plan fiduciary net position -- ending (b) | <u>\$ 21,895</u> |
| BRA's net pension liability -- (a) - (b) | <u>\$ 8,081</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 73.04% |
| Covered - employee payroll | \$ 7,962 |
| Net pension liability as a percentage of covered- employee payroll | 101.49% |

* - Fiscal year 2015 was the 1st year of implementation of GASB 68, therefore only one year is shown.

Notes to schedule:

Changes in assumptions. Effective May 18, 2015, the Retirement Committee of the BRA voted and approved the change in the mortality table used in the Actuary's assumptions.

**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
AS OF DECEMBER 31, 2014 (in thousands) (Unaudited)**

**SCHEDULE OF CHANGES IN THE NET PENSION ASSET
AND RELATED RATIOS**

LAST 10 YEARS*

| | January 1, 2014 to December 31, 2014 |
|--|---|
| Total pension liability | |
| Service Cost | \$ 1,616 |
| Interest | 1,295 |
| Differences between expected and actual experience | 32 |
| Change of assumptions | - |
| Benefit payment, including refunds of member contributions | (225) |
| Net change in total pension liability | 2,718 |
| Total pension liability --beginning | 15,310 |
| Total pension liability --ending (a) | \$ 18,028 |
| Plan fiduciary net position | |
| Employer contributions | \$ 1,023 |
| Member contributions | 789 |
| Net investment income | 1,049 |
| Benefit payment, including refunds of member contributions | (225) |
| Administrative expenses | (13) |
| Other | 6 |
| Net change in plan fiduciary net position | 2,629 |
| Plan fiduciary net position -- beginning | 15,673 |
| Plan fiduciary net position -- ending (b) | \$ 18,302 |
| BRA's net pension asset -- (a) - (b) | \$ (274) |
| Plan fiduciary net position as a percentage of the total pension liability | 101.52% |
| Covered - employee payroll | \$ 13,148 |
| Net pension asset as a percentage of covered- employee payroll | 2.08% |

* Fiscal year 2015 was the first year of implementation of GASB 68, therefore only one year is shown.

**Retirement Plan for Employees of
Brazos River Authority**

**SCHEDULE OF BRA'S CONTRIBUTIONS
Last Ten Years (Unaudited)**

| Year Ended August 31 | Actuarially determined contribution (a) | Contributions in relation to the actuarially determined contribution (b) | Contribution deficiency (excess) (b-a) | Covered- Employee payroll | Contributions as a percentage of covered- employee payroll |
|---------------------------------|--|---|---|--|---|
| 2015 | \$682,436 | \$682,436 | - | \$ 7,962,415 | 8.57% |
| 2014 | \$750,287 | \$750,287 | - | \$ 7,815,209 | 9.60% |
| 2013 | \$655,971 | \$655,971 | - | \$ 7,864,785 | 8.34% |
| 2012 | \$302,314 | \$302,314 | - | \$ 8,406,599 | 3.60% |
| 2011 | \$222,879 | \$222,879 | - | \$ 9,028,907 | 2.47% |
| 2010 | \$296,283 | \$296,283 | - | \$ 9,842,617 | 3.01% |
| 2009 | \$ 13,178 | \$ 12,998 | \$180 | \$ 10,356,313 | 0.01% |
| 2008 | - | - | - | \$ 10,757,709 | 0.00% |
| 2007 | \$871,115 | \$871,115 | - | \$ 11,666,534 | 7.47% |
| 2006 | \$780,379 | \$780,379 | - | \$ 10,074,074 | 7.75% |

Note to Schedule:

Actuarially determined contributions for years ending February 28, 2008 and later are mid-year values

**Texas County and District Retirement System
Brazos River Authority**

**SCHEDULE OF BRA'S CONTRIBUTIONS
Last Ten Years* (Unaudited)**

| Year Ended August 31 | Actuarially determined contribution (a) | Contributions in relation to the actuarially determined contribution (b) | Contribution deficiency (excess) (b-a) | Covered- Employee payroll | Contributions as a percentage of covered- employee payroll |
|---------------------------------|--|---|---|--------------------------------------|---|
| 2014 | \$1,022,947 | \$1,022,947 | - | \$ 13,148,400 | 7.80% |
| 2013 | \$1,014,228 | \$1,014,228 | - | \$ 12,920,118 | 7.80% |
| 2012 | \$1,020,748 | \$1,020,748 | - | \$ 12,986,617 | 7.90% |
| 2011 | \$1,046,654 | \$1,046,654 | - | \$ 13,232,021 | 7.90% |
| 2010 | \$1,005,390 | \$1,005,390 | - | \$ 13,211,432 | 7.60% |
| 2009 | \$1,082,689 | \$1,082,689 | - | \$ 13,584,549 | 8.00% |
| 2008 | \$1,045,708 | \$1,045,708 | - | \$ 12,925,935 | 8.10% |
| 2007 | \$ 263,882 | \$263,882 | - | \$ 13,047,304 | 2.00% |

Note to Schedule:

*Beginning October 1, 2007, all existing employees, and any employee hired after that date, transitioned to and became members of the Texas County and District Retirement System.

BRAZOS RIVER AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Notes to Schedule of Employer Contributions and Net Pension Liability

NOTE A – DESCRIPTION OF CHANGES IN THE BRA’S NET PENSION LIABILITY FOR THE RETIREMENT PLAN FOR EMPLOYEES OF BRAZOS RIVER AUTHORITY.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the total pension liability as a factor. Isolated analysis of the dollar amounts of actuarial value of assets, total pension liability, and net pension liability can be misleading. The plan fiduciary net position as a percentage of the total pension liability provides an indication of the Plan’s funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the public employee retirement system is.

Additional information as of the two most recent actuarial valuation dates as of March 1, 2015 and 2014 are as follows:

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|---|---|
| Actuarial cost method | Entry age method | Unit credit method |
| Amortization method | closed 20 year period | closed 20 year period |
| Payroll growth rate for amortization | N/A | N/A |
| Remaining amortization period | N/A | N/A |
| Asset valuation method (Market value) | gains and losses smoothed over a 5 year period | gains and losses smoothed over a 5 year period |
| Actuarial Assumptions: | | |
| Investment rate of return | 6.5%* | 6.5%* |
| Projected salary increase | N/A** | N/A** |
| Cost-of-living adjustments | N/A** | N/A** |
| *Includes inflation at | 3.5% | 3.5% |

** Not applicable due to the amendment to freeze the Plan in 2007.

Effective May 18, 2015, the Retirement Committee of the BRA voted and approved the change in the mortality table used in the Actuaries assumptions. The new mortality table is the RP2000 Combined Healthy Mortality Table, Fully Generational with Scale AA, setback one year for males (changed from RP2000 Combined Healthy Mortality Table effective March 1, 2015).

BRAZOS RIVER AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Notes to Schedule of Employer Contributions and Net Pension Asset

NOTE B – DESCRIPTION OF CHANGES IN THE BRA’S NET PENSION ASSET FOR THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM.

Actuarial Methods and Assumptions Used

Following are the key assumptions and methods used in these schedules:

| | |
|----------------------------|---|
| Valuation Timing | Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. |
| Actuarial Cost Method | Entry Age Normal (1) |
| Asset Valuation Method | |
| Smoothing period | 5 years |
| Recognition method | Non-asymptotic |
| Corridor | None |
| Inflation | 3.0% |
| Salary Increases | 3.50% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. |
| Investment Rate of Return | 8.10% (2) |
| Cost-of-Living Adjustments | Cost-of-living adjustments for BRA are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments are included in the GASB calculations. No assumption for future cost-of-living adjustments are included in the funding valuation. |

- (1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.
- (2) Return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

BRAZOS RIVER AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Notes to Schedule of Employer Contributions and Net Pension Asset

NOTE B – DESCRIPTION OF CHANGES IN THE BRA’S NET PENSION ASSET FOR THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM. (Continued)

Demographic Assumptions

Retirement age Annual Rates of Service Retirement *

| <u>Age</u> | <u>Male</u> | <u>Female</u> | <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|------------|-------------|---------------|
| 40-44 | 4.5% | 4.5% | 62 | 25% | 25% |
| 45-49 | 9 | 9 | 63 | 16 | 16 |
| 50 | 10 | 10 | 64 | 16 | 16 |
| 51 | 10 | 10 | 65 | 30 | 30 |
| 52 | 10.5 | 10.5 | 66 | 25 | 25 |
| 53 | 10.5 | 10.5 | 67 | 24 | 24 |
| 54 | 10.5 | 10.5 | 68 | 22 | 22 |
| 55 | 11 | 11 | 69 | 22 | 22 |
| 56 | 11 | 11 | 70 | 22 | 22 |
| 57 | 11 | 11 | 71 | 22 | 22 |
| 58 | 12 | 12 | 72 | 22 | 22 |
| 59 | 12 | 12 | 73 | 22 | 22 |
| 60 | 14 | 14 | 74** | 22 | 22 |
| 61 | 12 | 12 | | | |

* Deferred members are assumed to retire (100% probability) at the later of: a) age 60 b) earliest retirement eligibility.

** For all eligible members ages 75 and later, retirement is assumed to occur immediately.

Other Terminations of Employment - The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are all set at 0% and the rates do not vary by length of service, entry - age group (age at hire), and sex. No termination after eligibility for retirement is assumed.

Withdrawals - Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to the BRA’s plan are shown in the table below. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

Probability of Withdrawal

| <u>Years of Service</u> | <u>Probability</u> | <u>Years of Service</u> | <u>Probability</u> | <u>Years of Service</u> | <u>Probability</u> | <u>Years of Service</u> | <u>Probability</u> |
|-------------------------|--------------------|-------------------------|--------------------|-------------------------|--------------------|-------------------------|--------------------|
| 0-1 | 100% | 8 | 50% | 15 | 40% | 22 | 26% |
| 2 | 100 | 9 | 49 | 16 | 38 | 23 | 24 |
| 3 | 100 | 10 | 48 | 17 | 36 | 24 | 22 |
| 4 | 100 | 11 | 47 | 18 | 34 | 25 | 20 |
| 5 | 100 | 12 | 46 | 19 | 32 | 26 | 15 |
| 6 | 100 | 13 | 44 | 20 | 30 | 27 | 10 |
| 7 | 100 | 14 | 42 | 21 | 28 | 28 * | 5 |

*Members with more than 28 years of service are not assumed to refund.

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SUPPLEMENTAL INFORMATION

BRAZOS RIVER AUTHORITY
SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (AGENCY FUNDS)
YEAR ENDED AUGUST 31, 2015 (in thousands)

| | Balance August 31, 2014 | Additions | Deletions | Balance August 31, 2015 |
|------------------------------------|-------------------------------|-----------------|-------------------|-------------------------------|
| <u>Jonah Water SUD Agency Fund</u> | | | | |
| ASSETS | | | | |
| Cash | \$ 77 | \$ 1,264 | \$ (1,271) | \$ 70 |
| Investments | 830 | 212 | (207) | 835 |
| Accrued interest | 1 | 7 | (7) | 1 |
| TOTAL ASSETS | <u>\$ 908</u> | <u>\$ 1,483</u> | <u>\$ (1,485)</u> | <u>\$ 906</u> |
| LIABILITIES | | | | |
| Held for future debt service | <u>\$ 908</u> | <u>\$ 838</u> | <u>\$ (840)</u> | <u>\$ 906</u> |
| TOTAL LIABILITIES | <u>\$ 908</u> | <u>\$ 838</u> | <u>\$ (840)</u> | <u>\$ 906</u> |

BRAZOS RIVER AUTHORITY
SUPPLEMENTAL INFORMATION
COMPARISON OF BUDGETED REVENUES AND EXPENSES TO ACTUAL
YEAR ENDED AUGUST 31, 2015 (in thousands)

| | 2015 Budget | 2015 Actual | Variance | |
|---|------------------------|------------------------|-----------------|---|
| OPERATING REVENUES: | | | | |
| Water Supply System: | | | | |
| Raw water sales | \$ 30,020 | \$ 34,133 | \$ 4,113 | 1 |
| Treated water | 2,005 | 2,208 | 203 | |
| Wastewater treatment | 2,125 | 1,992 | (133) | |
| Lake operations | 604 | 1,025 | 421 | |
| Grants | 1,270 | 1,419 | 149 | |
| Other | 569 | 1,011 | 442 | |
| Cost Reimbursable Operations: | | | | |
| Water conveyance | 3,508 | 3,230 | (278) | 2 |
| Water treatment | 1,051 | 1,225 | 174 | |
| Wastewater treatment | 9,721 | 8,685 | (1,036) | 3 |
| TOTAL OPERATING REVENUES | 50,873 | 54,928 | 4,055 | |
| OPERATING EXPENSES: | | | | |
| Personnel services | 19,847 | 18,675 | 1,172 | 4 |
| Materials and supplies | 2,652 | 2,168 | 484 | |
| Utilities | 3,797 | 3,814 | (17) | |
| Depreciation and amortization | - | 7,244 | (7,244) | 5 |
| Outside services | 5,223 | 4,697 | 526 | |
| Repair and maintenance | 2,735 | 2,281 | 454 | |
| Land fill & sludge hauling | 2,130 | 2,280 | (150) | |
| Purchased water | 2,360 | 2,610 | (250) | |
| Other | 3,952 | 1,239 | 2,713 | 6 |
| TOTAL OPERATING EXPENSES | 42,696 | 45,008 | (2,312) | |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Investment income | 360 | 493 | 133 | |
| Interest expense | (4,510) | (4,367) | 143 | |
| Other expenses | - | (268) | (268) | |
| Gain on sale of capital assets | - | 820 | 820 | |
| Capital contributions | - | 874 | 874 | |
| Debt service - principal | (3,215) | - | 3,215 | 7 |
| TOTAL NET NON-OPERATING REVENUES | (7,365) | (2,448) | 4,917 | |
| CHANGE IN NET ASSETS | \$ 812 | \$ 7,472 | \$ 6,660 | |

1 Higher than expected water sales

2 Transported less water than anticipated through the WCRRWL

3 Cost savings across most wastewater treatment facilities

4 Normal attrition in the replacement of personnel

5 Depreciation and amortization are not budgeted expenditures

6 Budget column includes items subsequently reclassified to an asset for the preparation of the CAFR

7 Debt service principal payments are not GAAP expenditures

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STATISTICAL SECTION

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BRAZOS RIVER AUTHORITY

STATISTICAL SECTION

This part of the BRA's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the management's discussion and analysis, financial statements and note disclosures says about the BRA's overall financial health.

Contents

Pages

Financial Trends

These schedules contain information to assist the reader in obtaining a better understanding of how the BRA's financial performance and well-being have changed over time.

84 - 86

Revenue Capacity

These schedules contain information to assist the reader in obtaining a better understanding of the BRA's significant revenue sources, water sales and cost reimbursable operations.

87 - 91

Debt Capacity

These schedules present information to help the reader assess the affordability of the BRA's current levels of outstanding debt, the BRA's ability to issue additional debt in the future, and to provide information to comply with the continuing disclosure requirements of SEC Rule 15c2-12.

92 - 94

Demographic and Economic information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the BRA operates and the geographic regions the BRA manages, each with distinctive climate, topography and water needs.

95 - 101

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the BRA's financial report relates to the services the BRA provides and the activities it performs.

102 - 106

Sources: Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports for the relevant year.

BRAZOS RIVER AUTHORITY
CHANGES IN NET POSITION (in thousands)
LAST TEN FISCAL YEARS (unaudited)
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|-------------|-----------|------------------|------------------|
| | 2015 | 2014 | Restated 2013 | Restated 2012 |
| OPERATING REVENUES: | | | | |
| Water Supply System: | | | | |
| Raw water | \$ 34,133 | \$ 31,420 | \$ 31,915 | \$ 32,795 |
| Treated water | 2,208 | 1,790 | 1,588 | 2,019 |
| Wastewater treatment | 1,992 | 2,095 | 3,585 | 3,424 |
| Lake operations | 1,025 | 934 | 1,638 | 1,739 |
| Hydroelectric | - | - | - | - |
| Grants | 1,419 | 988 | 800 | 902 |
| Pollution control financing fees | - | - | - | - |
| Other | 1,011 | 930 | 867 | 1,149 |
| Cost Reimbursable Operations: | | | | |
| Water conveyance | 3,230 | 3,453 | 3,557 | 3,826 |
| Water treatment | 1,225 | 1,102 | 994 | 7,052 |
| Wastewater treatment | 8,685 | 8,316 | 7,892 | 7,631 |
| TOTAL OPERATING REVENUES | 54,928 | 51,028 | 52,836 | 60,537 |
| OPERATING EXPENSES: | | | | |
| Personnel services | 18,675 | 17,693 | 15,540 | 16,054 |
| Materials and supplies | 2,168 | 2,101 | 2,206 | 2,598 |
| Utilities | 3,814 | 4,329 | 3,792 | 4,267 |
| Depreciation and amortization | 7,244 | 7,274 | 9,297 | 8,745 |
| Outside services | 4,697 | 4,572 | 4,578 | 3,426 |
| Repair and maintenance | 2,281 | 2,260 | 2,638 | 3,175 |
| Landfill and sludge hauling | 2,280 | 2,236 | 2,355 | 3,251 |
| Purchased water | 2,610 | 2,360 | 2,361 | 2,360 |
| Other | 1,239 | 1,028 | 1,123 | 1,132 |
| TOTAL OPERATING EXPENSES | 45,008 | 43,853 | 43,890 | 45,008 |
| OPERATING INCOME | 9,920 | 7,175 | 8,946 | 15,529 |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Investment income | 493 | 470 | 592 | 1,074 |
| Interest expense | (4,367) | (4,283) | (4,183) | (5,801) |
| Other income (d) | - | - | - | - |
| Other expenses | (268) | (107) | (1,165) | (2,286) |
| Gain/(Loss) on sale of capital assets (a),(b),(c) | 820 | (1,466) | (547) | (11,117) |
| TOTAL NET NON-OPERATING REVENUES (EXPENSES) | (3,322) | (5,386) | (5,303) | (18,130) |
| INCOME (LOSS) BEFORE CONTRIBUTIONS & SPECIAL ITEMS: | 6,598 | 1,789 | 3,643 | (2,601) |
| CAPITAL CONTRIBUTIONS | 874 | 479 | 892 | 1 |
| SPECIAL ITEMS (e) | - | - | - | (2,400) |
| CHANGE IN NET POSITION | \$ 7,472 | \$ 2,268 | \$ 4,535 | \$ (5,000) |

- a During Fiscal Year 2006 a transfer agreement was signed by the City of Sugar Land, Texas and the BRA, to transfer ownership and operation of the City of Sugar Land Treatment Facilities. As a result of this transaction, the BRA removed all related assets, liabilities and net position from its books resulting in a loss from sale of operations in the amount of \$5,681
- b During Fiscal Year 2011, the BRA sold most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Land Partnership, Ltd.
- c During Fiscal Year 2012, the customer cities of SWATS and the BRA entered into negotiations for early termination of their contract. Negotiations were complete and the ownership/operation was transferred to the customers May 31, 2012 and all existing contracts, assets, and related debt were transferred to the SWATS customers.
- d Proceeds from litigation settlement of capital assets
- e Central office mold remediation expenses

| Restated | | | | | | |
|-----------|-----------|-----------|-----------|-----------|------------|--|
| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | |
| \$ 33,672 | \$ 28,640 | \$ 29,529 | \$ 26,093 | \$ 23,010 | \$ 19,460 | |
| 1,623 | 1,571 | 1,232 | 1,022 | 1,062 | 1,115 | |
| 3,335 | 3,285 | 3,012 | 2,989 | 2,572 | 2,301 | |
| 2,095 | 4,492 | 3,243 | 3,181 | 3,121 | 2,875 | |
| - | - | 514 | 631 | 603 | 677 | |
| 778 | 1,552 | 1,578 | 1,264 | 1,101 | 1,615 | |
| - | - | - | - | - | 750 | |
| 1,103 | 927 | 1,466 | 1,356 | 1,229 | 1,259 | |
| 3,037 | 1,853 | 3,235 | 2,346 | 2,247 | 1,801 | |
| 8,938 | 8,221 | 8,953 | 8,174 | 7,880 | 8,038 | |
| 7,860 | 8,045 | 7,733 | 7,827 | 7,321 | 7,186 | |
| 62,441 | 58,586 | 60,495 | 54,883 | 50,146 | 47,077 | |
| 15,740 | 16,615 | 16,355 | 15,271 | 14,744 | 14,670 | |
| 2,990 | 2,769 | 3,011 | 2,613 | 2,501 | 2,792 | |
| 4,981 | 4,506 | 5,121 | 4,836 | 4,545 | 4,355 | |
| 9,376 | 9,789 | 9,905 | 8,804 | 9,819 | 9,965 | |
| 4,372 | 5,422 | 4,525 | 4,993 | 4,959 | 4,551 | |
| 2,655 | 2,122 | 2,035 | 1,896 | 1,882 | 1,946 | |
| 2,529 | 2,289 | 2,140 | 2,355 | 2,030 | 1,995 | |
| 2,291 | 2,156 | 2,094 | 1,969 | 1,911 | 1,797 | |
| 1,088 | 1,012 | 1,048 | 805 | 832 | 939 | |
| 46,022 | 46,680 | 46,234 | 43,542 | 43,223 | 43,010 | |
| 16,419 | 11,906 | 14,261 | 11,341 | 6,923 | 4,067 | |
| 1,223 | 891 | 1,329 | 2,187 | 2,832 | 1,941 | |
| (7,166) | (7,341) | (7,419) | (5,848) | (5,928) | (5,963) | |
| - | - | - | 4,125 | - | - | |
| (147) | (735) | (303) | (292) | (765) | (1,352) | |
| 48,865 | 38 | (107) | (391) | 33 | (5,674) | |
| 42,775 | (7,147) | (6,500) | (219) | (3,828) | (11,048) | |
| 59,194 | 4,759 | 7,761 | 11,122 | 3,095 | (6,981) | |
| 636 | 1,203 | 1,035 | 661 | 1,933 | 1,126 | |
| - | - | - | - | - | - | |
| \$ 59,830 | \$ 5,962 | \$ 8,796 | \$ 11,783 | \$ 5,028 | \$ (5,855) | |

BRAZOS RIVER AUTHORITY
NET POSITION BY COMPONENTS (in thousands)
LAST TEN FISCAL YEARS (unaudited)
(accrual basis of accounting)

| Fiscal Year | Net Invested in Capital Assets | Restricted For Construction and Debt Service | Unrestricted | Total Net Position |
|--------------------|---------------------------------------|---|---------------------|---------------------------|
| 8/31/2006 | 98,325 | 18,678 | 35,071 | 152,074 |
| 8/31/2007 | 98,880 | 22,634 | 36,907 | 158,421 |
| 8/31/2008 | 111,857 | 13,774 | 44,572 | 170,203 |
| 8/31/2009 | 135,152 | 6,149 | 37,698 | 178,999 |
| 8/31/2010 | 135,931 | 5,641 | 43,389 | 184,961 |
| 8/31/2011 | 143,435 | 9,393 | 90,359 | 243,187 |
| 8/31/2012 | 173,492 | 6,490 | 58,205 | 238,187 |
| 8/31/2013 | 180,670 | 9,627 | 52,425 | 242,722 |
| 8/31/2014 | 187,305 | 8,800 | 43,730 | 239,835 |
| 8/31/2015 | 187,459 | 8,684 | 51,164 | 247,307 |

- During Fiscal Year 2006, the customer, City of Sugar Land, and the BRA entered into negotiations for early termination of their contract. Negotiations were completed and the ownership/operation was transferred to the City of Sugar Land on October 25, 2005 and all existing contracts, assets and related debt were transferred to the City of Sugar Land.
- During Fiscal Year 2008, the BRA spent the majority of the bond proceeds and completed the expansion project at its East Williamson County Regional Water System.
- During Fiscal Year 2009, the BRA issued \$22,000 in new debt for the construction of the deep water intake structure on Granger Lake.
- During Fiscal Year 2011, the BRA sold most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Land Partnership, Ltd.
- During Fiscal Year 2012, the BRA disposed of all assets and liabilities related to the SWATS operation as a result of the transfer agreement with the contracting parties of the SWATS operation. In addition, during the Fiscal Year 2012, the BRA redeemed the Series 2002 Water Supply bonds, the Series 2005A Water Supply bonds, and the Contracts Payable for the Aquilla Reservoir storage space.
- During Fiscal Year 2014, the BRA disposed of all assets related to the Temple Belton Wastewater Treatment Plant operation as a result of the transfer agreement with the contracting parties. In addition, during the Fiscal Year 2014 the BRA redeemed the Series 2005B Water Supply bonds.
- During Fiscal Year 2015, the BRA implemented GASB 68. The Statement 68 requires entities to restate prior periods for all periods reported, when practical, and if not practical, the entity should report the cumulative effect of applying this Statement, if any, as a restatement of beginning net position for the earliest period restated. The BRA has elected the latter and as a result reduced the unrestricted portion of total net position by \$5,155 for Fiscal Year 8/31/2014.

BRAZOS RIVER AUTHORITY
BUDGETED LONG TERM WATER SUPPLY REVENUES BY CONTRACT TYPE
LAST TEN FISCAL YEARS (unaudited)

| Year | System Rate | | Agriculture | | Two-Tier | | Other Fixed | | Colorado Basin Water | | Utilities | | Total |
|------|-------------|-----------|-------------|-----------|-----------|-----------|-------------|-----------|----------------------|-----------|-----------|-----------|-----------|
| | Acre Feet | Avg Price | Acre Feet | Avg Price | Acre Feet | Avg Price | Acre Feet | Avg Price | Acre Feet | Avg Price | Acre Feet | Avg Price | Acre Feet |
| 2006 | 205,817 | 49.65 | 11,344 | 39.75 | 105,503 | 16.30 | 56,300 | 21.10 | 22,460 | 54.08 | 205,447 | 16.24 | 606,871 |
| 2007 | 224,537 | 52.50 | 9,940 | 39.75 | 105,503 | 16.36 | 56,916 | 20.00 | 20,984 | 62.07 | 205,447 | 16.85 | 623,327 |
| 2008 | 243,481 | 54.50 | 9,990 | 39.75 | 103,838 | 16.59 | 33,583 a | 17.52 | 21,528 | 67.73 | 205,447 | 18.18 | 617,867 |
| 2009 | 289,414 | 57.00 | 9,990 | 39.75 | 100,238 | 16.51 | 33,583 | 17.71 | 25,000 | 72.86 | 205,447 | 16.10 | 663,672 |
| 2010 | 294,741 | 60.50 | 10,190 | 42.35 | 100,238 | 16.54 | 33,633 | 17.87 | 21,528 | 74.19 | 205,447 | 16.42 | 665,777 |
| 2011 | 296,773 | 62.50 | 10,190 | 43.75 | 100,238 | 16.54 | 33,633 | 18.14 | 25,000 | 83.07 | 205,447 | 16.10 | 671,281 |
| 2012 | 296,891 | 62.50 | 10,160 | 43.75 | 100,238 | 16.72 | 33,583 | 18.30 | 21,528 | 81.49 | 205,447 | 15.46 | 667,847 |
| 2013 | 296,546 | 62.50 | 10,160 | 43.75 | 100,238 | 16.72 | 33,878 | 18.36 | 21,528 | 81.19 | 205,447 | 18.36 | 667,797 |
| 2014 | 294,506 | 65.65 | 10,160 | 45.95 | 100,238 | 17.04 | 33,878 | 18.47 | 25,000 | 83.02 | 205,447 | 12.30 | 669,229 |
| 2015 | 294,546 | 69.50 | 10,285 | 48.65 | 100,238 | 17.14 | 33,778 | 18.66 | 25,000 | 88.44 | 205,447 | 11.04 | 669,294 |

Source: Brazos River Authority Annual Operating Plan.

a - Twenty three thousand three hundred acre feet, consisting of an Other Fixed Price Contract, expired and was contracted under a System Rate Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

BRAZOS RIVER AUTHORITY
MAJOR CUSTOMERS
ALL OPERATIONS
LAST TEN FISCAL YEARS (unaudited) (in thousands)

| Fiscal Year 2015 | | | Fiscal Year 2014 | | |
|-----------------------------|------------------|-------------------------------|-----------------------------|------------------|-------------------------------|
| Customer | Revenues | % of Total Operating Revenues | Customer | Revenues | % of Total Operating Revenues |
| City of Round Rock | \$ 9,014 | 16.41 | City of Round Rock | \$ 8,464 | 16.59 |
| City of Georgetown | 5,138 | 9.35 | City of Georgetown | 3,529 | 6.92 |
| Gulf Coast Water Authority | 3,581 | 6.52 | Gulf Coast Water Authority | 3,405 | 6.67 |
| City of Temple | 2,474 | 4.50 | NRG Texas Power, L.L.C. ** | 2,595 | 5.09 |
| City of Sugar Land | 2,440 | 4.44 | City of Sugar Land | 2,376 | 4.66 |
| Dow Chemical Company | 1,994 | 3.63 | City of Temple | 2,278 | 4.46 |
| Bell County Water C.I.D. #1 | 1,937 | 3.53 | Dow Chemical Company | 1,900 | 3.72 |
| City of Taylor | 1,599 | 2.91 | Bell County Water C.I.D. #1 | 1,882 | 3.69 |
| TXU Electric / Oakgrove | 1,583 | 2.88 | TXU Electric / Oakgrove | 1,514 | 2.97 |
| NRG Texas Power, LLC.** | 1,542 | 2.81 | Chisholm Trail S.U.D. | 1,305 | 2.56 |
| | <u>\$ 31,302</u> | <u>56.98</u> | | <u>\$ 29,248</u> | <u>57.33</u> |

| Fiscal Year 2013 | | | Fiscal Year 2012 | | |
|-----------------------------|------------------|-------------------------------|-----------------------------|------------------|-------------------------------|
| Customer | Revenues | % of Total Operating Revenues | Customer | Revenues | % of Total Operating Revenues |
| City of Round Rock | \$ 8,313 | 15.73 | City of Round Rock | \$ 8,450 | 13.96 |
| Gulf Coast Water Authority | 5,059 | 9.57 | Johnson County S.U.D.* | 5,673 | 9.37 |
| City of Georgetown | 4,831 | 9.14 | City of Georgetown | 4,470 | 7.38 |
| NRG Texas Power, L.L.C. ** | 2,618 | 4.95 | Gulf Coast Water Authority | 4,412 | 7.29 |
| City of Sugar Land | 2,425 | 4.59 | NRG Texas Power, L.L.C. ** | 2,593 | 4.28 |
| Dow Chemical Company | 2,375 | 4.49 | City of Sugar Land | 2,121 | 3.50 |
| City of Temple | 2,077 | 3.93 | City of Temple | 2,241 | 3.70 |
| Bell County Water C.I.D. #1 | 1,836 | 3.48 | Bell County Water C.I.D. #1 | 1,828 | 3.02 |
| TXU Electric / Oakgrove | 1,607 | 3.04 | Dow Chemical Company | 1,820 | 3.01 |
| City of Taylor | 1,266 | 2.40 | TXU Electric / Oakgrove | 1,648 | 2.72 |
| | <u>\$ 32,407</u> | <u>61.32</u> | | <u>\$ 35,256</u> | <u>58.23</u> |

| Fiscal Year 2011 | | | Fiscal Year 2010 | | |
|-----------------------------|----------------------|-------------------------------|--------------------------------|------------------|-------------------------------|
| Customer | Revenues | % of Total Operating Revenues | Customer | Revenues | % of Total Operating Revenues |
| City of Round Rock | \$ 7,167 | 11.48 | Johnson County S.U.D.* | \$ 6,551 | 11.18 |
| Gulf Coast Water Authority | 6,821 | 10.93 | City of Round Rock | 6,357 | 10.85 |
| Johnson County S.U.D.* | 5,611 | 8.99 | City of Georgetown | 4,472 | 7.63 |
| City of Georgetown | 4,968 | 7.96 | Lower Colorado River Authority | 3,414 (2) | 5.83 |
| NRG Texas Power, L.L.C. ** | 2,594 | 4.16 | NRG Texas Power, L.L.C. ** | 2,629 | 4.49 |
| City of Temple | 2,350 | 3.77 | City of Temple | 2,579 | 4.40 |
| City of Sugar Land | 1,994 | 3.19 | Gulf Coast Water Authority | 2,513 | 4.29 |
| Dow Chemical Company | 1,928 | 3.09 | Bell County W.C.I.D. #1 | 1,782 | 3.04 |
| Bell County Water C.I.D. #1 | 1,813 | 2.90 | City of Sugar Land | 1,743 | 2.98 |
| TXU Electric / Oakgrove | 1,450 | 2.32 | TXU Electric / Oakgrove | 1,545 | 2.64 |
| | <u>\$ 36,696 (1)</u> | <u>58.79</u> | | <u>\$ 33,585</u> | <u>57.33</u> |

| Fiscal Year 2009 | | | Fiscal Year 2008 | | |
|--------------------------------|----------------------|-------------------------------|----------------------------------|------------------|-------------------------------|
| Customer | Revenues | % of Total Operating Revenues | Customer | Revenues | % of Total Operating Revenues |
| Johnson County S.U.D.* | \$ 7,593 | 12.55 | Johnson County S.U.D.* | \$ 6,845 | 12.47 |
| Lower Colorado River Authority | 6,779 | 11.21 | Lower Colorado River Authority | 5,791 | 10.55 |
| City of Georgetown | 4,129 | 6.83 | City of Georgetown | 4,100 | 7.47 |
| City of Round Rock | 4,040 | 6.68 | City of Round Rock | 3,750 | 6.83 |
| Gulf Coast Water Authority | 3,266 | 5.40 | NRG Texas Power, L.L.C.** | 2,466 | 4.49 |
| City of Temple | 2,550 | 4.22 | Acton Municipal Utility District | 2,049 | 3.73 |
| NRG Texas Power, L.L.C.** | 2,525 | 4.17 | City of Temple | 2,013 | 3.67 |
| City of Sugar Land | 1,846 | 3.05 | Gulf Coast Water Authority | 1,806 | 3.29 |
| Dow Chemical Company | 1,810 | 2.99 | Bell County W.C.I.D. #1 | 1,692 | 3.08 |
| Bell County W.C.I.D. #1 | 1,727 | 2.85 | City of Sugar Land | 1,622 | 2.96 |
| | <u>\$ 36,265</u> (1) | <u>59.95</u> | | <u>\$ 32,134</u> | <u>58.54</u> |

| Fiscal Year 2007 | | | Fiscal Year 2006 | | |
|--------------------------------|------------------|-------------------------------|--------------------------------|------------------|-------------------------------|
| Customer | Revenues | % of Total Operating Revenues | Customer | Revenues | % of Total Operating Revenues |
| Johnson County S.U.D.* | \$ 6,580 | 13.12 | Lower Colorado River Authority | \$ 5,080 | 10.79 |
| Lower Colorado River Authority | 5,335 | 10.64 | Johnson County S.U.D.* | 4,824 | 10.25 |
| City of Round Rock | 3,884 | 7.74 | City of Round Rock | 3,285 | 6.98 |
| City of Georgetown | 3,597 | 7.17 | City of Georgetown | 2,998 | 6.37 |
| City of Temple | 2,550 | 5.09 | City of Temple | 2,413 | 5.13 |
| NRG Texas Power, L.L.C.** | 2,148 | 4.28 | City of Sugar Land | 2,155 | 4.58 |
| Bell County W.C.I.D. #1 | 1,646 | 3.28 | NRG Texas, LP (Texas Genco)** | 1,919 | 4.08 |
| City of Sugar Land | 1,579 | 3.15 | TXU Electric Company | 1,863 | 3.96 |
| City of Granbury | 1,397 | 2.79 | City of Taylor | 1,160 | 2.46 |
| Gulf Coast Water Authority | 1,077 | 2.15 | Bell County W.C.I.D. #1 | 1,121 | 2.38 |
| | <u>\$ 29,793</u> | <u>59.41</u> | | <u>\$ 26,818</u> | <u>56.98</u> |

*Johnson County Special Utility District was formerly Johnson County Rural Water Supply Corporation

**NRG Texas, LP was formerly Texas Genco, LP; formerly Reliant Energy; and formerly Houston Lighting & Power Co.

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

Source: Brazos River Authority Billing System

(1) The increase is due to higher demand for water during the record drought

(2) The decrease is due to LCRA selling back operations to the contracting parties

BRAZOS RIVER AUTHORITY
MAJOR CUSTOMERS
WATER SUPPLY SYSTEM
LAST TEN FISCAL YEARS (unaudited) (in thousands)

| Fiscal Year 2015 | | |
|-----------------------------|------------------|-------------------------|
| Customer | Revenues | % of Total WSS Revenues |
| City of Round Rock | \$ 3,704 | 8.95 |
| Gulf Coast Water Authority | 3,581 | 8.66 |
| City of Georgetown | 3,151 | 7.62 |
| NRG Texas Power LLC | 2,733 | 6.61 |
| City of Sugar Land | 2,440 | 5.90 |
| Dow Chemical Company | 1,994 | 4.82 |
| Bell County Water C.I.D. #1 | 1,937 | 4.68 |
| City of Taylor | 1,599 | 3.87 |
| TXU Electric / Oakgrove | 1,583 | 3.83 |
| City of Cleburne | 1,043 | 2.52 |
| | <u>\$ 23,765</u> | <u>57.46</u> |

| Fiscal Year 2014 | | |
|-----------------------------|------------------|-------------------------|
| Customer | Revenues | % of Total WSS Revenues |
| Gulf Coast Water Authority | \$ 3,405 | 8.92 |
| City of Round Rock | 3,361 | 8.81 |
| City of Sugar Land | 2,376 | 6.23 |
| NRG Texas Power LLC | 2,281 | 5.98 |
| City of Georgetown | 2,112 | 5.53 |
| Dow Chemical Company | 1,900 | 4.98 |
| Bell County Water C.I.D. #1 | 1,882 | 4.93 |
| TXU Electric / Oakgrove | 1,514 | 3.97 |
| City of Taylor | 1,273 | 3.34 |
| City of Cleburne | 985 | 2.58 |
| | <u>\$ 21,089</u> | <u>55.27</u> |

| Fiscal Year 2013 | | |
|-----------------------------|------------------|-------------------------|
| Customer | Revenues | % of Total WSS Revenues |
| Gulf Coast Water Authority | \$ 5,059 | 12.63 |
| City of Georgetown | 3,629 | 9.06 |
| City of Round Rock | 3,262 | 8.15 |
| NRG Texas Power LLC | 2,618 | 6.54 |
| City of Sugar Land | 2,425 | 6.06 |
| Dow Chemical Company | 2,077 | 5.19 |
| Bell County Water C.I.D. #1 | 1,836 | 4.59 |
| TXU Electric / Oakgrove | 1,607 | 4.01 |
| City of Taylor | 1,266 | 3.16 |
| City of Cleburne | 938 | 2.34 |
| | <u>\$ 24,717</u> | <u>61.73</u> |

| Fiscal Year 2012 | | |
|-----------------------------|------------------|-------------------------|
| Customer | Revenues | % of Total WSS Revenues |
| Gulf Coast Water Authority | \$ 4,412 | 10.50 |
| City of Georgetown | 3,654 | 8.69 |
| City of Round Rock | 3,309 | 7.87 |
| NRG Texas Power LLC | 2,593 | 6.17 |
| City of Sugar Land | 2,121 | 5.05 |
| Bell County Water C.I.D. #1 | 1,828 | 4.35 |
| Dow Chemical Company | 1,820 | 4.33 |
| TXU Electric / Oakgrove | 1,648 | 3.92 |
| City of Taylor | 1,608 | 3.83 |
| City of Cleburne | 938 | 2.23 |
| | <u>\$ 23,931</u> | <u>56.94</u> |

| Fiscal Year 2011 | | |
|-----------------------------|----------------------|-------------------------|
| Customer | Revenues | % of Total WSS Revenues |
| Gulf Coast Water Authority | \$ 6,821 | 16.02 |
| City of Georgetown | 3,582 | 8.41 |
| City of Round Rock | 3,301 | 7.75 |
| NRG Texas Power LLC | 2,594 | 6.09 |
| City of Sugar Land | 1,998 | 4.69 |
| Dow Chemical Company | 1,928 | 4.53 |
| Bell County Water C.I.D. #1 | 1,813 | 4.26 |
| TXU Electric / Oakgrove | 1,450 | 3.41 |
| City of Taylor | 1,262 | 2.96 |
| City of Cleburne | 938 | 2.20 |
| | <u>\$ 25,687</u> (1) | <u>60.32</u> |

| Fiscal Year 2010 | | |
|-------------------------------|------------------|-------------------------|
| Customer | Revenues | % of Total WSS Revenues |
| City of Georgetown | \$ 3,489 | 8.62 |
| City of Round Rock | 3,062 | 7.57 |
| NRG Texas Power, L.L.C.** | 2,629 | 6.50 |
| Gulf Coast Water Authority | 2,513 | 6.21 |
| Bell County W.C.I.D. #1 | 1,782 | 4.40 |
| City of Sugar Land | 1,743 | 4.31 |
| TXU Electric / Oakgrove | 1,545 | 3.82 |
| City of Taylor | 1,262 | 3.12 |
| Texas Water Development Board | 1,028 | 2.54 |
| City of Cleburne | 908 | 2.24 |
| | <u>\$ 19,961</u> | <u>49.33</u> |

| Fiscal Year 2009 | | | Fiscal Year 2008 | | |
|-----------------------------------|----------------------|-------------------------|----------------------------|------------------|-------------------------|
| Customer | Revenues | % of Total WSS Revenues | Customer | Revenues | % of Total WSS Revenues |
| City of Georgetown | \$ 3,276 | 8.06 | City of Round Rock | \$ 2,777 | 7.60 |
| Gulf Coast Water Authority | 3,266 | 8.04 | NRG Texas Power, LLC* | 2,187 | 5.99 |
| City of Round Rock | 2,975 | 7.32 | Gulf Coast Water Authority | 1,789 | 4.90 |
| NRG Texas Power, LLC* | 2,525 | 6.22 | City of Georgetown | 1,753 | 4.80 |
| City of Sugar Land | 1,846 | 4.54 | Bell County W.C.I.D. #1 | 1,692 | 4.63 |
| Dow Chemical Company | 1,810 | 4.46 | City of Sugar Land | 1,623 | 4.44 |
| Bell County W.C.I.D. #1 | 1,727 | 4.25 | City of Taylor | 1,094 | 2.99 |
| TXU Electric Company | 1,404 | 3.46 | TXU Electric Company | 788 | 2.16 |
| Brazos Electric Power Cooperative | 1,075 | 2.65 | Johnson County S.U.D. | 734 | 2.01 |
| City of Taylor | 1,010 | 2.49 | City of Cleburne | 681 | 1.86 |
| | <u>\$ 20,914</u> (1) | <u>51.49</u> | | <u>\$ 15,118</u> | <u>41.38</u> |

| Fiscal Year 2007 | | | Fiscal Year 2006 | | |
|-----------------------------------|------------------|-------------------------|-----------------------------------|------------------|-------------------------|
| Customer | Revenues | % of Total WSS Revenues | Customer | Revenues | % of Total WSS Revenues |
| City of Round Rock | \$ 2,841 | 8.69 | City of Georgetown | \$ 2,426 | 8.07 |
| City of Georgetown | 2,817 | 8.62 | NRG Texas, LP (Texas Genco)* | 1,919 | 6.39 |
| Bell County W.C.I.D. #1 | 1,648 | 5.04 | City of Round Rock | 1,851 | 6.16 |
| City of Sugar Land | 1,579 | 4.83 | TXU Electric Company | 1,831 | 6.09 |
| NRG Texas Power, LLC* | 1,367 | 4.18 | City of Taylor | 1,160 | 3.86 |
| Gulf Coast Water Authority | 1,067 | 3.26 | Bell County W.C.I.D. #1 | 1,121 | 3.73 |
| City of Taylor | 1,062 | 3.25 | Gulf Coast Water Authority | 1,093 | 3.64 |
| TXU Electric Company | 1,027 | 3.14 | City of Sugar Land | 1,085 | 3.61 |
| North Texas Living Water Resource | 934 | 2.86 | Brazos Electric Power Cooperative | 686 | 2.28 |
| Johnson County S.U.D. | 707 | 2.16 | Johnson County S.U.D. | 669 | 2.23 |
| | <u>\$ 15,047</u> | <u>46.03</u> | | <u>\$ 13,843</u> | <u>46.06</u> |

*NRG Texas, LP was formerly Texas Genco, LP; formerly Reliant Energy; and formerly Houston Lighting & Power Co.

(1) The increase is due to higher demand for water during the record drought

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

Source: Brazos River Authority Billing System

BRAZOS RIVER AUTHORITY
WATER SUPPLY REVENUE BOND DEBT
SERIES 2009 AND SERIES 2015 (in thousands)
AMORTIZATION SCHEDULE (unaudited)

| Fiscal Year Ended August 31 | Series 2015 | | Series 2009 | | Outstanding Bonds | | Total Debt Service Requirements | % Of Principal Retired |
|-----------------------------------|-------------|----------|-------------|----------|-------------------|----------|---------------------------------------|------------------------------|
| | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST | | |
| 2016 | \$ 590 | \$ 547 | \$ 1,070 | \$ 333 | \$ 1,660 | \$ 880 | \$ 2,540 | |
| 2017 | 610 | 523 | 1,075 | 325 | 1,685 | 848 | 2,533 | |
| 2018 | 640 | 499 | 1,085 | 315 | 1,725 | 814 | 2,539 | |
| 2019 | 665 | 472 | 1,100 | 301 | 1,765 | 773 | 2,538 | |
| 2020 | 690 | 445 | 1,115 | 285 | 1,805 | 730 | 2,535 | 25.75 |
| 2021 | 720 | 417 | 1,135 | 264 | 1,855 | 681 | 2,536 | |
| 2022 | 750 | 387 | 1,160 | 241 | 1,910 | 628 | 2,538 | |
| 2023 | 780 | 357 | 1,185 | 215 | 1,965 | 572 | 2,537 | |
| 2024 | 810 | 325 | 1,215 | 187 | 2,025 | 512 | 2,537 | |
| 2025 | 835 | 301 | 1,245 | 157 | 2,080 | 458 | 2,538 | 55.06 |
| 2026 | 855 | 283 | 1,275 | 125 | 2,130 | 408 | 2,538 | |
| 2027 | 875 | 260 | 1,310 | 92 | 2,185 | 352 | 2,537 | |
| 2028 | 900 | 233 | 1,345 | 56 | 2,245 | 289 | 2,534 | |
| 2029 | 930 | 206 | 1,380 | 19 | 2,310 | 225 | 2,535 | |
| 2030 | 960 | 177 | | | 960 | 177 | 1,137 | 84.35 |
| 2031 | 985 | 148 | | | 985 | 148 | 1,133 | |
| 2032 | 1,015 | 118 | | | 1,015 | 118 | 1,133 | |
| 2033 | 1,050 | 87 | | | 1,050 | 87 | 1,137 | |
| 2034 | 1,080 | 53 | | | 1,080 | 53 | 1,133 | |
| 2035 | 1,120 | 18 | | | 1,120 | 18 | 1,138 | 100.00 |
| Total | \$ 16,860 | \$ 5,856 | \$ 16,695 | \$ 2,917 | \$ 33,555 | \$ 8,773 | \$ 42,329 | |

Source: Combined Bond Resolutions

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

**WATER SUPPLY REVENUE BONDS
SERIES 2009 AND SERIES 2015
COVERAGE AND ACCOUNT BALANCES
AUGUST 31, 2015 (unaudited) (in thousands)**

| | |
|---|-----------------------|
| Average Annual Principal and Interest Requirements, 2016 - 2035 | \$ 2,116 |
| Coverage of Average Requirements by August 31, 2015 Net Revenues* | 4.34 |
| Maximum Principal and Interest Requirements, 2016 | \$ 2,540 |
| Coverage of Maximum Requirements by August 31, 2015 Net Revenues* | 3.61 |
| System Revenue Bonds Outstanding, August 31, 2015 | \$ 33,555 |
| Interest and Sinking Account Balance, August 31, 2015 | \$ 830 ¹ |
| Reserve Account Balance, August 31, 2015 (Series 2009) | \$ 1,425 ² |

*Coverage is based on Net Revenues after payment of the Prior Lien Debt.

¹ Funds are transferred to the Interest and Sinking Fund in equal monthly installments sufficient to make the next debt service payment when due.

² At August 31, 2015 all reserve account balances met all coverage requirements.

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12.

BRAZOS RIVER AUTHORITY
WATER SUPPLY SYSTEM
CONDENSED SUMMARY OF OPERATING RESULTS
(CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS)
AUGUST 31, 2015 (unaudited) (in thousands)

| | Fiscal Year Ended August 31 | | | | |
|---|-----------------------------|------------------|------------------|------------------|------------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| Gross Revenues: | | | | | |
| Raw water | \$ 31,584 | \$ 30,460 | \$ 30,955 | \$ 31,835 | \$ 32,712 |
| Treated water | 2,208 | 1,790 | 1,588 | 2,019 | 1,623 |
| Wastewater treatment | 1,992 | 2,095 | 3,585 | 3,424 | 3,335 |
| Lease income | 1,024 | 934 | 1,638 | 1,739 | 2,095 |
| Other | 580 | 574 | 518 | 831 | 779 |
| Interest | 485 | 457 | 573 | 1,032 | 1,173 |
| Grants | 1,419 | 988 | 800 | 902 | 778 |
| Less: Existing debt service (1) | - | - | - | (1,042) | (1,027) |
| TOTAL GROSS REVENUES | \$ 39,292 | \$ 37,298 | \$ 39,657 | \$ 40,740 | \$ 41,468 |
| Operation & Maintenance Expenses: | | | | | |
| Personnel services | \$ 14,990 | \$ 13,825 | \$ 12,969 | \$ 12,676 | \$ 12,110 |
| Materials, supplies & services | 1,377 | 1,275 | 1,417 | 1,427 | 1,346 |
| Utilities | 1,011 | 1,043 | 922 | 877 | 1,060 |
| Outside services | 3,901 | 2,973 | 3,937 | 2,798 | 3,666 |
| Repair and maintenance | 1,230 | 1,228 | 1,617 | 1,572 | 1,587 |
| Landfill and sludge hauling | 361 | 361 | 717 | 986 | 850 |
| Purchased water | 2,261 | 2,258 | 2,361 | 2,360 | 2,292 |
| Other | 1,634 | 3,348 | 1,636 | 415 | 423 |
| Other non-operating | 216 | 44 | 32 | 55 | 95 |
| Program and project expenditures | 299 | 48 | 232 | 730 | 193 |
| Other debt service (2) | 2,834 | 2,232 | 2,232 | 2,650 | 2,728 |
| TOTAL OPERATION & MAINTENANCE | \$ 30,114 | \$ 28,635 | \$ 28,072 | \$ 26,546 | \$ 26,350 |
| NET REVENUES AVAILABLE TO PAY DEBT SERVICE | \$ 9,178 | \$ 8,663 | \$ 11,585 | \$ 14,194 | \$ 15,118 |
| DEBT SERVICE WATER SUPPLY SYSTEM BONDS | \$ 2,603 | \$ 2,974 | \$ 2,974 | \$ 4,522 | \$ 5,608 |
| COVERAGE PERCENTAGE | 3.53 | 2.91 | 3.90 | 3.14 | 2.70 |

(1) Debt service related to Brazos River Authority Water Supply Revenue Refunding Bonds, Series 1972

(2) Debt service related to the purchase of water storage rights in the Federal Reservoirs

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2015 (unaudited)

BRA was created under Acts 1929, 41st Legislature, 2nd C.S., Spec. Leg. Page 22, Ch. 13. as amended.

Year created: 1929
Domicile: Waco, Texas
Last revision of Enabling Act: 2001
Last revision of Bylaws: 2015
Population of District: 1,800,000 (TWDB)
Area of District: 42,800 square miles

Brazos River

Total river miles: 840 miles
Average discharge: 6,000,000 acre feet

Average annual rainfall in the Basin ranges from:

West - 16 inches
Southeast - 47 inches

Number of employees: 250 Full-time, 20 Part-time

Offices:

| | | |
|-------------------|---|----------------------------|
| Central office | - | Waco, Texas |
| Regional office | - | Georgetown, Texas |
| Operations office | - | Belton, Texas |
| Operations office | - | Clute, Texas |
| Operations office | - | Lake Granbury, Texas |
| Operations office | - | Lake Limestone, Texas |
| Operations office | - | Leander, Texas |
| Operations office | - | Possum Kingdom Lake, Texas |
| Operations office | - | Round Rock, Texas |
| Operations office | - | Sugar Land, Texas |
| Operations office | - | Taylor, Texas |

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2015 (unaudited)

| Brazos River Authority Operating Statistics: (water/wastewater treated in thousands of gallons) | | |
|--|------------------------------|--------------------|
| | Years Ended August 31 | |
| | <u>2015</u> | <u>2014</u> |
| Temple Belton Wastewater Treatment Plant | 2,566,580 | 2,367,680 |
| Sugar Land Regional Sewerage System | 3,090,333 | 2,908,239 |
| Brushy Creek Regional Wastewater System | 5,300,516 | 5,086,530 |
| Hutto Wastewater System | 455,709 | 395,316 |
| Clute/Richwood Regional Sewerage System | 1,078,750 | 597,661 |
| Sandy Creek Regional Water Treatment Plant | 1,547,200 | 1,468,040 |
| City of Georgetown Wastewater Treatment Plant * | - | 122,398 |
| East Williamson County Water Treatment System | 1,020,873 | 1,144,977 |
| Liberty Hill Wastewater Treatment System ** | - | 49,039 |
| Doshier Farm Wastewater Treatment Plant *** | 827,190 | - |
| * BRA stopped operating this facility in September 2013 ** BRA stopped operating this facility in April 2014 *** BRA started operating this facility in October 2014 | | |

| Brazos River Authority Dams and Reservoirs: | |
|--|----------------------------|
| Possum Kingdom | (TWDB Survey January 2005) |
| Capacity - 540,340 acre-feet Surface Area - 16,716 acres Elevation - 1,000.0 ft-msl Permitted Yield - 230,750 acre-feet | |
| Limestone | (TWDB Survey April 2012) |
| Capacity - 203,780 acre-feet Surface Area - 12,486 acres Elevation - 363.0 ft-msl Permitted Yield - 65,074 acre-feet | |
| Granbury | (TWDB Survey July 2003) |
| Capacity - 129,011 acre-feet Surface Area - 7,945 acres Elevation - 693.0 ft-msl Permitted Yield - 64,712 acre-feet | |

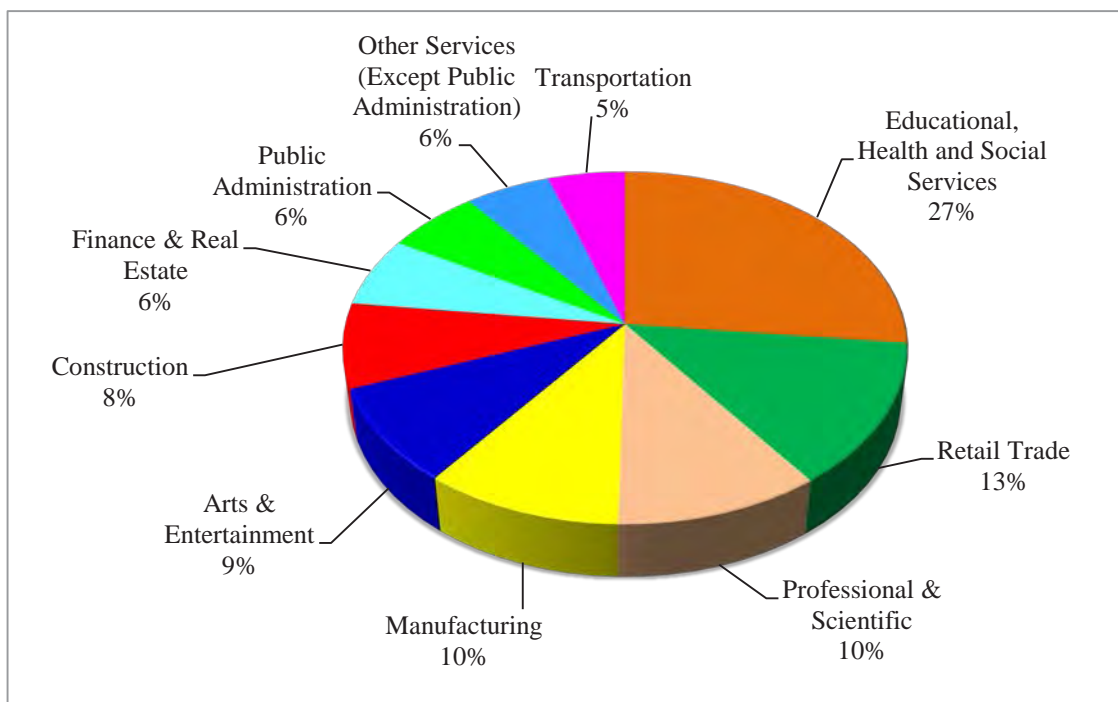
BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2015 (unaudited)

| U. S. Army Corps of Engineers Dams and Reservoirs | | |
|--|--------------------------|---------------------------|
| Aquilla | Conservation Pool | Flood Control Pool |
| Capacity | 44,566 acre-feet | 86,700 acre-feet |
| Surface Area | 3,066 acres | 7,000 acres |
| Elevation | 537.5 ft-msl | 556.0 ft-msl |
| Permitted Yield - 13,896 acre-feet | | TWDB Survey March 2008 |
| Belton | Conservation Pool | Flood Control Pool |
| Capacity | 435,225 acre-feet | 644,213 acre-feet |
| Surface Area | 12,135 acres | 23,605 acres |
| Elevation | 594.0 ft-msl | 631.0 ft-msl |
| Permitted Yield - 100,257 acre-feet | | TWDB Survey May 2003 |
| Granger | Conservation Pool | Flood Control Pool |
| Capacity | 50,779 acre-feet | 162,200 acre-feet |
| Surface Area | 4,203 acres | 11,040 acres |
| Elevation | 504.0 ft-msl | 528.0 ft-msl |
| Permitted Yield - 19,840 acre-feet | | TWDB Survey August 2008 |
| Georgetown | Conservation Pool | Flood Control Pool |
| Capacity | 36,904 acre-feet | 93,725 acre-feet |
| Surface Area | 1,287 acres | 3,220 acres |
| Elevation | 791.0 ft-msl | 834.0 ft-msl |
| Permitted Yield - 13,610 acre-feet | | TWDB Survey May 2005 |
| Proctor | Conservation Pool | Flood Control Pool |
| Capacity | 54,762 acre-feet | 315,465 acre-feet |
| Surface Area | 4,615 acres | 14,010 acres |
| Elevation | 1,162.0 ft-msl | 1,197.0 ft-msl |
| Permitted Yield - 19,658 acre-feet | | TWDB Survey February 2012 |
| Somerville | Conservation Pool | Flood Control Pool |
| Capacity | 150,293 acre-feet | 344,211 acre-feet |
| Surface Area | 11,395 acres | 24,400 acres |
| Elevation | 238.0 ft-msl | 258.0 ft-msl |
| Permitted Yield - 48,000 acre-feet | | TWDB Survey April 2012 |
| Stillhouse Hollow | Conservation Pool | Flood Control Pool |
| Capacity | 227,825 acre-feet | 394,664 acre-feet |
| Surface Area | 6,484 acres | 11,830 acres |
| Elevation | 622.0 ft-msl | 666.0 ft-msl |
| Permitted Yield - 67,768 acre-feet | | TWDB Survey May 2005 |
| Waco | Conservation Pool | Flood Control Pool |
| Capacity | 189,773 acre-feet | 518,895 acre-feet |
| Surface Area | 8,190 acres | 19,440 acres |
| Elevation | 462.0 ft-msl | 500.0 ft-msl |
| Permitted Yield - 104,100 acre-feet | | TWDB Survey May 2011 |
| Whitney | Conservation Pool | Flood Control Pool |
| Capacity | 554,203 acre-feet | 1,372,470 acre-feet |
| Surface Area | 23,220 acres | 49,820 acres |
| Elevation | 533.0 ft-msl | 571.0 ft-msl |
| Permitted Yield - 18,336 acre-feet | | TWDB Survey June 2005 |
| Source: Brazos River Authority Water Services Department | | |

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2015 (unaudited)

Brazos Basin Geographic Area
Ten Largest Industries

| Industry | Number of Entities in Category |
|---|--------------------------------------|
| Educational, Health and Social Services | 362,150 |
| Retail Trade | 179,270 |
| Professional & Scientific | 141,055 |
| Manufacturing | 136,425 |
| Arts & Entertainment | 119,328 |
| Construction | 105,112 |
| Finance & Real Estate | 86,872 |
| Public Administration | 82,151 |
| Other Services (Except Public Administration) | 75,489 |
| Transportation | 68,122 |

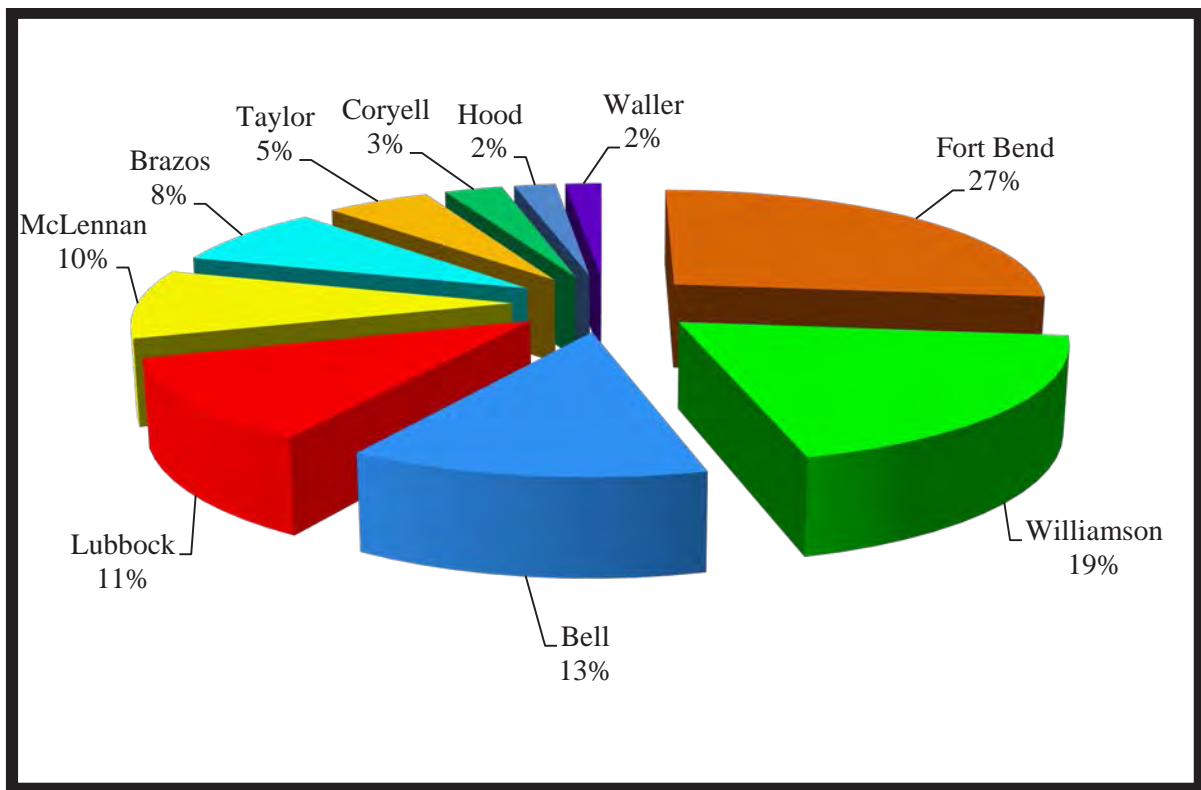


Source: U.S. Census Bureau, 2009-2013 5-year American Community Survey

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2015 (unaudited)

**Brazos River Basin Population
by County (Largest)**

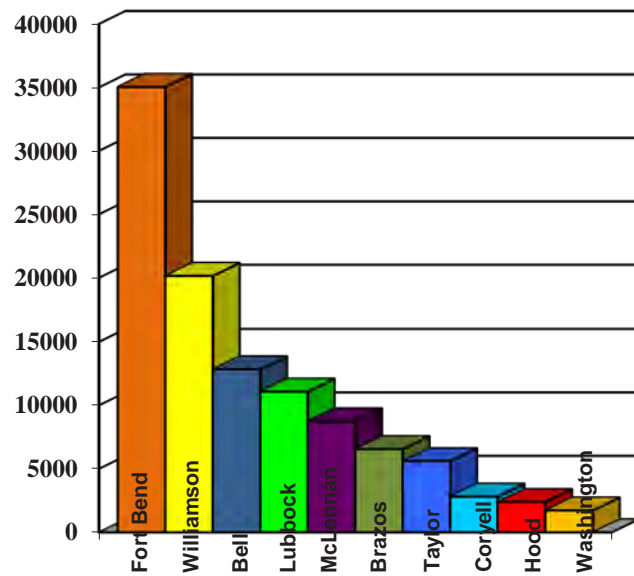
| County | Population |
|------------|------------|
| Fort Bend | 685,345 |
| Williamson | 489,250 |
| Bell | 329,140 |
| Lubbock | 293,974 |
| McLennan | 243,441 |
| Brazos | 209,152 |
| Taylor | 135,143 |
| Coryell | 75,562 |
| Hood | 53,921 |
| Waller | 46,820 |



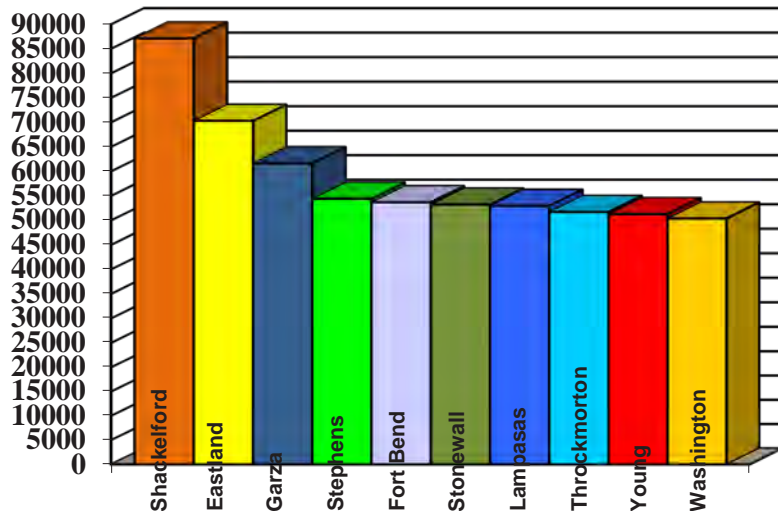
Source: U.S. Census Bureau, Annual Estimate of the Resident Population as of July 1, 2014

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2015 (unaudited)

| County (Top Ten) | Total Personal Income (in millions) |
|-----------------------------|--|
| Fort Bend | 35,043 |
| Williamson | 20,153 |
| Bell | 12,844 |
| Lubbock | 11,084 |
| McLennan | 8,743 |
| Brazos | 6,550 |
| Taylor | 5,606 |
| Coryell | 2,812 |
| Hood | 2,384 |
| Washington | 1,721 |

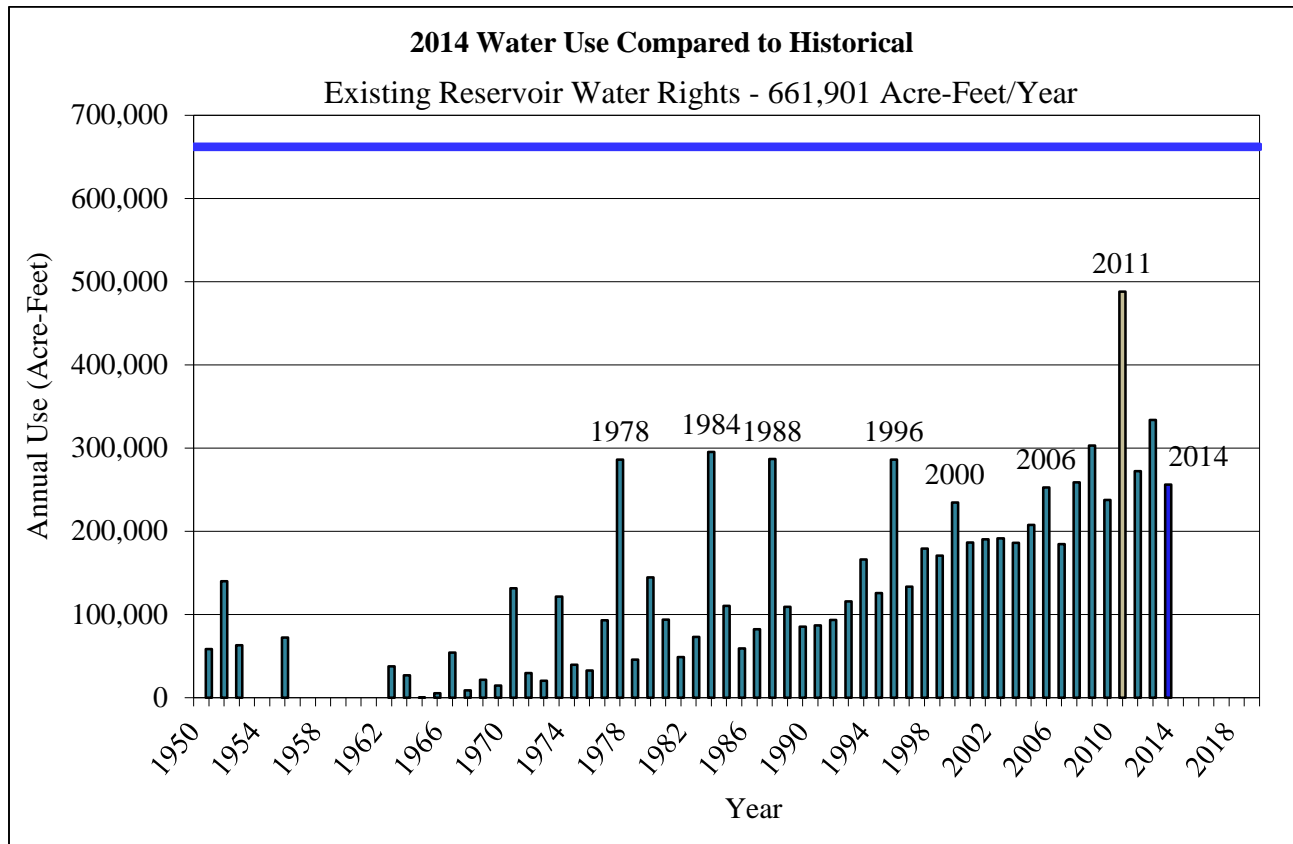


| County (Top Ten) | Total Per Capita Income (in thousands) |
|-----------------------------|---|
| Shackelford | 87,115 |
| Eastland | 70,322 |
| Garza | 61,667 |
| Stephens | 54,430 |
| Fort Bend | 53,717 |
| Stonewall | 53,240 |
| Lampasas | 52,983 |
| Throckmorton | 51,733 |
| Young | 51,282 |
| Washington | 50,396 |



Source: Bureau of Economic Analysis, Updated November 2014

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2015 (unaudited)



2012 to 2014 Water Use
By Reservoir or Reservoir Sub-system
(values are in acre-feet)

| Reservoir or Sub-system | 2012 | 2013 | 2014 |
|--------------------------|----------------|----------------|----------------|
| PK / Granbury / Whitney | 88,491 | 102,391 | 80,643 |
| Belton | 61,060 | 83,928 | 54,717 |
| Stillhouse / Georgetown | 41,986 | 39,698 | 39,892 |
| Granger | 3,453 | 6,899 | 10,452 |
| Limestone | 45,307 | 42,999 | 40,153 |
| Proctor | 10,726 | 8,189 | 7,024 |
| Aquilla | 5,451 | 7,288 | 7,544 |
| Somerville | 7,352 | 36,389 | 6,620 |
| Excess Flows | 8,344 | 6,057 | 9,051 |
| Colorado-Brazos Transfer | 47 | - | - |
| Total | 272,217 | 333,838 | 256,096 |

BRAZOS RIVER AUTHORITY
SCHEDULE OF CAPITAL ASSETS – NET ADDITIONS/ (DELETIONS) BY OPERATIONS
AUGUST 31, 2015 (unaudited) (in thousands)
(accrual basis of accounting)

Last Ten Fiscal Years

| Year | Water Supply | SLRSS | SWATS | WCRRWL | TBRSS | BCRWS | Hutto | Sandy Creek | Clute-Richwood | Total |
|-------------|---------------------|--------------------|--------------------|-----------------|-----------------|-----------------|---------------|--------------------|-----------------------|------------------|
| 2006 | \$ 1,487 | \$ (14,383) | \$ (277) | \$ 1,433 | \$ 5 | \$ 43 | \$ - | \$ - | \$ - | \$ (11,692) |
| 2007 | 1,140 | - | 1,625 | 8 | 94 | (16) | 5 | - | - | 2,856 |
| 2008 | 32,962 | - | 362 | - | (13) | 25 | - | - | 16 | 33,352 |
| 2009 | 11,895 | - | 8,454 | - | 124 | 33 | 7 | - | 1 | 20,514 |
| 2010 | 1,452 | - | 196 | - | 26 | 22 | - | 38 | - | 1,734 |
| 2011 | (1,504) | - | 272 | 6,693 | 13 | (287) | (18) | (15) | (152) | 5,002 |
| 2012 | (3,547) | - | (28,126) | (1,101) | 307 | (8) | - | (8) | (3) | (32,486) |
| 2013 | 28,901 | - | - | 1,040 | 383 | (43) | - | 2 | - | 30,283 |
| 2014 | 4,070 | - | - | (2,170) | (1,554) | (7) | - | (9) | (1) | 329 |
| 2015 | 1,170 | - | - | 599 | - | (21) | - | - | - | 1,748 |
| | <u>\$ 78,026</u> | <u>\$ (14,383)</u> | <u>\$ (17,494)</u> | <u>\$ 6,502</u> | <u>\$ (615)</u> | <u>\$ (259)</u> | <u>\$ (6)</u> | <u>\$ 8</u> | <u>\$ (139)</u> | <u>\$ 51,640</u> |

BRAZOS RIVER AUTHORITY
SCHEDULE OF CAPITAL ASSETS – NET ADDITIONS/ (DELETIONS) BY CLASSIFICATION
AUGUST 31, 2015 (unaudited) (in thousands)
(accrual basis of accounting)

Last Ten Fiscal Years

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|--------------------|-----------------|------------------|------------------|-----------------|-----------------|--------------------|------------------|---------------|-----------------|------------------|
| Land, storage and water rights | \$ 350 | \$ 591 | \$ - | \$ - | \$ - | \$ (73) | \$ (630) | \$ (550) | \$ (542) | \$ 278 | \$ (576) |
| Reservoirs, water treatment and sewerage facilities | (13,999) | - | 7,835 | 1,911 | - | 6,652 | (18,490) | 4,532 | 5,556 | 13,520 | 7,517 |
| Building, structures and improvements | 1,432 | 1,693 | 24,450 | 17,386 | 1,150 | (278) | (12,594) | 24,490 | (3,543) | (13,542) | 40,644 |
| Vehicles, furniture and equipment | 525 | 572 | 1,067 | 1,217 | 584 | (1,299) | (772) | 1,811 | (1,142) | 1,492 | 4,055 |
| Total | <u>\$ (11,692)</u> | <u>\$ 2,856</u> | <u>\$ 33,352</u> | <u>\$ 20,514</u> | <u>\$ 1,734</u> | <u>\$ 5,002</u> | <u>\$ (32,486)</u> | <u>\$ 30,283</u> | <u>\$ 329</u> | <u>\$ 1,748</u> | <u>\$ 51,640</u> |

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**BRAZOS RIVER AUTHORITY
SCHEDULE OF INSURANCE
AS OF AUGUST 31, 2015 (unaudited)**

| Policy | Name of Company | Policy Number | Summary of Coverage | Limits of Liability | Coverage Period |
|---|-----------------------------|----------------------|--|---|--------------------------|
| Aircraft Liability | Texas Municipal League | 1970-13 | Non-owned Aircraft Liability Deductible - None | \$10,000,000 each occurrence | 10/1/2014 10/1/2015 |
| Airport Liability | Texas Municipal League | 1970-13 | Airport Liability Premises (BI&PD) Airport Liability Premises (PI&AI) Products & Completed Operations Max. of all Coverages Combined Deductible - None | \$10,000,000 \$10,000,000 \$10,000,000 \$10,000,000 | 10/1/2014 10/1/2015 |
| Automobile Liability & Physical Damage | Texas Municipal League | 1970-13 | Automobile Liability Uninsured Motorist Collision Comprehensive Deductible - None Hired Auto Comp/Coll Deductible: \$ 250/Scheduled Vehicles | \$5,000,000 \$1,000,000 Actual Cash Value Actual Cash Value Actual Cash Value | 10/1/2014 10/1/2015 |
| Commercial Crime | Texas Municipal League | 1970-13 | Public Employee Dishonesty Forgery or Alteration Computer Fraud Deductible: \$10,000 Theft, Disappearance & Destruction Deductible - None | \$2,000,000 \$1,000,000 \$1,000,000 \$10,000 | 10/1/2014 10/1/2015 |
| Fiduciary and Employee Benefits | Great American Insurance | MEP4387691 | Annual Aggregate Per Occurrence Deductible: \$10,000 | \$5,000,000 \$5,000,000 | 12/31/2014 12/31/2015 |
| General Liability | Texas Municipal League | 1970-13 | General Aggregate Products/Completed Operation Each Occurrence (BI, PI, AI) Fire Damage Deductible - None | \$10,000,000 \$5,000,000 \$5,000,000 \$5,000,000 | 10/1/2014 10/1/2015 |
| Marine and Hull/ Mobile Equipment | Texas Municipal League | 1970-13 | Coverage for Boats, Motors and Mobile Equipment Deductible: \$10,000 | \$5,819,713 | 10/1/2014 10/1/2015 |
| Law Enforcement Liability | Texas Municipal League | 1970-13 | Each Occurrence Annual Aggregate Deductible: \$2,500 | \$5,000,000 \$10,000,000 | 10/1/2014 10/1/2015 |

**BRAZOS RIVER AUTHORITY
SCHEDULE OF INSURANCE
AS OF AUGUST 31, 2015 (unaudited)**

| Policy | Name of Company | Policy Number | Summary of Coverage | Limits of Liability | Coverage Period |
|--|---|----------------------|--|----------------------------|------------------------|
| Property/Boiler & Machinery | Texas Municipal League | 1970-13 | Blanket Real & Personal Property, | \$133,451,256 | 10/1/2014 |
| | | | EDP, & Boiler & Machinery | | 10/1/2015 |
| | | | Deductible: \$50,000 | | |
| | | | Terrorism | \$10,000,000 | |
| | | | Valuable Papers & Records | \$25,000,000 | |
| | | | Accounts Receivable | \$1,000,000 | |
| | | | Fine Arts | \$1,000,000 | |
| | | | Transportation | \$1,000,000 | |
| | | | Business Income | \$1,000,000 | |
| | | | Demolition | Blanket Limit | |
| | | | Increased cost of Construction | Blanket Limit | |
| | | | Expediting Costs | Blanket Limit | |
| | | | Mobile Homes per Location | Blanket Limit | |
| | | | Pollution Cleanup in the Aggregate per premises | \$20,000 | |
| | | | Flood in the Aggregate | \$10,000,000 | |
| | | | (no flood coverage in 100 year flood zone or in Tier 1 and 2 counties) | | |
| | | | Deductible: \$25,000 | | |
| Public Officials and Employees Practices Liability | Texas Municipal League | 1970-13 | Each Wrongful Act | \$5,000,000 | 10/1/2014 |
| | | | Annual Aggregate | \$10,000,000 | 10/1/2015 |
| | | | Deductible: \$25,000 | | |
| Public Officials Bond | Insurors of Texas | CMB-06-0005836 | Treasurer's Bond | \$100,000 | 4/18/2015 |
| | | | Deductible - None | | 4/18/2016 |
| Public Officials Bond | Insurors of Texas/ C N A Surety Group | 71252612 | Board of Director's Bond | \$105,000 | 5/10/2015 |
| | | | Deductible - None | | 5/10/2016 |
| Peace Officer Bond | Insurors of Texas/ Hartford Insurance Group | 46BSBAE6365 | Peace Officer Bond | \$15,000 | 2/1/2015 |
| | | | Deductible - None | | 2/1/2016 |
| Travel Accident | Insurors of Texas/ Hartford Life | ETB-4333 | Aggregate for Hazard | \$5,000,000 | 11/1/2014 |
| | | | Excludes Personal Aircraft | | 11/1/2015 |
| | | | Deductible - None | | |
| | | | | | |
| Workers' Compensation | Texas Municipal League | 1970 | Self-insured for first | Aggregate Deduct | 10/1/2014 |
| | | | 50,000 per occurrence | \$150,000 | 9/30/2014 |
| Workers' Compensation | Texas Water Conservation Association | 99 | Self-insured for first | Aggregate Deduct | 10/1/2014 |
| | | | 50,000 per occurrence | \$150,000 | 8/31/2015 |
| Reinsurance | Texas Municipal League Ace American Ins. Co. | N06530047 | Medical expense claims | Annual Aggregate | 1/1/2014 |
| | | | self-insured for first | Attachment Point | 12/31/2014 |
| | | | 80,000 per employee | \$2,384,535 | |
| Reinsurance | Texas Municipal League Ace American Ins. Co. | N1084292A | Medical expense claims | Minimum Specific | 1/1/2015 |
| | | | self-insured for first | Benefit | 12/31/2015 |
| | | | 90,000 per employee | \$2,894,164 | |

**BRAZOS RIVER AUTHORITY
FULL -TIME EQUIVALENT
LAST TEN FISCAL YEARS (unaudited)**

| | Full-Time Equivalent Employees Per Annual Operating Plan | | | | | | | | | |
|------------------------|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Upper Basin | | | | | | | | | | |
| Management | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 |
| Lake Alan Henry | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Possum Kingdom | 48 | 48 | 51 | 51 | 53 | 54 | 57 | 57 | 60 | 58 |
| SWATS (a) | 0 | 0 | 0 | 18 | 18 | 18 | 17 | 15 | 15 | 15 |
| Lake Granbury | 15 | 15 | 15 | 14 | 12 | 12 | 12 | 12 | 10 | 10 |
| Central Basin | | | | | | | | | | |
| Management & Lab | 24 | 25 | 24 | 25 | 23 | 21 | 23 | 20 | 19 | 14 |
| Temple-Belton RSS | 17 | 10 | 10 | 10 | 10 | 11 | 10 | 10 | 10 | 10 |
| Brushy Creek RWS | 17 | 17 | 17 | 17 | 17 | 17 | 16 | 13 | 13 | 13 |
| Georgetown WWTP (a) | 0 | 8 | 8 | 8 | 8 | 9 | 8 | 7 | 7 | 7 |
| Sandy Creek WTP | 4 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 4 | 4 |
| Hutto WWS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 |
| East Williamson RWS | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 4 | 3 | 3 |
| Lower Basin | | | | | | | | | | |
| Management | 0 | 0 | 0 | 0 | 4 | 4 | 4 | 4 | 4 | 4 |
| Lake Limestone | 10 | 10 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| SLRSS | 10 | 10 | 10 | 10 | 10 | 11 | 11 | 11 | 11 | 12 |
| Clute | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Liberty Hill | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 |
| Central Office | | | | | | | | | | |
| General Administration | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Legal Services | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 |
| Financial Services | 15 | 15 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Human Resources | 5 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Gov. Cus. Relations | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 6 | 6 | 5 |
| Information Technology | 14 | 13 | 13 | 12 | 12 | 12 | 12 | 12 | 11 | 10 |
| Planning & Development | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 |
| Strategic Planning | 0 | 2 | 2 | 2 | 2 | 2 | 3 | 2 | 1 | 4 |
| Technical Analysis | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Technical Services | 41 | 41 | 40 | 40 | 42 | 37 | 40 | 37 | 35 | 33 |
| | <u>250</u> | <u>253</u> | <u>255</u> | <u>272</u> | <u>276</u> | <u>273</u> | <u>279</u> | <u>265</u> | <u>258</u> | <u>254</u> |

(a) The BRA entered into negotiations for early termination of the cost reimbursable contract. After negotiations were complete the employees became employees of the purchasing entity.

Source: Brazos River Authority Annual Operating Plan

Back Cover: Commissioner Jerry Patterson's Great Military Map of Texas showing Significant Conflicts and Events Between 1685 and 1916., 83432, Archives and Records Program, Texas General Land Office, Austin, Texas.



Fall of the Alamo



Captivity of Cynthia Ann Parker



The Buffalo Soldier



Llano Estacado



First Military Flight



Franco Villa Meets
Gen. John J. Pershing



Samuel B. Rusk



Battle of Mier



Battle of San Jacinto



Battle of Sabine Pass



Battle of Campeche

1805 - 1829
TEXAS IN THE REVOLUTION

1. **San Antonio, Texas** - 1805
2. **San Antonio, Texas** - 1805
3. **San Antonio, Texas** - 1805
4. **San Antonio, Texas** - 1805
5. **San Antonio, Texas** - 1805
6. **San Antonio, Texas** - 1805
7. **San Antonio, Texas** - 1805
8. **San Antonio, Texas** - 1805
9. **San Antonio, Texas** - 1805
10. **San Antonio, Texas** - 1805

1832 - 1836
TEXAS IN THE REVOLUTION

1. **San Antonio, Texas** - 1832
2. **San Antonio, Texas** - 1832
3. **San Antonio, Texas** - 1832
4. **San Antonio, Texas** - 1832
5. **San Antonio, Texas** - 1832
6. **San Antonio, Texas** - 1832
7. **San Antonio, Texas** - 1832
8. **San Antonio, Texas** - 1832
9. **San Antonio, Texas** - 1832
10. **San Antonio, Texas** - 1832

1836 - 1846
TEXAS IN THE REVOLUTION

1. **San Antonio, Texas** - 1836
2. **San Antonio, Texas** - 1836
3. **San Antonio, Texas** - 1836
4. **San Antonio, Texas** - 1836
5. **San Antonio, Texas** - 1836
6. **San Antonio, Texas** - 1836
7. **San Antonio, Texas** - 1836
8. **San Antonio, Texas** - 1836
9. **San Antonio, Texas** - 1836
10. **San Antonio, Texas** - 1836

1846 - 1848
TEXAS IN THE REVOLUTION

1. **San Antonio, Texas** - 1846
2. **San Antonio, Texas** - 1846
3. **San Antonio, Texas** - 1846
4. **San Antonio, Texas** - 1846
5. **San Antonio, Texas** - 1846
6. **San Antonio, Texas** - 1846
7. **San Antonio, Texas** - 1846
8. **San Antonio, Texas** - 1846
9. **San Antonio, Texas** - 1846
10. **San Antonio, Texas** - 1846

1874 - 1916
TEXAS IN THE REVOLUTION

1. **San Antonio, Texas** - 1874
2. **San Antonio, Texas** - 1874
3. **San Antonio, Texas** - 1874
4. **San Antonio, Texas** - 1874
5. **San Antonio, Texas** - 1874
6. **San Antonio, Texas** - 1874
7. **San Antonio, Texas** - 1874
8. **San Antonio, Texas** - 1874
9. **San Antonio, Texas** - 1874
10. **San Antonio, Texas** - 1874



BRAZOS RIVER AUTHORITY
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