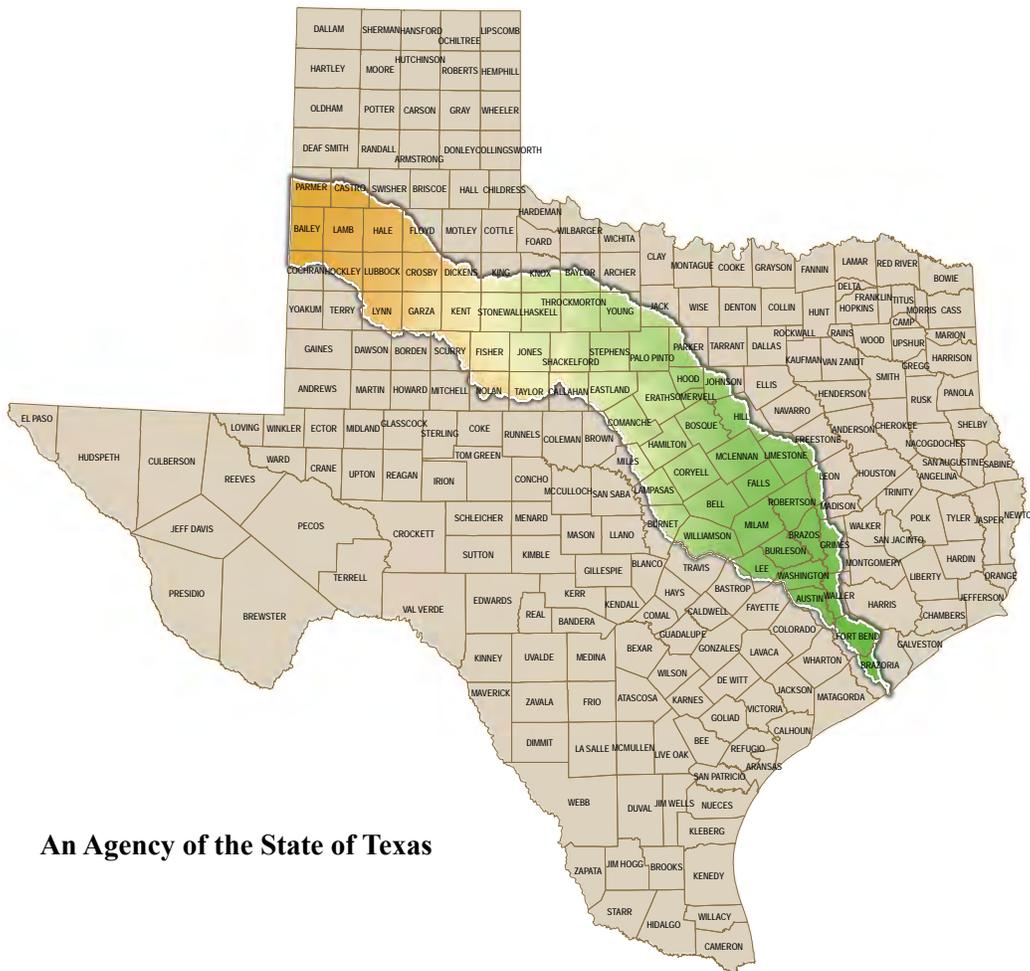


# ***BRAZOS RIVER AUTHORITY***



***Comprehensive Annual Financial Report  
For The Fiscal Year Ended August 31, 2009  
Waco, Texas***

# The Brazos River Authority



An Agency of the State of Texas

## Comprehensive Annual Financial Report For The Fiscal Year Ended August 31, 2009

*Prepared by the Finance and Administration Department*

**BRAZOS RIVER AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2009  
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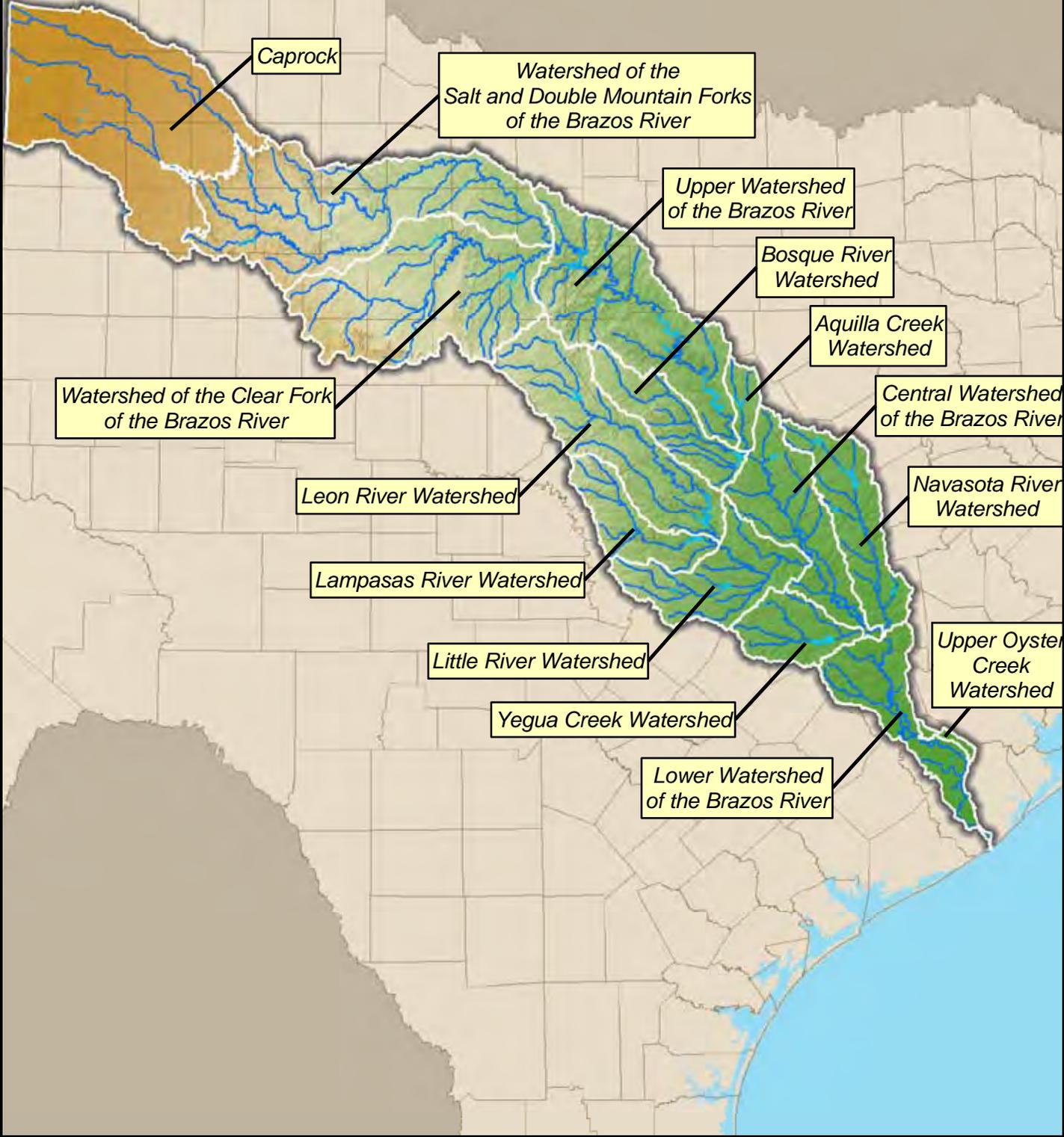
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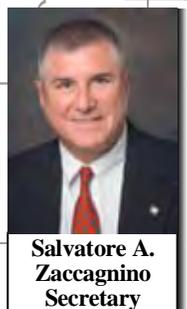
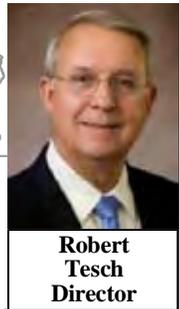
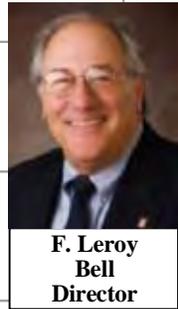
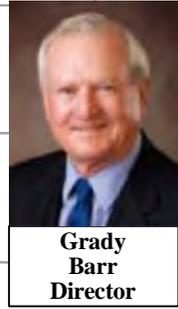
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# Primary Watersheds



# **Introductory Section**



# 2009 Board of Directors



# Brazos River Authority



**Richard Ball**  
Director



**Mary Ward**  
Director



**Christopher S. Adams Jr.**  
Director



**Peter Bennis**  
Director



**Christopher D. DeCluitt**  
Presiding Officer



**Robert M. Christian**  
Director



**Dave Scott**  
Director



**Nancy Porter**  
Director



**Jean Killgore**  
Director



**John Brieden**  
Director



**Carolyn Johnson**  
Assistant  
Presiding Officer

Mineral Wells

Granbury

Cleburne

Central  
Region

Gatesville

Waco

Jewett

Salado

Lower  
Region

Georgetown

Round Rock

Caldwell

Somerville

Brenham

Richmond

Sugar Land

Freeport



## Management Team



**John Hawes**  
Chief Financial Officer



**Phillip J. Ford**  
General Manager/CEO



**Lauralee Vallon**  
General Counsel



**Jim Forte**  
Planning &  
Development  
Manager



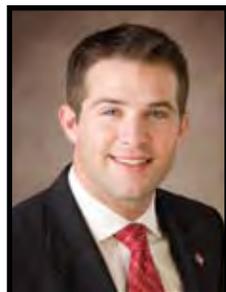
**Pat Gill**  
Information  
Technology  
Manager



**John Hofmann**  
Central/Lower  
Basin Manager



**Terry Lopas**  
Technical  
Services  
Manager



**Matt Phillips**  
Government  
& Customer  
Relations  
Manager



**Kent Rindy**  
Upper Basin  
Manager



**Monica Wheelis**  
Human Resource  
Manager

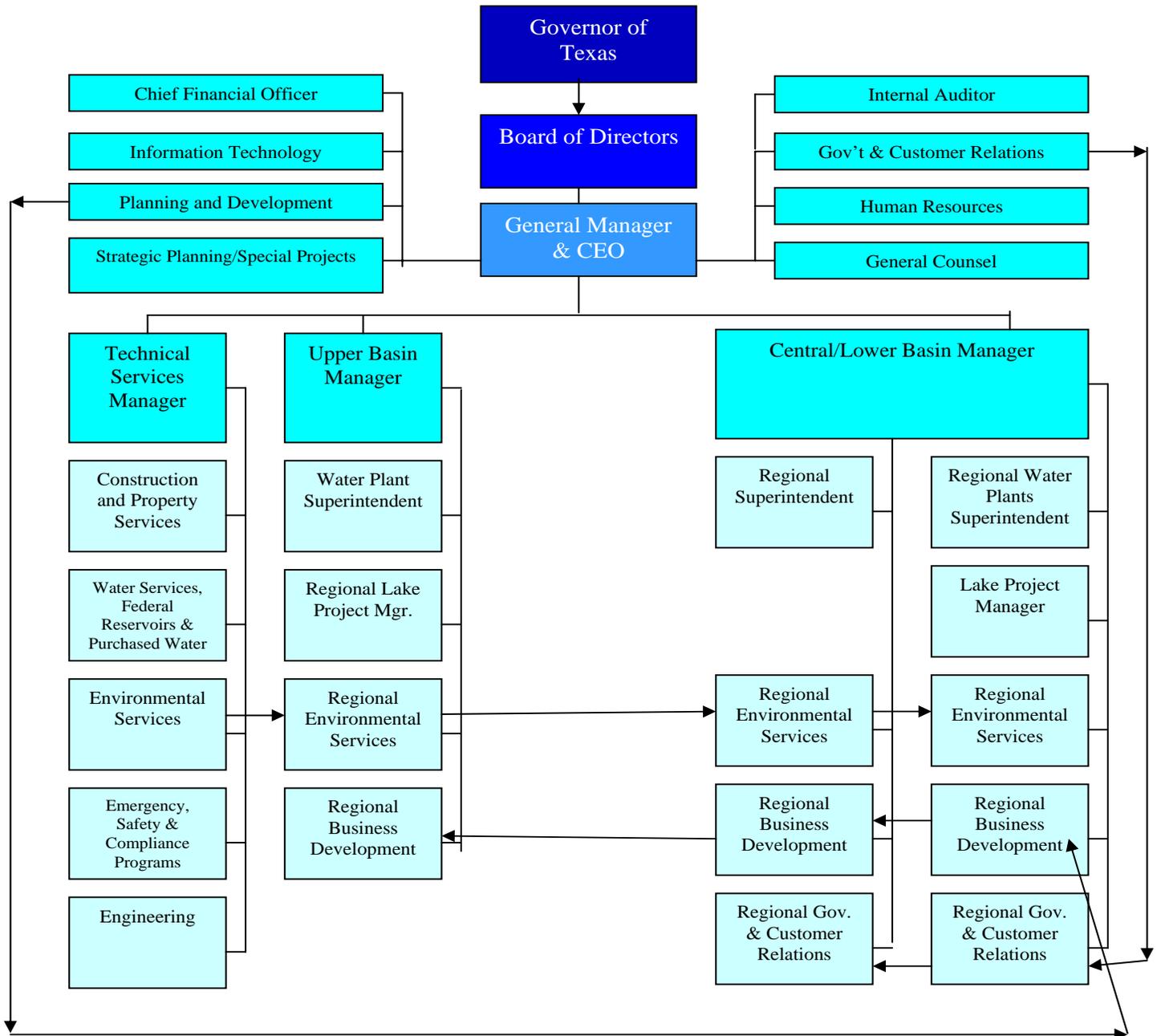


**Don Woods**  
Internal Auditor



# 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





January 25, 2010

Mr. Christopher D. DeCluitt, 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 (Authority) for the Fiscal Year ended August 31, 2009. 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 Authority. The Authority'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 Authority 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 Authority.

The Authority's financial statements for the Fiscal Year ended August 31, 2009 have been audited by Padgett Stratemann & Co. LLP, a firm of licensed certified public accountants. The financial statements for the Fiscal Year ended August 31, 2008 were audited by other auditors. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal years ended August 31, 2009 and 2008 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 unqualified opinion and that the Authority's financial statements for the fiscal years ended August 31, 2009 and 2008 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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 MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE AUTHORITY**

The Authority was created 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 Authority 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 Authority is entirely self-supporting; maintaining

and operating reservoirs, transmission facilities, and treatment systems through revenues from the customers it serves.

The Authority's Board of Directors 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 Authority functions under the direction of a General Manager/CEO. The more than 42,000 square miles that make up the Brazos River basin are divided into geographic regions – each with distinctive climate, topography and water needs. Each region falls under the direction of a Regional Basin Manager.

### **Water Supply**

The Authority built, owns, and operates three reservoirs for water supply – Possum Kingdom Lake, Lake Granbury, and Lake Limestone. The Authority also contracts with the U.S. Army Corps of Engineers (USACE) for storage space in nine multi-purpose federal reservoirs – Lakes Whitney, Belton, Proctor, Waco, 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 twelve reservoirs have conservation storage of more than 800 billion gallons of water. The Authority 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 Authority operates potable (drinking) water treatment systems for Lee County Fresh Water District and the City of Leander and two regional water treatment systems, one at Lake Granbury and one at Lake Granger. The plants have won numerous awards for operations, maintenance, and design from State and Federal governmental agencies.

Wastewater treated and released by the Authority at its eight sewerage systems in Temple-Belton, Sugar Land, Brushy Creek (in Williamson County), Lee County Fresh Water District, Clute, Hutto, Liberty Hill, and Georgetown is returned to the Brazos River cleaner than the water in the river. At the wastewater plants, waste separated from liquids in the treatment process are used for beneficial purposes. Wastes at the Temple-Belton plant is composted with wood chips and sold as fertilizers and soil enhancers to local municipalities. Waste from the Sugar Land plant is applied to farmland.

### **Water Quality**

Water quality is a high priority with the Brazos River Authority. Staff charged with environmental concerns work to protect and improve the quality of water resources in the Brazos River basin through sampling and analysis. Since 1991, the Authority has contracted with the Texas Commission on Environmental Quality (TCEQ) to conduct the Clean Rivers Program for the basin. The Authority, 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 Authority supports and participates in ongoing regional water planning processes to meet water supply needs in the basin. The Authority participates in development of regional water plans authorized by the Texas Legislature in 1997 with the passage of Senate Bill 1 including Regions O (High Plains) and H (Houston-area), and serves as the administrative agency for Region G (Central Texas).

### **Brazos-Colorado Water Alliance**

In 1995, the Authority and the Lower Colorado River Authority (LCRA) formed an Alliance to cooperate in the conservation, planning, and development of regional water resources. The Alliance brings the resources of both river authorities to address immediate and long-term water and wastewater needs of customers in Williamson County. In 1996, the Alliance signed a contract to purchase the City of Round Rock's wastewater treatment facilities, now called the Brushy Creek Regional Wastewater System. In 2002, the Alliance launched its first water treatment plant in Williamson County. Built by the LCRA and operated by the Authority, the plant provides potable water to more than 16,000 residents of Leander. In 2007, the Alliance completed the start-up of the Liberty Hill Wastewater System. Owned by the LCRA and operated by the Authority, the treatment facility will have an ultimate permit capacity of 1.2 million gallons per day (MGD).

### **ECONOMIC CONDITION AND OUTLOOK**

For the fiscal year ended August 31, 2009, the economy experienced the most deterioration of value since the Great Depression and the negative impact to balance sheets was reflected both domestically and internationally. The storm that had been brewing for several years in the housing sector reached its fury during the fourth quarter of calendar 2008. Fueled by inappropriate lending practices and exotic security structures based upon shaky mortgage payment assumptions, the entire financial framework of the U.S. economy was brought to its knees as the true value of mortgage-based securities was uncovered. The collapse of several domestic financial institutions and an unraveling of several ponzi schemes fed the worsening storm, and the entire global economy was threatened. World leaders were forced to work together to identify plausible methods of avoiding the calamity that was poised to strike.

During the worst of the storm, several icons of the financial markets met with their demise and others were forced into mergers-for-survival. Investment banks such as Bear Stearns, Lehman Brothers and Merrill Lynch were buried under the weight of their leveraged positions and other institutions that were deemed too big to fail, such as AIG, were effectively taken over by the Federal government. Credit and liquidity markets became frozen as lenders no longer had the cash or the desire to accept any risk. The economic plain saw more changes during one short quarter than it has experienced since the 1930s. A series of unprecedented events that continues into late 2009, has led the economy away from the brink of disaster and we are still learning the extent to which those changes will have forever altered our economic system.

As expected during such difficult economic times, the cost to the consumer has been severe. Since the end of last fiscal year, over 6 million jobs have been lost and most of those who held them have now been unemployed for more than 6 months. To add insult to injury, housing prices have plummeted and many have fallen below the value of the underlying mortgage loan. Adjustable rate mortgages, so prevalent during the most recent housing boom, are now reaching their peak reset or expiration at a time when the consumer is least able to accommodate the adjustment and rising mortgage payment. All of this has impacted consumers' ability or desire to consume all but the most necessary products. This contraction of consumption has spread throughout the entire market system with retailers, manufacturers and other businesses experiencing much tighter budgets. As profits turned into losses, many businesses were forced to make significant changes in the size of the workforce and to reduce operating expenses wherever they could. Until businesses can see that a sustainable increase in consumption is in place, there will likely not be an increase in the workforce.

In an effort to steer the markets into less turbulent waters, the U. S. Treasury Department, the Federal Reserve, Congress, and the President put into motion a number of stimulus programs designed to free up the credit system and return the economy to stability. The targets for stimulation have been far reaching and have included financial institutions, mortgage holders/lenders, small businesses, government agencies, insurance companies, and the automobile industry to name a few. Federal guarantees and investment in private corporations have

reached unprecedented levels. Many fear the impact that this massive government intervention and the amount of debt incurred at the Federal level to institute these programs will have on the future economy, but most understand that the strategies and tactics utilized during the crisis were necessary to avert disaster. The Federal government is now working on strategies and regulations to preclude a future repeat of the past year.

The Texas economy has fared better than the national economy, however the state has not gone unscathed. During the past year ended August 31, 2009, the unemployment rate in Texas has risen from 5.1% in September 2008 to 8.0% by August 2009, compared to the current national average of 9.7%. During the year, 296,300 jobs were lost in Texas as compared to the addition of 248,000 during the same period last year. During the last year, California lost 741,000 jobs, Florida lost 372,700 jobs and the automobile industry dependent state of Illinois lost 857,200 jobs. Existing home sales have decreased year-over-year in Texas by 11.6%. Mortgage foreclosures in Texas rose by 3.6% compared to the national average showing an increase of 18.0%. Texas sales tax revenues also depict an unwilling consumer that has curtailed spending with sales tax collections down 4.4% from last August. In past recessions, the Texas economy has lagged the national experience and may see more deterioration for the rest of 2009 and a delayed improvement relative to the rest of the nation.

The primary impact that this market change has had upon the Authority is the dramatic reduction in interest income. When markets are volatile and risk is no longer tolerated, investors flee other markets and head to the safe harbors of the U.S. Government securities. This massive shift to demanding securities issued by the U.S. and its agencies causes the interest rates offered for such securities to decline. This decline was further exacerbated by the Federal Open Market Committee lowering the Federal Funds rate from 2.00% at the end of August 2008, to a range of 0 – 0.25% in December 2008, where it currently remains. Investment Pool rates fell from 5.37% at the end of August 2007, to 2.32% by the end of August 2008 and currently reside in the less than 0.30% range. It is unlikely that interest rates will see any significant upturn until mid-2010 or later.

To adjust the Authority's portfolio to the changing economic environment, the composition has been shifted from securities to collateralized Certificates of Deposit. As interest rates for U.S. government securities collapsed, rates offered for Certificates of Deposit became the more attractive yield. All positions in these alternative investments are structured to adhere to the strict collateral guidelines of the Public Funds Investment Act and have provided significant yield advantage over the past year. Once conditions change, the portfolio will adjust the strategy to include Treasury and Agency positions into the mix.

## **LONG-TERM FINANCIAL PLANNING**

In July 2009, the Authority's Board of Directors reviewed the Fiscal Year 2010 Long Range Financial Plan. This fifty-year look into the future is both an inventory of projects anticipated to be undertaken by the Authority to satisfy its mission, as well as an analysis of the implications of those projects on the Authority's System Water Rate. The inventory of projects is a mixture of water development, transportation, and treatment initiatives and range from those that are anticipated to be fully supported by the System Water Rate to those which will have a specific customer base (such as a regional treatment plant), for which a cost of service-based fee will be calculated. Initial indications based on this analysis are that the Authority'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 Directors and management. Future rate-making 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-mandated series of Reserve Funds to balance and stabilize rates. Additional information on the Authority's Board Designated Reserves can be found in Note 12, of the Notes to the Basic Financial Statements.

## **RELEVANT FINANCIAL POLICIES**

### **Cash Management**

During the year, funds were invested in demand deposits, certificates of deposit, obligations of U.S. Government Agencies, and State investment pools as authorized by the Public Funds Investment Act. As of August 31, 2009 approximately 38% of the Authority's funds were invested in collateralized demand accounts, 50% invested in collateralized or FDIC guaranteed Certificates of Deposit, 7% invested in U.S. Government Agencies, and 5% invested in State Investment Pools. The portfolio yield for the year averaged 2.0%. Additional information on the Authority's cash management activity can be found in Note 2, of the Notes to the Basic Financial Statements.

### **Risk Management**

The Authority has continued its emphasis on a loss control program to minimize risk exposures. In addition, the Authority has initiated the development of an Enterprise Risk Management Program. Employees are well trained in safety practices and maintain a constant vigil to correct safety hazards. Third-party insurance coverage is currently maintained to reduce risk exposures. Additional information on the Authority's risk management activity can be found in Note 11, of the Notes to the Basic Financial Statements.

### **Retirement Plan**

The Authority makes an annual contribution to a non-traditional defined benefit plan in the Texas County and District Retirement System (TCDRS), and Authority employees make periodic contributions to the plan as well. TCDRS is a multiple-employer public employer retirement system governed by a Board of Trustees appointed by the Governor of Texas.

In addition, the Authority continues to administer the Retirement Plan for Employees of the Brazos River Authority (Plan), which, effective September 2007, was closed to new entrants, and benefit accrual and contributions were frozen. This Plan's policies and performance are monitored closely by the Retirement Committee which consists of five (5) Directors and three (3) Authority employee representatives appointed by the Authority's Board of Directors. Additional information on the Authority's retirement plans can be found in Note 7, of the Notes to the Basic Financial Statements.

### **Internal Accounting Controls**

Internal accounting controls are designed to provide reasonable assurance regarding safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We believe that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of all financial transactions.

As a recipient of Federal and State loans and grants, the Authority is also responsible for ensuring that adequate internal controls are in place to document compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluation by management. As part of the Authority's audit, tests were made of the internal controls and of its compliance with laws and regulations that could have a material effect on the Authority's financial statements. Although this testing was not sufficient to support an opinion on the Authority's internal control system or its compliance with laws and regulations, no material instances of noncompliance related to the audit for the year ended August 31, 2009 are disclosed.

### **Budgetary Controls**

The annual budget serves as the basis for the Authority's financial planning and control. Budgetary controls are maintained to ensure the proper management of resources, and are required pursuant to certain contracts for service. Although there are no legal requirements to include comparative budget-to-actual expense statements

in this report, such information is included in the Supplemental Information section. In addition, it is provided to the Board of Directors on a quarterly basis throughout the fiscal year.

Charges for services are based on budgeted operating expenses, including debt service requirements and capital expenditures, but excluding depreciation and amortization. In the cost reimbursable operations, charges for services are adjusted accordingly at the end of each year to a break-even basis. These year-end adjustments are recorded as either accounts receivable or unearned revenue.

## **MAJOR INITIATIVES**

During Fiscal Year 2009, the Authority managed more than 40 new and ongoing water quality and water supply projects. Water supply remains the priority for the Authority as we continue to work to obtain a major new water right and to develop groundwater. The following is a synopsis of select programs and projects managed by the Authority in Fiscal Year 2009:

### **East Williamson County Regional Water System**

In October 2008, the Authority hosted a successful formal opening of the expansion of the East Williamson County regional water treatment plant near the City of Taylor. The facility provides the capability of producing 12.8 million gallons per day (mgd) of treated drinking water.

Formerly owned and operated by the City of Taylor, the 5.5 mgd plant was purchased in 2004 by the Authority. Expansion plans for an additional 7.5 mgd to meet both state standards and the growing needs of the region began immediately. The \$17.4 million expansion also includes refurbishment of the existing plant and replacement of computer and water testing systems to compliment the new facility.

### **Emergency Operations**

In response to Hurricane Ike, the Authority's projects in the southern portion of the basin successfully executed emergency action plans for temporary shutdown and/or automation of wastewater facilities. All three plants (Clute/Richwood and two plants in Sugar Land) suffered minimal damage and were online and operational when the respective cities' pump stations became available.

### **Fort Bend County**

The Authority continued work with the cities of Richmond and Rosenberg, municipal utility districts and other entities in West Fort Bend County on a regional surface water treatment project. A preliminary engineering report was completed and recommendations were made on implementing a "treatability monitoring" program. Recently the two cities announced their intentions to form a local government corporation to seek financing for the project without help of the Authority.

### **Granger Lake Regional Intake Project Loan Status**

On November 25, the Texas Water Development Board (TWDB) granted the Authority a \$22 million loan for the Granger Lake Regional Intake Project. The intake is the final phase of the expansion to the East Williamson County Regional Water System that was completed in 2008.

### **Grant and Other Funding Initiatives**

Grant and other funding applications were submitted for fifteen (15) diverse projects. Eleven (11) grants were approved and two (2) were not awarded. Other funding was awarded through the Texas Water Development Board for two (2) projects that were approved water management strategies in the 2007 State Water Plan; one (1) low-interest loan for construction of a new deep-water intake at Granger Lake for \$22,000,000; and, one (1) low-interest loan to acquire land for the Granger Lake Conjunctive Use Project totaling \$100,000,000.

### **Possum Kingdom Lake – Hydroelectric Generation**

During FY 2009, the Federal Energy Regulatory Commission (FERC) issued an order granting approval of the Authority's Facility Use Agreement (FUA) for hydro generation at Possum Kingdom Lake (PK). This was the first hurdle of the approval process to move forward on a contract with Brazos Electric Power Cooperative (BEPC).

Approval from the Rural Utility Service (RUS) must be obtained by BEPC before operation and maintenance of the Morris Sheppard Dam Hydro generation facilities can proceed. Litigation filed by BEPC in FY 2010 has halted all contract negotiations.

### **Lake Granbury Flood Plain Mapping**

In late 2007, the Authority contracted for an update of flood plain maps at Lake Granbury. The purpose of the project is to provide the Federal Emergency Management Agency (FEMA) updated flood event information for Hood County. The Authority portion of the project was completed and submitted to FEMA in January to be incorporated into an overall flood plain map. FEMA is expected to complete the remainder of the project by 2011.

### **Lake Granbury Watershed Protection Plan**

E.coli monitoring continued during the last 12 months and was integrated into the Lake Granbury Watershed Protection Plan. Source identification activities were completed at the end of 2008 and a draft protection plan was submitted to the stakeholder group in June. The project is expected to be completed in 2010.

### **Lake Granbury Surface Water and Treatment System (SWATS)**

The Authority continued updates on the advanced potable water treatment plant with modifications and additions to the plant's ultra filtration and reverse osmosis system. A design evaluation of the reverse osmosis system was completed and a fifth rack was installed. Work is scheduled for completion by the Spring 2010. This expansion meets the current demand requirements of the SWATS customers.

### **Lake Limestone Flood Operations**

Record-breaking flood operations at Lake Limestone in April released approximately 150,000 acre-feet of water down the Navasota River and into the Brazos. The event was the largest flood release since the lake was built in 1978, and water services and lake staff worked diligently to minimize potential flooding and erosion damage downstream.

### **Possum Kingdom Divestiture**

In April 2009, the Authority awarded a bid for a third-party sale of most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Properties. At the same time, legislation was passed to validate the third-party sale process and to aid in sale of individual residential properties to the current lessee should the third-party sale fall through.

### **Opening of Phase II - Possum Kingdom Trail System**

Phase II of the PK Hike and Bike Trails System opened in April. The six-mile trail links to the original five miles of Phase I. Construction of Phase III is scheduled to begin in the fall 2010 while Phase IV construction is planned for fall 2011. Funding for trail development is provided on a cost-share basis through grants with the Texas Parks and Wildlife Department (TPWD).

### **Reallocation of Flood Storage – USACE**

In April 2008, the Board authorized a detailed feasibility study to evaluate water supply storage reallocation or a pool rise at Lake Aquilla. The goal of the project is to increase the water supply available to the Authority from Lake Aquilla by raising the normal conservation pool level.

The study is a cost-shared program with the US Army Corps of Engineers (Corps). In the past year, significant progress on various study elements including a seepage risk factor have been identified and included in the overall plan. The Authority has requested federal funding necessary for continued work by the Corps in fiscal year 2010. The study phase of the project is expected to be completed in 2011.

### **Salt Creek, Graham, Texas Flood Plain Project**

The Authority and the Corps continue the property acquisition phase of the Salt Creek, Graham, Texas Flood Plain Project. The objective of the project is to provide flood protection for residents of Graham who live within the 10-year flood plain near Salt Creek. To date, approximately 60 residential property tracts have been acquired by the Corps and transferred to the Authority.

### **Strategic Plan**

An update to the Authority's Strategic Plan continued in FY 2009 to more closely align the practices and core business of the Authority with the strategic direction set by the Board of Directors. The Strategic Plan is implemented through a project process and will assist in determining the direction the Authority will take in allocating its resources in order to meet the future needs of the basin.

### **System Operations Permit**

In the spring of 2003, the Authority initiated the System Operations Permit project with the goal of maximizing utilization of existing reservoir storage. If approved as requested, the System Operations Permit will add approximately 421,000 acre-feet to the Authority's currently permitted available water supply.

In December 2008, the Authority received a draft copy of the System Operations Permit from the Texas Commission on Environmental Quality (TCEQ) which commented that this application was "the most complex water right permit ever reviewed." Once the final draft permit is released, it will go before the TCEQ Commissioners where it will likely be referred to the State Office of Administrative Hearings (SOAH).

During FY 2009, the Authority settled protest negotiations with the City of Lubbock, Luminant (TXU), and the Association of Electric Companies of Texas (AECT) and continued negotiations with interested parties including TPWD and the Dow Chemical Company.

### **Williamson County Regional Raw Water Line**

The Authority continued work on Phase II pump upgrades for the Williamson County Regional Raw Water Line including planning for design and installation of Phase II pumps. While water usage patterns initially indicated that additional pumping capacity could be needed by 2011, the drought that has affected much of the state this year expedited that timeline. Authority staff is currently working with the customers of the raw water line to bring the Phase II pumps online by August of 2010.

The goal for the Phase II pump upgrade is to deliver up to 64,600 acre-feet of water annually to Lake Georgetown to meet the needs of the cities of Round Rock and Georgetown, as well as Brushy Creek Municipal Utility District, Chisholm Trail Special Utility District and Jonah Water Special Utility District. The water line has run continuously since September, providing water from Lake Stillhouse Hollow to Lake Georgetown.

## **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 Authority for its CAFR for the fiscal year ended August 31, 2008. This was the twenty third consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority published an easily readable and efficiently organized CAFR. The 2008 report satisfied both GAAP and applicable legal requirements.

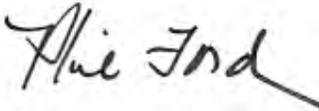
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the Authority also received its second GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year beginning September 1, 2008. In order to qualify for the Distinguished Budget Presentation Award, the Authority's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communication device.

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, Janie Crowder, Judy Wallace, Michele Giroir, Paula Thamez, Lupe Diaz, Cheryl Hoelscher, Kim Goolsby, Kim Tosh, Gina Romano, Sandra High, Debbie Eckert, and all other employees who contributed to the preparation of this report.

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

Respectfully submitted,



Phillip J. Ford  
General Manager/CEO



John Hawes, CPA  
Chief Financial Officer

# 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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



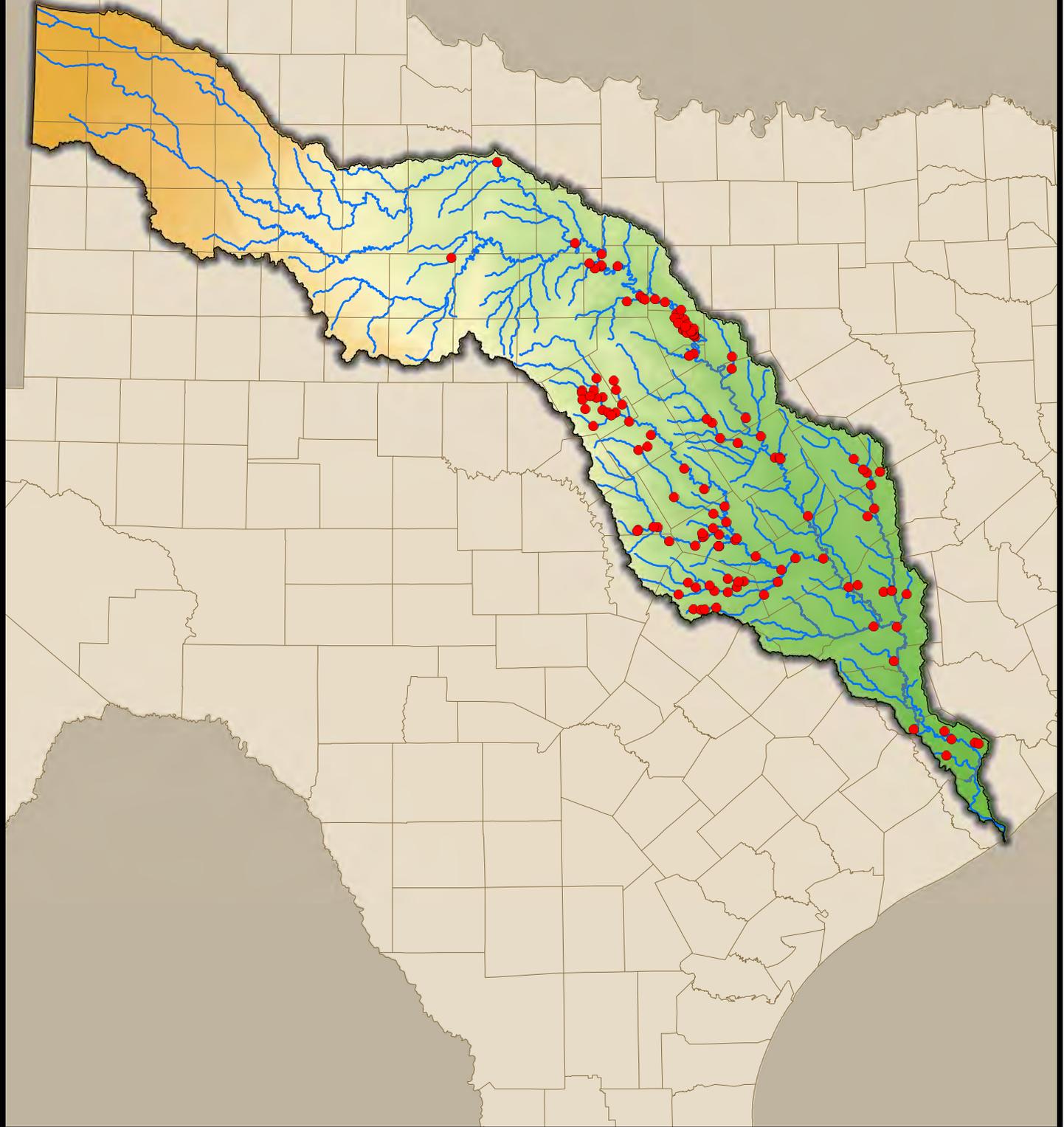
A stylized, handwritten signature in black ink, appearing to be "J.R. Emerson".

President

A handwritten signature in black ink that reads "Jeffrey R. Emerson".

Executive Director

# 161 Regularly Monitored Water Quality Sampling Sites



# **Financial Section**



**Padgett Stratemann & Co. LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**Independent Auditors' Report**

Board of Directors  
Brazos River Authority:

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Brazos River Authority (the "Authority") as of and for the year ended August 31, 2009, which collectively comprise the Authority's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express opinions on these financial statements based on our audit. The accompanying financial statements for the year ended August 31, 2008, were audited by other auditors whose report thereon dated January 23, 2009, expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

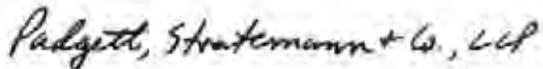
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Authority, as of August 31, 2009, and the respective changes in net assets, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,

and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

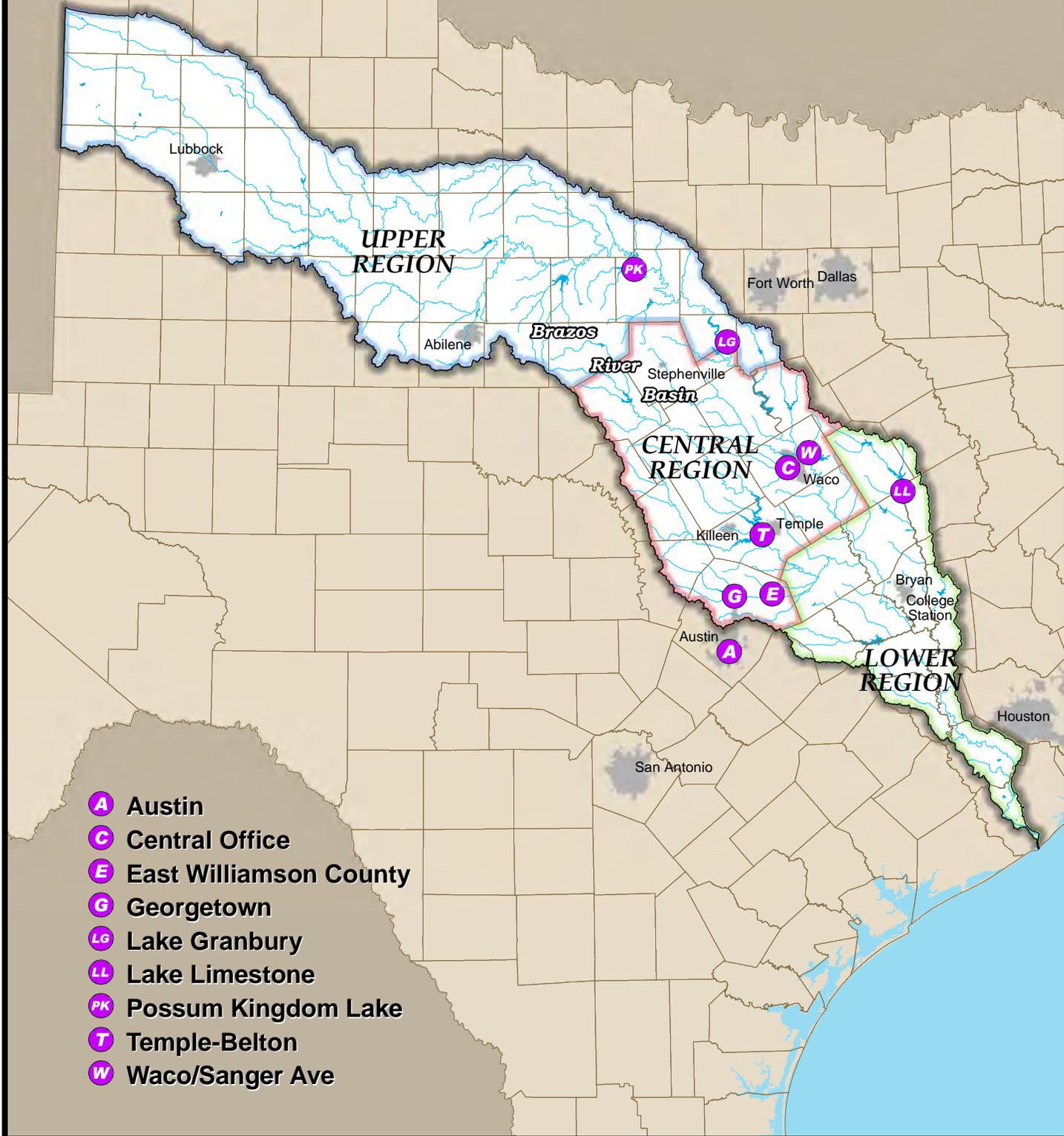
The Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental schedules of combining statements of fiduciary net assets, schedule of changes in assets and liabilities (agency funds), and the comparison of budgeted revenues and expenditures to actual (non-GAAP basis) 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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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 our audit of the basic financial statements, and accordingly, we express no opinion on them.



Certified Public Accountants  
January 25, 2010

# Brazos River Authority Offices



# **Management's Discussion & Analysis**

*2009 Comprehensive Annual Financial Report*

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2009, 2008 AND 2007 (in thousands)**

As management of the Brazos River Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended August 31, 2009 in comparison with the two prior year financial results. 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 x to xviii of the Introductory Section of this report.

**Financial Highlights**

- Total assets at the end of Fiscal Year 2009, 2008 and 2007 were \$361,062, \$338,673 and \$336,249, respectively. Total assets exceeded liabilities at the end of Fiscal Year 2009, 2008 and 2007 by \$149,230, \$141,754 and \$131,291, respectively.
- Total assets for Fiscal Year 2009 increased \$22,389 over prior year primarily as a result of increased water sales and the issuance of the Series 2009 Revenue bonds.
- Total assets for Fiscal Year 2008 increased \$2,424 over prior year primarily as a result of increased water sales.
- The Authority ended Fiscal Year 2009 with an increase in net assets of \$7,476, an increase in net assets of \$10,463 for Fiscal Year 2008 and an increase in net assets of \$5,028 in Fiscal Year 2007.
- The increases and decreases in capital assets for the past three years and the events causing these changes are noted below:

	2009	2008	2007
Net additions to land and land rights	\$ -	\$ -	\$ 41
Additions to construction-in-progress	12,945	13,943	23,673
Transfers from construction-in-progress to capital assets being depreciated	(19,966)	(33,556)	(3,269)
Additions and transfers to capital assets being depreciated	21,899	34,431	2,475
Deletions and transfers	(164)	(544)	(84)
Normal annual depreciation	(9,784)	(8,692)	(8,384)
<b>TOTAL</b>	<b>\$ 4,930</b>	<b>\$ 5,582</b>	<b>\$ 14,452</b>

- For Fiscal Year 2009, total outstanding debt increased by \$15,635. This net increase is a result of \$22,000 in new bonds being issued for the cost of the deep water intake structure at Granger Lake. In addition required annual principal payments on revenue bonds, contracts payable and accretion on capital appreciation bonds of \$5,375, \$1,103 and \$113, respectively.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2009, 2008 AND 2007 (in thousands)**

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- For Fiscal Year 2008, total outstanding debt decreased by \$5,749. This decrease is a result of required annual principal payments on revenue bonds, contracts payable and accretion on capital appreciation bonds of \$4,795, \$1,061 and \$107, respectively.
- For Fiscal Year 2007, total outstanding debt increased by \$13,073. This net increase is a result of \$17,805 in new bonds being issued for the costs of the continued expansion of the East Williamson County Regional Water System and \$550 of new contracts payable debt issued to acquire water rights from the Brazos Electric Power Cooperative, Inc. In addition, required annual principal payments on revenue bonds, contracts payable and accretion on capital appreciation bonds of \$4,365, \$1,019 and \$102, respectively.

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## **Overview of the Financial Statements**

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

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

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Net Assets can be found on Page 16 of this report.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets 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 assets may serve as an indicator of the effect of the Authority's current year operations on its financial position. The Statement of Revenues, Expenses and Changes in Net Assets can be found on Page 18 of this report.

The *Statement of Cash Flows* summarizes all of the Authority'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 19 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:

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2009, 2008 AND 2007 (in thousands)**

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

The *Combined Statement of Fiduciary Net Assets* summarizes all of the Authority'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 Combined Statement of Fiduciary Net Assets. The Combined Statement of Fiduciary Net Assets can be found on Page 20.

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 Financial Statements can be found starting on Page 21 of this report.

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## **Financial Analysis**

***Schedule of Net Assets*** - As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities for Fiscal Year 2009, 2008 and 2007 by \$149,230, \$141,754 and \$131,291, respectively. For the past three years, the Authority has experienced consistent increases in total net assets which indicate continued improvements in the Authority's financial position.

The largest portion of the Authority's net assets, 50%, in Fiscal Year 2009, reflects its investment in capital assets (e.g., land, 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 Authority'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 the current year, current assets-restricted and noncurrent liabilities both increased over prior year primarily as a result of the \$22,000 Water Supply System Revenue Bonds, Series 2009, and as noted earlier will be used to fund the construction of the deep water intake structure at Granger Lake.

For fiscal year 2008, current assets-unrestricted went up as a result of improved operations and funds received as a result of a favorable litigation settlement. In addition, current assets-restricted went down from the previous year as a result of the continued expansion of the East Williamson County Regional Water System.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2009, 2008 AND 2007 (in thousands)**

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**Condensed Schedule of Net Assets  
August 31, 2009, 2008 and 2007**

	2009	2008	2007
<b>ASSETS</b>			
Current assets - unrestricted	\$ 55,886	\$ 55,853	\$ 47,930
Current assets - restricted	39,977	21,110	30,235
Capital assets, net	232,780	227,850	222,268
Noncurrent assets	<u>32,419</u>	<u>33,860</u>	<u>35,816</u>
<b>TOTAL ASSETS</b>	<u>361,062</u>	<u>338,673</u>	<u>336,249</u>
<b>LIABILITIES</b>			
Current liabilities (payable from current assets)	14,759	13,236	13,090
Current liabilities (payable from restricted assets)	13,992	14,729	15,518
Noncurrent liabilities	<u>183,081</u>	<u>168,954</u>	<u>176,350</u>
<b>TOTAL LIABILITIES</b>	<u>211,832</u>	<u>196,919</u>	<u>204,958</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	74,470	83,408	71,750
Restricted	31,940	13,774	22,634
Unrestricted	<u>42,820</u>	<u>44,572</u>	<u>36,907</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 149,230</u>	<u>\$ 141,754</u>	<u>\$ 131,291</u>

For Fiscal Year 2009, about 21% (\$31,940) of the Authority's net assets represent resources that are restricted. The remaining balance of *unrestricted net assets* (\$42,820) may be used to meet the Authority's ongoing obligations.

**BRAZOS RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2009, 2008 AND 2007 (in thousands)**

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**Condensed Schedule of Revenues, Expenses and Changes in Net Assets**  
**Fiscal Years Ended August 31, 2009, 2008 and 2007**

	2009	2008	2007
<b>OPERATING REVENUES</b>			
Water supply system	\$ 40,624	\$ 36,536	\$ 32,698
Cost reimbursable operations	<u>19,871</u>	<u>18,347</u>	<u>17,448</u>
<b>TOTAL OPERATING REVENUES</b>	<u>60,495</u>	<u>54,883</u>	<u>50,146</u>
<b>OPERATING EXPENSES</b>			
Operating and Maintenance	36,329	34,738	33,404
Depreciation and amortization	<u>11,225</u>	<u>10,124</u>	<u>9,819</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>47,554</u>	<u>44,862</u>	<u>43,223</u>
<b>OPERATING INCOME</b>	12,941	10,021	6,923
Total net non-operating expenses	<u>6,500</u>	<u>219</u>	<u>3,828</u>
<b>INCOME BEFORE CONTRIBUTIONS</b>	6,441	9,802	3,095
Capital contributions	<u>1,035</u>	<u>661</u>	<u>1,933</u>
<b>CHANGE IN NET ASSETS</b>	7,476	10,463	5,028
<b>NET ASSETS, BEGINNING</b>	<u>141,754</u>	<u>131,291</u>	<u>126,263</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 149,230</u>	<u>\$ 141,754</u>	<u>\$ 131,291</u>

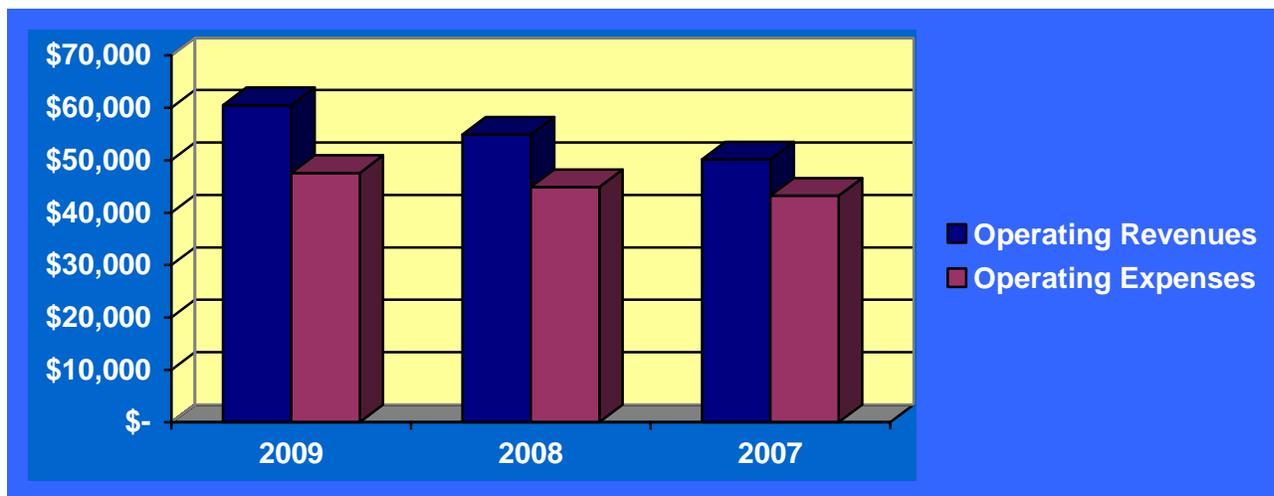
**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2009, 2008 AND 2007 (in thousands)**

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**Operating Income**

Operating income increased by \$2,920, or 29% after increasing in the prior year by 44%. These increases are a result of an increase in the sale of raw water, a 4.59% and 3.81% increase in the price charged to customers for an acre foot of water sold for 2009 and 2008, respectively, and a control in spending representing a less than 6% increase in operating expenses over each of the past two years.

Total operating revenues consist primarily of raw water sales, cost reimbursable operations, and lake operations. Other operating revenues include the sale of treated water, operation of a wastewater treatment facility, grants and hydroelectric operations. Total operating expenses consist primarily of personnel services, materials and supplies, utilities, depreciation and amortization and outside services.



**Total net non-operating expenses**

Total net non-operating expenses increased by \$6,281 after decreasing in the prior year by \$3,609. These fluctuations are a result of litigation settlement proceeds received in 2008, steady increases in required interest payments on the debt service requirements as a result of \$40,355 new bond issuances over the past three years, and the steady decrease in the interest rates experienced on the Authority's investments.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2009, 2008 AND 2007 (in thousands)**

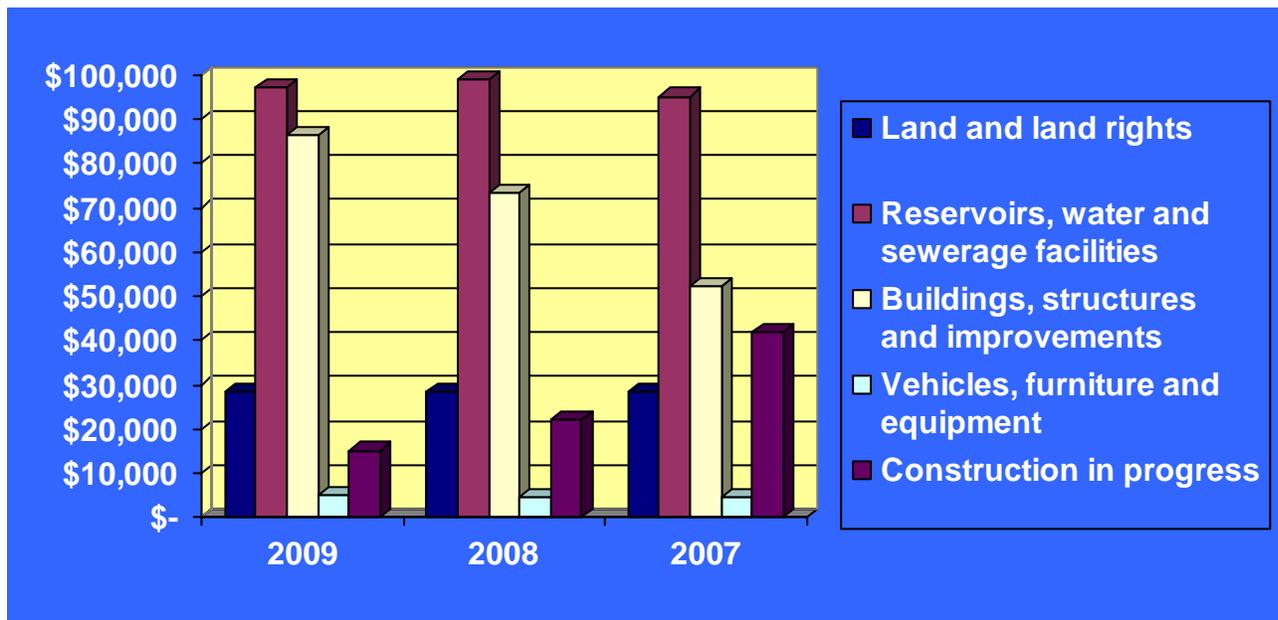
**Capital Assets and Outstanding Debt**

**Capital Assets** - The Authority's capital assets, as of August 31, 2009, 2008 and 2007, amounted to \$232,780, \$227,850 and \$222,268, respectively, (net of accumulated depreciation). The increase in capital assets for 2009 is primarily due to the continued expenditures on several Construction in Progress (CIP) projects, many of which were completed in the current year and capitalized as part of the Capital Assets being depreciated. The following table summarizes capital assets, net of depreciation.

**Capital Assets  
(net of accumulated depreciation) August 31, 2009, 2008 and 2007**

	2009	2008	2007
Land and land rights	\$ 28,587	\$ 28,587	\$ 28,587
Reservoirs, water and sewerage facilities	97,230	98,864	95,192
Buildings, structures and improvements	86,598	73,438	52,175
Vehicles, furniture and equipment	5,213	4,788	4,528
Construction in progress	15,152	22,173	41,786
<b>TOTAL</b>	<b>\$ 232,780</b>	<b>\$ 227,850</b>	<b>\$ 222,268</b>

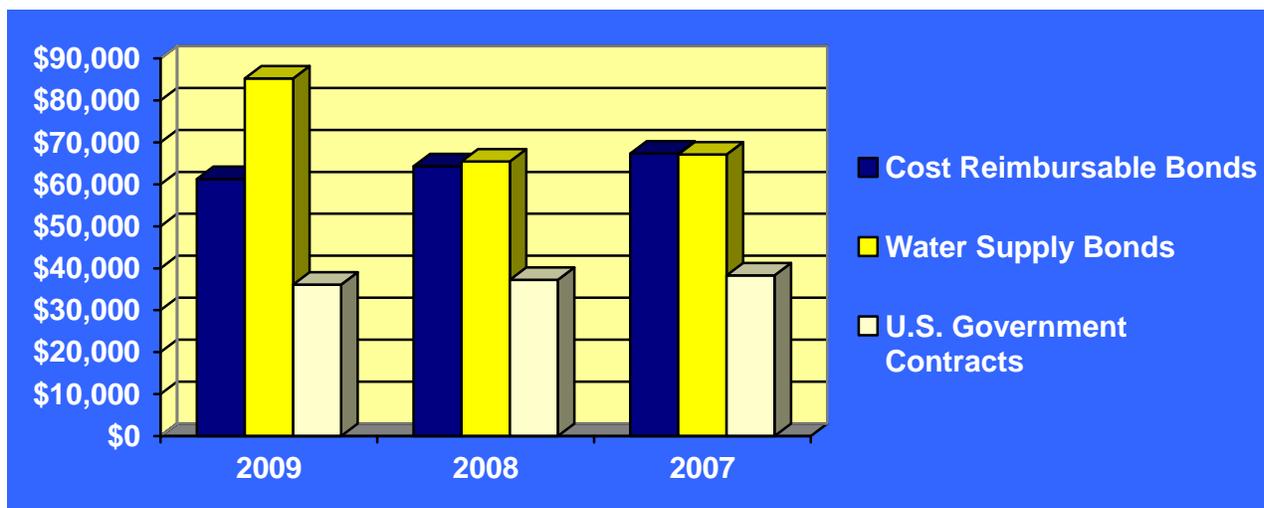
Additional information on the Authority's capital assets can be found in Note 4 and 10, of this report.



**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2009, 2008 AND 2007 (in thousands)**

**Outstanding Debt** – At the end of Fiscal Year 2009, 2008 and 2007, the Authority had total outstanding debt of \$182,579, \$166,944 and \$172,693, respectively. Of the 2009 amount, 66% and 34% is reflected in Water Supply System and Cost Reimbursable Operations, respectively. The increase in Water Supply Bonds is due to the issuance of the Series 2009 revenue bonds funded at year end to finance the construction of the deep water intake structure on Granger Lake.

On July 21, 2009 Standard & Poor's Ratings Services raised its underlying rating (SPUR) on the Authority's water supply system revenue bonds one notch to 'AA-' from 'AA-' based on the Authority'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 Tennessee during a time when demand is increasing rapidly from both municipalities and electric power generators.



The changes in the Authority's debt for Fiscal Year 2009, 2008 and 2007 are shown in the following table:

	2009	2008	2007
Accretion of interest on capital appreciation bonds	\$ 113	\$ 107	\$ 102
Principal payments made during each year	(6,478)	(5,856)	(5,384)
New Series 2009 Revenue Bonds	22,000	-	-
New Series 2006 Revenue Bonds	-	-	17,805
New contracts payable debt	-	-	550
<b>INCREASE (DECREASE) IN DEBT</b>	<b>\$ 15,635</b>	<b>\$ (5,749)</b>	<b>\$ 13,073</b>

Additional information on the Authority's long-term debt can be found in Note 6, of this report.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2009, 2008 AND 2007 (in thousands)**

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## **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority'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.

# **Basic Financial Statements**

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF NET ASSETS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
<b>UNRESTRICTED:</b>		
Cash and cash equivalents	\$ 9,138	\$ 4,008
Investments	41,287	46,297
Receivables:		
Accounts	3,193	3,000
Accrued interest	146	327
Current portion of contracts receivables	162	158
Other current assets	1,960	2,063
<b>TOTAL UNRESTRICTED</b>	<b>55,886</b>	<b>55,853</b>
<b>RESTRICTED:</b>		
Cash and cash equivalents	30,085	10,281
Investments	9,884	10,792
Interest	8	37
<b>TOTAL RESTRICTED</b>	<b>39,977</b>	<b>21,110</b>
<b>TOTAL CURRENT ASSETS</b>	<b>95,863</b>	<b>76,963</b>
<b>NONCURRENT ASSETS:</b>		
<b>CAPITAL ASSETS:</b>		
Land and land rights	28,587	28,587
Reservoirs, water treatment and sewerage facilities	169,260	167,349
Building, structures and improvements	105,304	87,918
Vehicles, furniture and equipment	18,142	16,926
Construction in progress	15,152	22,173
<b>TOTAL CAPITAL ASSETS</b>	<b>336,445</b>	<b>322,953</b>
Less accumulated depreciation	(103,665)	(95,103)
<b>NET CAPITAL ASSETS</b>	<b>232,780</b>	<b>227,850</b>
<b>OTHER NONCURRENT ASSETS:</b>		
Storage rights, net	26,144	27,463
Contract receivable, net of current portion	875	1,038
Bond related costs	2,815	2,688
Other assets, net	2,585	2,671
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>32,419</b>	<b>33,860</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>265,199</b>	<b>261,710</b>
<b>TOTAL ASSETS</b>	<b>\$ 361,062</b>	<b>\$ 338,673</b>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF NET ASSETS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

	2009	2008
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
<b>PAYABLE FROM CURRENT ASSETS:</b>		
Accounts payable	\$ 5,756	\$ 5,793
Contracts payable	1,146	1,103
Accrued interest	700	733
Unearned revenues	7,157	5,607
<b>TOTAL PAYABLE FROM CURRENT ASSETS</b>	<b>14,759</b>	<b>13,236</b>
<b>PAYABLE FROM RESTRICTED ASSETS:</b>		
Accrued interest	1,943	1,875
Revenue bonds payable	5,955	5,375
Construction contracts payable	-	2,018
Unearned revenues	3,536	2,923
Other	2,558	2,538
<b>TOTAL PAYABLE FROM RESTRICTED ASSETS</b>	<b>13,992</b>	<b>14,729</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>28,751</b>	<b>27,965</b>
<b>NONCURRENT LIABILITIES:</b>		
Revenue bonds payable, net of current portion	140,527	124,369
Discount on revenue bonds payable	(1,132)	(1,280)
Contracts payable, net of current portion	34,951	36,097
Unearned revenues	7,843	9,052
Other liabilities	892	716
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>183,081</b>	<b>168,954</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 211,832</b>	<b>\$ 196,919</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	74,470	83,408
Restricted for construction and debt service	31,940	13,774
Unrestricted	42,820	44,572
<b>TOTAL NET ASSETS</b>	<b>\$ 149,230</b>	<b>\$ 141,754</b>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008 (in thousands)**

	2009	2008
<b>OPERATING REVENUES:</b>		
Water Supply System:		
Raw water sales	\$ 29,579	\$ 26,093
Treated water	1,232	1,022
Wastewater treatment	3,012	2,989
Lake operations	3,243	3,181
Hydroelectric	514	631
Grants	1,578	1,264
Other	1,466	1,356
Cost Reimbursable Operations:		
Water conveyance/supply	3,235	2,346
Water treatment	8,903	8,174
Wastewater treatment	7,733	7,827
<b>TOTAL OPERATING REVENUES</b>	<b><u>60,495</u></b>	<b><u>54,883</u></b>
<b>OPERATING EXPENSES:</b>		
Personnel services	16,355	15,271
Materials and supplies	3,011	2,613
Utilities	5,121	4,836
Depreciation and amortization	11,225	10,124
Outside services	4,525	4,993
Other	7,317	7,025
<b>TOTAL OPERATING EXPENSES</b>	<b><u>47,554</u></b>	<b><u>44,862</u></b>
<b>OPERATING INCOME</b>	<b><u>12,941</u></b>	<b><u>10,021</u></b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Investment income	1,329	2,187
Interest expense	(7,419)	(5,848)
Other income	-	4,125
Other expenses	(303)	(292)
Loss on sale of capital assets	(107)	(391)
<b>TOTAL NET NON-OPERATING EXPENSES</b>	<b><u>(6,500)</u></b>	<b><u>(219)</u></b>
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>6,441</b>	<b>9,802</b>
Capital contributions	1,035	661
<b>CHANGE IN NET ASSETS</b>	<b>7,476</b>	<b>10,463</b>
<b>NET ASSETS, BEGINNING</b>	<b><u>141,754</u></b>	<b><u>131,291</u></b>
<b>NET ASSETS, ENDING</b>	<b><u>\$ 149,230</u></b>	<b><u>\$ 141,754</u></b>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FISCAL YEARS ENDED AUGUST 31, 2009 AND 2008 (in thousands)**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 61,557	\$ 55,989
Cash received from others	43	22
Cash paid to suppliers for goods and services	(24,990)	(23,759)
Cash paid to employees for services	(12,698)	(11,878)
Net cash provided by operating activities	<u>23,912</u>	<u>20,374</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Bond proceeds	22,000	-
Payment of debt issuance costs	(185)	-
Cash paid for capital assets	(15,939)	(15,370)
Interest paid	(7,238)	(5,734)
Principal payments on long-term debt	(6,478)	(5,796)
Proceeds from disposal of capital assets	49	142
Capital contributions	1,036	661
Proceeds from litigation settlement of capital assets	-	4,125
Other	325	153
Net cash used in capital and related financing activities	<u>(6,430)</u>	<u>(21,819)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sales of investments	79,164	91,235
Purchases of investments	(72,817)	(98,893)
Interest received	1,105	2,174
Net cash provided by/(used in) investing activities	<u>7,452</u>	<u>(5,484)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>24,934</u>	<u>(6,929)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b> (including \$10,281 and \$17,244, respectively, reported in restricted accounts)	<u>14,289</u>	<u>21,218</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> (including \$30,085 and \$10,281, respectively, reported in restricted accounts)	<u>\$ 39,223</u>	<u>\$ 14,289</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	<u>\$ 12,941</u>	<u>\$ 10,021</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,784	8,684
Amortization	1,441	1,440
Change in current assets and liabilities:		
(Increase) decrease in accounts receivable	(193)	919
Decrease in other current assets	104	1,029
Decrease in accounts payable	(686)	(411)
(Increase) decrease in unearned revenue and other liabilities	521	(1,308)
Total adjustments	<u>10,971</u>	<u>10,353</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 23,912</u>	<u>\$ 20,374</u>
<b>NONCASH INVESTING ACTIVITY:</b>		
Net decrease in fair value of investments	\$ (143)	\$ (53)
Amounts recorded for accretion on WCRRWL Series 2000 Capital Appreciation Bonds	\$ 113	\$ 107

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**COMBINED STATEMENTS OF FIDUCIARY NET ASSETS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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	2009	2008
<b>ASSETS</b>		
Cash	\$ 1,289	\$ 3,855
Investments	2,494	2,917
Accrued Interest	3	13
<b>TOTAL ASSETS</b>	<u><u>\$ 3,786</u></u>	<u><u>\$ 6,785</u></u>
<b>LIABILITIES</b>		
Held for future debt service	\$ 3,132	\$ 3,268
Held for future construction cost	654	3,517
<b>TOTAL LIABILITIES</b>	<u><u>\$ 3,786</u></u>	<u><u>\$ 6,785</u></u>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - The Brazos River Authority (the “Authority”) 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 Authority is governed by a board of 21 directors appointed by the Governor for six-year terms, subject to approval by the Texas Senate. The Authority is not financially accountable to the State of Texas. The Authority is responsible for conservation, control, and development of the surface water resources of the Brazos River Basin. The Authority 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 Authority 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 Authority consists of a single enterprise fund through which all financial activities are recorded, and three agency funds that report assets and liabilities held by the Authority in a custodial capacity for others. Under GASB Statement 20, the Authority has elected not to apply Financial Accounting Standards Board (“FASB”) Statements and Interpretations issued after November 30, 1989.

**Basis of Presentation** - The Authority presents its financial statements in accordance with GASB 34 guidance for governments engaged in business type activities. Accordingly, the basic financial statements of the Authority consist of Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows, Combined Statement of Fiduciary Net Assets and Notes to the Basic Financial Statements.

**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.

**Agency Funds** - The Authority’s Agency Funds are created to act as a custodian for the City of Robinson, the City of Keene and Jonah Water Special Utility District for the facilitating of bond proceeds in accordance with the Texas Water Development Board Rules and Inter-local Agreements relating to financial programs. The Agency Funds only report assets and liabilities in a statement of fiduciary net assets.

**Revenue Recognition** - Revenues are recorded when earned. Unearned revenues are reflected in the accompanying statement of net assets 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.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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The Authority 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 Authority 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.

**Cash and Cash Equivalents** - All highly liquid investments (including restricted assets) with original maturities of three months or less when purchased are considered to be cash equivalents.

**Deposits** - The Authority's collateral agreement requires that all deposits be fully collateralized by government securities or Texas municipal bonds rated A or better 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.

**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

The Authority capitalizes net interest costs, as applicable, as a component cost of construction in progress. The two projects that meet the capitalization rule are the Morris Sheppard Dam project at Possum Kingdom Lake and the East Williamson County Regional Water System expansion. For the years ended August 31, 2009 and 2008, the Authority had \$124 and \$1,491 in net capitalized interest, respectively, for these two projects.

**Compensated Absences** - Prior to May 1, 2002 the Authority'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 Authority'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, 2009 and 2008, was \$728 and \$690, respectively. Based on historical data, a portion of the accrual for compensated absences is classified as other noncurrent liabilities.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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***Budgets and Budgetary Accounting*** - The Authority 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.

***Other Assets*** – The Authority capitalizes bond and loan issuance costs and amortizes such costs over the term of the related bonds and loan using the straight-line method. At August 31, 2009 and 2008, bond and loan issuance costs, net of accumulated amortization, of approximately \$1,950 and \$1,885, respectively, were included in bond related cost in the accompanying statement of net assets.

By agreement in 1988, the Authority 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 Authority (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 Authority has sold the 79,000 acre-feet to various third parties under long-term water contracts. The balance of \$2,352 and \$2,437 at August 31, 2009 and 2008, respectively, is included in other assets and will be amortized against related revenues from such contracts over the contract lives.

***Storage Rights*** – Rights in the Federal Reservoirs are purchased through long-term contracts from the Federal government. They are recorded at cost and amortized using the straight-line method. In accordance with Accounting Principles Board Opinion No. 17, storage rights acquired prior to November 1, 1970, are amortized over the contract terms while storage rights acquired after October 31, 1970, are amortized over a certain period, not to exceed forty years.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

Storage rights at August 31, 2009 and 2008, consist of the following:

	2009	2008
Storage rights purchased prior to November 1, 1970 - amortized over the initial term of contract ranging from 50 to 65 years, net of accumulated amortization	\$ 4,558	\$ 4,840
Storage rights purchased after October 31, 1970, amortized over forty years (50 year contract terms), net of accumulated amortization	<u>21,586</u>	<u>22,623</u>
<b>TOTAL</b>	<b><u>\$ 26,144</u></b>	<b><u>\$ 27,463</u></b>

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

**2. DEPOSITS AND INVESTMENTS**

As of August 31, 2009 and 2008, the Authority had the following investments:

Investment Type	2009		2008	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	\$ 45,022	0.81	\$ 3,675	0.99
US Agencies:				
FHLB	5,005	0.06	33,372	1.47
FNMA	1,148	0.07	5,924	1.21
FHLMC	-		14,094	0.85
<b>Total Value</b>	<b><u>\$ 51,175</u></b>		<b><u>\$ 57,065</u></b>	
<b>Portfolio weighted average maturity</b>		<b>0.72</b>		<b>1.27</b>

**Credit Risk**

*Certificates of Deposit* - The Authority'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 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 institutions 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

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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and interest by obligations of the US 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 Authority's name. All certificates of deposit are restricted to a maximum of twenty four (24) months to its stated maturity.

*Repurchase Agreements* - State law and the Authority'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 Authority and held in the Authority'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 Authority 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.

*Mutual Funds* - The Authority'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 Authority 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 Authority's adopted Policy does not require that SEC registered mutual funds be rated as to investment quality. State law prohibits investment in 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, 2009:

- Certificates of deposits represented 49.8% of the total portfolio,
- Investment in local government investment pools (Texpool & TexasTerm) represented 5.0% of the total portfolio rated AAAM,
- Fully collateralized demand deposits represented 38.4 % of the total portfolio, and
- The remainder of the portfolio (6.8 %) was in US Government securities rated AAA.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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**Concentration of Credit Risk**

The Authority's adopted Investment 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 Authority investment portfolio:

	Maximum %
a. U.S. Treasury Bills/Notes/Bonds.....	80%
b. U. S. Agencies & Instrumentalities.....	80%
c. States, Agencies, Counties, Cities, & Other.....	50%
Limit per issuer.....	5%
d. Certificates of Deposit.....	80%
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, 2009:

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

**Interest Rate Risk**

In order to limit interest and market rate risk from changes in interest rates, the Authority's adopted Investment 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 are two years, reserve funds are three years, and debt service funds are one year.

Portfolio disclosure as of August 31, 2009:

- There were no holdings maturing beyond two years.
- One mortgage backed security holdings had stated maturities of 1.75 years and an estimated life of one year and represented 0.06 % of the Operating Reserves and 0.02 % of the total portfolio
- The dollar weighted average maturity of the total portfolio was 146 days.

As of August 31, 2009, the portfolio contained no structured securities and one mortgage backed security as follows:

Security Note	Par	Coupon	Purchase Date	Maturity Date	Call Date	Structure	Cusip	Fair Value
<b>Mortgage Backed Securities:</b>								
FNMA	<u>\$ 19</u>	7.00%	9/1/2005	06/01/11	NA		31371FKA9	<u>\$ 20</u>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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**Custodial Credit Risk**

To control custody risk State law and the Authority's adopted Investment Policy require all Authority owned securities and all collateral pledged for time and demand deposits as well as repurchase agreement collateral be transferred delivery versus payment and held by an independent party approved by the Authority in the Authority's name. 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, 2009:

- The portfolio contained 120 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 assets have 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 interest and principal of bonded indebtedness when and to the extent the amount in the debt service funds is insufficient, as required by bond covenants.
- *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* – Future health benefit payments.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

The cash and cash equivalents, investments, and accrued interest components of each fund represented by restricted assets at August 31, 2009 and 2008 were as follows:

Lines of Business	2009			2008		
	Cash and Cash Equivalents	Investments	Accrued Interest	Cash and Cash Equivalents	Investments	Accrued Interest
<b>Water Supply System:</b>						
Bond proceeds funds	\$ 20,680	\$ 3,512	\$ -	\$ 2,950	\$ 3,981	\$ 13
Debt service funds	2	-	-	3	280	-
Bond reserve funds	1,404	-	-	-	-	-
Repair and replacement funds	-	455	3	37	449	1
Other funds	860	2,803	1	1,188	2,419	6
<b>Water Supply System Total</b>	<b>22,946</b>	<b>6,770</b>	<b>4</b>	<b>4,178</b>	<b>7,129</b>	<b>20</b>
<b>Cost Reimbursable Operations:</b>						
Bond proceeds funds	899	-	-	1,449	-	-
Debt service funds	5,683	121	-	4,252	439	-
Bond reserve funds	55	2,618	3	275	2,549	15
Repair and replacement funds	502	375	1	127	675	2
<b>Cost Reimbursable Operations Total</b>	<b>7,139</b>	<b>3,114</b>	<b>4</b>	<b>6,103</b>	<b>3,663</b>	<b>17</b>
<b>TOTAL</b>	<b>\$ 30,085</b>	<b>\$ 9,884</b>	<b>\$ 8</b>	<b>\$ 10,281</b>	<b>\$ 10,792</b>	<b>\$ 37</b>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

**4. CAPITAL ASSETS**

A summary of changes in capital assets for August 31, 2009 follows:

	Balance at August 31, 2008	Additions and Transfers	Deletions and Transfers	Balance at August 31, 2009
<b>Capital assets, not being depreciated:</b>				
Land and land rights	\$ 28,587	\$ -	\$ -	\$ 28,587
Construction in progress	22,173	12,945	(19,966)	15,152
Total capital assets, not being depreciated	<u>50,760</u>	<u>12,945</u>	<u>(19,966)</u>	<u>43,739</u>
<b>Capital assets, being depreciated:</b>				
Reservoirs, water treatment and sewerage facilities	167,349	2,856	(945)	169,260
Buildings, structures and improvements	87,918	17,386	-	105,304
Vehicles	2,910	275	(308)	2,877
Furniture	770	-	(5)	765
Computers	4,382	166	-	4,548
Tools and heavy equipment	8,864	1,216	(128)	9,952
Total capital assets, being depreciated	<u>272,193</u>	<u>21,899</u>	<u>(1,386)</u>	<u>292,706</u>
<b>TOTAL</b>	<u>\$ 322,953</u>	<u>\$ 34,844</u>	<u>\$ (21,352)</u>	<u>\$ 336,445</u>
<b>Less accumulated depreciation for:</b>				
Reservoirs, water treatment and sewerage facilities	\$ 68,485	\$ 4,338	\$ (793)	\$ 72,030
Buildings, structures and improvements	14,480	4,226	-	18,706
Vehicles	2,220	275	(306)	2,189
Furniture	682	31	(5)	708
Computers	3,314	294	-	3,608
Tools and heavy equipment	5,922	620	(118)	6,424
Total accumulated depreciation	<u>95,103</u>	<u>9,784</u>	<u>(1,222)</u>	<u>103,665</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>\$ 227,850</u>	<u>\$ 25,060</u>	<u>\$ (20,130)</u>	<u>\$ 232,780</u>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

A summary of changes in capital assets for August 31, 2008 follows:

	Balance at August 31, 2007	Additions and Transfers	Deletions and Transfers	Balance at August 31, 2008
<b>Capital assets, not being depreciated:</b>				
Land and land rights	\$ 28,587	\$ -	\$ -	\$ 28,587
Construction in progress	41,786	13,943	(33,556)	22,173
Total capital assets, not being depreciated	<u>70,373</u>	<u>13,943</u>	<u>(33,556)</u>	<u>50,760</u>
<b>Capital assets, being depreciated:</b>				
Reservoirs, water treatment and sewerage facilities	159,514	7,835	-	167,349
Buildings, structures and improvements	63,468	24,819	(369)	87,918
Vehicles	2,830	262	(182)	2,910
Furniture	779	-	(9)	770
Computers	3,279	1,124	(21)	4,382
Tools and heavy equipment	8,971	391	(498)	8,864
Total capital assets, being depreciated	<u>238,841</u>	<u>34,431</u>	<u>(1,079)</u>	<u>272,193</u>
<b>TOTAL</b>	<u>\$ 309,214</u>	<u>\$ 48,374</u>	<u>\$ (34,635)</u>	<u>\$322,953</u>
<b>Less accumulated depreciation for:</b>				
Reservoirs, water treatment and sewerage facilities	\$ 64,322	\$ 4,163	\$ -	\$ 68,485
Buildings, structures and improvements	11,293	3,247	(60)	14,480
Vehicles	2,060	328	(168)	2,220
Furniture	659	32	(9)	682
Computers	3,035	300	(21)	3,314
Tools and heavy equipment	5,577	622	(277)	5,922
Total accumulated depreciation	<u>86,946</u>	<u>8,692</u>	<u>(535)</u>	<u>95,103</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>\$ 222,268</u>	<u>\$ 39,682</u>	<u>\$ (34,100)</u>	<u>\$227,850</u>

**BRAZOS RIVER AUTHORITY**  
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**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, 2009 and 2008 were as follows:

Unrestricted	2009		2008	
	Current Unearned Revenues	Noncurrent Unearned Revenues	Current Unearned Revenues	Noncurrent Unearned Revenues
<b>Water Supply System:</b>				
Lake Granbury	\$ 438	\$ -	\$ 361	\$ -
Lake Limestone	621	6,720	306	7,681
Possum Kingdom Lake	513	-	472	-
East Williamson Co RWS	105	-	84	-
Federal Reservoirs	3,063	-	2,544	-
Other Water Supply System	122	36	21	36
<b>Total Water Supply</b>	<b>4,862</b>	<b>6,756</b>	<b>3,788</b>	<b>7,717</b>
<b>Cost Reimbursable Operations:</b>				
Williamson County RRWL	-	722	261	767
Lake Granbury SWATS	688	343	998	526
Temple-Belton RSS	236	22	48	42
Sandy Creek WTS	-	-	147	-
Clute/Richwood WWS	222	-	307	-
Hutto WWS	77	-	-	-
Brushy Creek RWS	993	-	-	-
Liberty Hill WTP	17	-	-	-
Lee County FWD	62	-	58	-
<b>Total Cost Reimbursable Operations</b>	<b>2,295</b>	<b>1,087</b>	<b>1,819</b>	<b>1,335</b>
<b>Total Unrestricted</b>	<b>\$ 7,157</b>	<b>\$ 7,843</b>	<b>\$ 5,607</b>	<b>\$ 9,052</b>
<b>Restricted</b>				
<b>Cost Reimbursable Operations:</b>				
Williamson County RRWL	\$ 1,362	\$ -	\$ 1,225	\$ -
Temple-Belton RSS	433	-	448	-
Lake Granbury SWATS	1,741	-	1,250	-
<b>Total Restricted</b>	<b>\$ 3,536</b>	<b>\$ -</b>	<b>\$ 2,923</b>	<b>\$ -</b>

**BRAZOS RIVER AUTHORITY**  
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**6. NONCURRENT LIABILITIES**

**Revenue Bonds Payable**

Revenue bonds payable consists of the following at August 31, 2009:

	Balance at August 31, 2008	Additions	Retired	Balance at August 31, 2009	Amounts Due Within One Year
<b><i>Water Supply System:</i></b>					
Series 1972 Refunding Serial Bonds	\$ 3,700	\$ -	\$ 845	\$ 2,855	\$ 895
Series 2001A (AMT) Serial and Term	6,200	-	470	5,730	485
Series 2001B Serial Bonds	595	-	80	515	85
Series 2002 State Participation Loan	6,000	-	-	6,000	-
Series 2002 (AMT) Term Bonds	7,905	-	380	7,525	400
Series 2005A (AMT) Revenue Bonds	12,875	-	405	12,470	425
Series 2005B (AMT) Revenue Bonds	10,335	-	-	10,335	330
Series 2006 Revenue Bonds	17,805	-	-	17,805	-
Series 2009 Revenue Bonds	-	22,000	-	22,000	-
	<u>65,415</u>	<u>22,000</u>	<u>2,180</u>	<u>85,235</u>	<u>2,620</u>
<b><i>Cost Reimbursable Operations:</i></b>					
Series 1997 Serial and Term Bonds	11,105	-	1,125	9,980	1,190
Series 1999 State Participation Loan	14,955	-	-	14,955	-
Series 2000 Serial and Capital	15,364	113	645	14,832	670
Series 2001 Serial and Term Bonds	8,770	-	405	8,365	425
Series 2002 Revenue Bonds	12,445	-	475	11,970	495
Series 2004 Revenue Bonds	1,690	-	545	1,145	555
	<u>64,329</u>	<u>113</u>	<u>3,195</u>	<u>61,247</u>	<u>3,335</u>
<b><i>Total Revenue Bonds Payable</i></b>	<u>\$ 129,744</u>	<u>\$ 22,113</u>	<u>\$ 5,375</u>	<u>\$ 146,482</u>	<u>\$ 5,955</u>

**BRAZOS RIVER AUTHORITY**  
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Revenue bonds payable consists of the following at August 31, 2008:

	Balance at August 31, 2007			Balance at August 31, 2008		Amounts Due Within One Year
		Additions	Retired			
<b><i>Water Supply System :</i></b>						
Series 1972 Refunding Serial Bonds	\$ 4,505	\$ -	\$ 805	\$ 3,700	\$ 845	
Series 2001A (AMT) Serial and Term	6,650	-	450	6,200	470	
Series 2001B Serial Bonds	670	-	75	595	80	
Series 2002 State Participation Loan	6,000	-	-	6,000	-	
Series 2002 (AMT) Term Bonds	8,275	-	370	7,905	380	
Series 2005A (AMT) Revenue Bonds	12,875	-	-	12,875	405	
Series 2005B (AMT) Revenue Bonds	10,335	-	-	10,335	-	
Series 2006 Revenue Bonds	17,805	-	-	17,805	-	
	<u>67,115</u>	<u>-</u>	<u>1,700</u>	<u>65,415</u>	<u>2,180</u>	
<b><i>Cost Reimbursable Operations:</i></b>						
Series 1997 Serial and Term Bonds	12,170	-	1,065	11,105	1,125	
Series 1999 State Participation Loan	14,955	-	-	14,955	-	
Series 2000 Serial and Capital	15,917	107	660	15,364	645	
Series 2001 Serial and Term Bonds	9,160	-	390	8,770	405	
Series 2002 Revenue Bonds	12,900	-	455	12,445	475	
Series 2004 Revenue Bonds	2,215	-	525	1,690	545	
	<u>67,317</u>	<u>107</u>	<u>3,095</u>	<u>64,329</u>	<u>3,195</u>	
<b><i>Total Revenue Bonds Payable</i></b>	<u>\$ 134,432</u>	<u>\$ 107</u>	<u>\$ 4,795</u>	<u>\$ 129,744</u>	<u>\$ 5,375</u>	

**BRAZOS RIVER AUTHORITY**  
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Revenue bonds payable at August 31, 2009, are further detailed as follows:

***Water Supply System:***

- *Series 1972 (\$16,885) Brazos River Authority Water Supply Refunding-* serial bonds to finance DeCordova Bend Dam and Lake Granbury; due in annual installments of \$555 to \$1,015 through 2011; interest at 5.5%
- *Series 2001A (\$8,925) Brazos River Authority* – serial and term bonds for repairs to Morris Sheppard Dam and Possum Kingdom facility and refunding the Series 1991 Water Supply Revenue Bonds; due in annual installments of \$340 to \$1,700 through 2021; interest at 4.35% to 5.65%
- *Series 2001B (\$1,060) Brazos River Authority* – serial bonds to refund Lake Whitney Corps of Engineers contract; due in annual installments of \$60 to \$100 through 2015; interest at 3.3% to 5.125%
- *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 (2022-2036) interest at 5.776% to 5.876%
- *Series 2002 (\$9,635) Brazos River Authority* – term bonds for repairs and renovations at DeCordova Bend Dam on Lake Granbury due in annual installments of \$325 to \$715 through 2023; interest at 3% to 4.85%.
- *Series 2005A (\$12,875) Brazos River Authority* – revenue bonds for repairs and renovations at Morris Sheppard Dam on Possum Kingdom Lake due in annual installments of \$405 to \$980 through 2028; interest at 4.25% to 4.7%.
- *Series 2005B (\$10,335) Brazos River Authority* – revenue bonds for acquisition and expansion of the East Williamson County Regional Water System due in annual installments of \$330 to \$775 through 2029; interest at 4% to 4.8%.
- *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%.
- *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 \$1,065 to \$1,180 through 2023; interest at .07% to 2.25%.

***Cost Reimbursable Operation:***

- *Series 1997 (\$19,935) Brazos River Authority* – serial and term bonds to refund the Lake Granbury Surface Water and Treatment System Series 1987 serial bonds; due in annual installments of \$730 to \$1,335 through 2011; term bonds due from 2012 through 2016 in amounts of \$1,415 to \$1,690; interest at 5.2% to 6.05%

**BRAZOS RIVER AUTHORITY**  
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***Cost Reimbursable Operation: (continued)***

- *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 (2021-2033) – Interest at 4.35% to 5.50%*
- *Series 2000 (\$17,262) Brazos River Authority – serial and capital appreciation bonds for Williamson County Regional Raw Water Line; due in annual installments of \$265 to \$1,015 through 2030; interest at 4.35% to 5.80%*
- *Series 2001 (\$10,530) Brazos River Authority – serial and term bonds for expansion of Lake Granbury Surface Water and Treatment System; due in annual installments of \$320 to \$2,345 through 2022; interest at 4.375% to 5.55%*
- *Series 2002 (\$13,750) Brazos River Authority and Johnson County Rural WSC Contract Revenue Bonds - to replace Series 2001 Brazos River Authority taxable serial bonds for Lake Granbury Surface Water and Treatment System; due in annual payments of \$425 to \$1,090 (2006-2025); interest at 3.875% to 5.5%*
- *Series 2004 (\$3,705) Brazos River Authority and Temple-Belton Regional Sewerage System Revenue Refunding Bonds – to replace Series 1989 and 1989A Brazos River Authority serial bonds to construct the Temple-Belton Regional Sewerage System improvements; due in annual payments of \$490 to \$590 through 2011; interest at 2.0% to 3.75%*

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 Water Supply System bond covenants require that the Authority 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 years ended August 31, 2009 and 2008, the Authority's coverage rates were 3.61 and 3.56, respectively. The Authority was in compliance with this and all other bond covenants and restrictions.

The Authority has adopted the provisions of Governmental Accounting Standards Board Statement No. 23, "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. For the years ended August 31, 2009 and 2008 the cumulative unamortized deferred amount of \$198 and \$257, respectively, are included as an element of discount on revenue bonds payable. The deferred amount resulted from refunding of debts in 1997, 2001, and 2004.

**BRAZOS RIVER AUTHORITY**  
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Annual requirements to retire revenue bonds outstanding, including interest, are:

	Water Supply System		Cost Reimbursable Operations	
	Principal	Interest	Principal	Interest
2010	\$ 2,620	\$ 3,195	\$ 3,335	\$ 3,072
2011	3,800	3,133	3,550	3,297
2012	3,785	3,055	3,440	3,048
2013	2,845	2,948	2,979	2,883
2014	2,935	2,866	3,054	2,898
2015-2019	18,570	14,032	11,929	12,290
2020-2024	20,475	9,368	14,590	8,035
2025-2029	19,920	4,649	11,315	3,855
2030-2034	7,885	1,689	7,055	786
2035-2036	2,400	129	-	-
	<u>\$ 85,235</u>	<u>\$ 45,064</u>	<u>\$ 61,247</u>	<u>\$ 40,164</u>

Details of invested in capital assets, net of related debt:

	2009	2008
Net capital assets	\$ 232,780	\$ 227,850
Revenue bonds payable - current & noncurrent	(146,482)	(129,744)
Storage rights net & Contract Receivable net	27,019	28,501
Bond related costs	2,815	2,688
Construction contracts payable	-	(2,018)
Noncurrent unearned revenues	(7,843)	(9,052)
Discount on revenue bonds payable	1,132	1,280
Contracts payable, net of current portion	(34,951)	(36,097)
	<u>\$ 74,470</u>	<u>\$ 83,408</u>

**BRAZOS RIVER AUTHORITY**  
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***Contracts Payable*** consists of the following at August 31, 2009:

	Balance at August 31, 2008	Retired/ (Additions)	Balance at August 31, 2009	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 2.5% to 2.544%	\$ 1,645	\$ 85	\$ 1,560	\$ 87
\$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 2.699%	503	29	474	30
\$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%	2,452	217	2,235	222
\$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 2.742%	3,862	160	3,702	164
\$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 2.5%	1,195	158	1,037	162
\$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 3.256%	12,215	202	12,013	208
\$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 3.253%	5,483	106	5,377	110
\$11,194 to acquire water conservation storage space in Aquilla Reservoir; due in annual installments of principal and interest of \$593 through 2032 and \$531 from 2033 through 2042; interest on the remaining principal portion is compounded annually at 5.116%	9,325	116	9,209	123
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc., due in annual installments of principal only of \$10 to \$45 through 2020.	520	30	490	40
<b>TOTAL</b>	<b>\$ 37,200</b>	<b>\$ 1,103</b>	<b>\$ 36,097</b>	<b>\$ 1,146</b>

**BRAZOS RIVER AUTHORITY**  
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Annual requirements to retire contracts payable outstanding, including interest, are:

	Contracts Payable		Total
	Principal	Interest	
2010	\$ 1,146	\$ 1,278	\$ 2,424
2011	1,185	1,244	2,429
2012	1,221	1,209	2,430
2013	1,257	1,172	2,429
2014	1,295	1,134	2,429
2015-2019	5,991	5,089	11,080
2020-2024	5,370	4,186	9,556
2025-2029	4,891	3,253	8,144
2030-2034	4,904	2,335	7,239
2035-2039	5,290	1,350	6,640
2040-2042	3,547	287	3,834
	<u>\$ 36,097</u>	<u>\$ 22,537</u>	<u>\$ 58,634</u>

**Other Noncurrent Liabilities** Other noncurrent liability activity for the year ended August 31, 2009 was as follows:

	Balance at August 31, 2008	Additions	Reductions	Balance at August 31, 2009	Amounts Due Within One Year
<b>Discount on Revenue</b>					
<b>Bonds Payable:</b>	\$ 1,280	\$ -	\$ 148	\$ 1,132	\$ 131
<b>Unearned Revenues:</b>					
Lake Limestone	7,681	-	961	6,720	961
WCRRWL	767	-	45	722	45
SWATS	527	-	184	343	184
Other	77	-	19	58	19
	<u>\$ 9,052</u>	<u>\$ -</u>	<u>\$ 1,209</u>	<u>\$ 7,843</u>	<u>\$ 1,209</u>
<b>Other Liabilities:</b>					
Hydroelectric	\$ 315	\$ 3	\$ -	\$ 318	\$ -
Trans TX Phase II	270	-	60	210	-
Compensated Absences	-	255	-	255	-
Other	131	1	23	109	-
	<u>\$ 716</u>	<u>\$ 259</u>	<u>\$ 83</u>	<u>\$ 892</u>	<u>\$ -</u>

**BRAZOS RIVER AUTHORITY**  
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**7. RETIREMENT PLANS**

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

**Plan Description**

The Plan was established in 1959 by the Authority, 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 457 eligible deferred compensation 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 to either 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 Authority approved a resolution 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. The Plan is administered by a retirement committee appointed by the Authority'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 Authority's office: P.O. Box 7555, Waco, TX 76714-7555.

As of February 28, 2009, and February 29, 2008, total participation in the defined contribution component of the Plan was 186 and 210 respectively. Participation in the defined benefit component of the Plan, as of the beginning of the year evaluation date, March 1, 2008, and March 1, 2007, is composed of the following:

Group	2008	2007
Retirees and beneficiaries currently receiving benefits	90	88
Terminated plan members entitled to but not yet receiving benefits	79	72
Transferred Canal Division employees*	8	8
Active plan members	196	203
TOTAL	373	371

\*These participants were transferred to the Galveston County Water Authority on July 21, 1988. They will continue to accrue vesting as long as they remain employed by the Galveston County Water Authority.

**BRAZOS RIVER AUTHORITY**  
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*Defined Benefit Component*

The Plan provides pension and death benefits. The Plan's normal retirement age is 65. A participant may retire after reaching both the age of 55 and completing fifteen years of service or after attaining both age 62 and completing ten years of service. Benefits vest after fifteen years of service or after both the attainment of age 45 and the completion of five years of service.

Pension benefits are based on the participant's final average monthly compensation and credited service. Final average monthly compensation is defined as the participant's average monthly rate of basic compensation during whichever five successive calendar years out of the last ten calendar years immediately preceding the participant's termination date provides the highest average monthly rate of compensation for the participant. Provided, however, compensation for calendar years beginning on or after January 1, 2008 shall not be included in the determination of average monthly compensation.

At normal retirement date, a disabled participant will receive the monthly income to which he or she would have been entitled if he or she had continued in employment with the Authority at his or her last regular rate of compensation until his or her normal retirement date; however, income payable at the normal retirement date cannot exceed the amount that he or she was receiving under disability retirement immediately preceding the normal retirement date.

Upon the death of a participant while employed or disabled prior to normal retirement, the participant's beneficiary normally receives monthly benefits payable for ten years certain and life thereafter. Such benefits are based on final average monthly compensation and credited service. If the participant dies after normal retirement but prior to actual retirement, the beneficiary normally receives monthly benefits payable for ten years certain and life thereafter. Such benefits equal the benefits the participant would have been entitled to receive if he or she had retired on his or her date of death.

*Defined Contribution Component*

Whenever a participant or beneficiary is to receive a distribution of a payment account balance, the form of such distribution shall be in accordance with one of the following options selected by the recipient:

- (a) A single, lump-sum payment in cash
- (b) Substantially equal periodic annual, monthly, or quarterly cash installments
- (c) Irregular, non-periodic distributions paid once a year

In the event of disability or death, the participant or beneficiary shall also be entitled to receive a distribution of the participant's account.

**Funding Policy**

*Defined Benefit Component*

The Authority's employees were not required or allowed to contribute to the defined benefit component of the Plan. The Authority intends, but does not guarantee, to make 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 Internal Revenue Code (Code).

**BRAZOS RIVER AUTHORITY**  
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*Defined Contribution Component*

Prior to the resolution to freeze entry into the plan, each plan year, all participants, other than prior plan-electing participants, were required to contribute an amount each pay period equal to 3.0% of their compensation earned during such pay period. Participant contributions to the Plan for the Plan year ended February 28, 2009 and February 29, 2008, totaled \$-0- and \$138 respectively.

Prior to the resolution to freeze entry into the plan, each plan year, the employer contributed a total amount which equals 3.0% of each participant's compensation earned during the plan year, less applicable forfeitures from non-vested employer contribution accounts. Employer contributions for the Plan year ended February 28, 2009 and February 29, 2008, totaled \$-0- and \$162 respectively.

In addition to the above employer contribution, the employer contributed, prior to the amendment to freeze the Plan, a total amount of matching employer contributions which equaled 50% of the amount of compensation amounts deferred by active participants to the eligible deferred compensation plan (457 Plan) sponsored by the employer pursuant to Code Section 457(b), less applicable forfeitures from non-vested matching employer contribution accounts. The matching employer contribution amount contributed on behalf of a particular active participant was based on actual deferrals made to the 457 Plan but not to exceed 3% of compensation earned during the Plan year. Employee contributions for the Plan year ended February 28, 2009 and February 29, 2008 totaled \$-0- and \$237, respectively. Employer matching contributions for the Plan year ended February 28, 2009 and February 29, 2008 totaled \$-0- and \$52, respectively. Prior plan participant contributions for the Plan year ended February 28, 2009 and February 29, 2008 totaled \$-0- and \$71, respectively.

**Annual Pension Cost**

For the fiscal year ended August 31, 2009, the Authority's Annual Required Contribution was \$14 and the recorded Net Pension Obligation was \$14. The Authority's Annual Required Contribution, Annual Pension Cost, the percentage of Annual Pension Cost and the Net Pension Obligation for 2009 and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation Balance</b>
August 31, 2007	\$ 871	\$ 871	100%	\$ -
August 31, 2008	\$ -	\$ -	N/A	N/A
August 31, 2009	\$ 14	\$ 14	0%	\$ 14

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 and 50 parameters based on the actuarial valuation date of March 1, 2008.

**BRAZOS RIVER AUTHORITY**  
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**Funding Status and Funding Progress**

The following table presents funding progress of the defined benefit portion of the Plan based on the most recent actuarial data.

Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
March 1, 2009	\$ 19,739	\$ 23,366	\$ 3,627	84%	N/A*	N/A*

\*As a result of the amendment to freeze the Plan, the valuation period March 1, 2009 will be the first year the covered payroll information is no longer needed for the calculation of the ARC.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over the time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

In the March 1, 2009, actuarial valuation, the unit credit method actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (compounded annually, net of expenses). The amortization method used was a closed 30 year period and the asset valuation method was market value with gains and losses smoothed over a 5 year period.

**BRAZOS RIVER AUTHORITY**  
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**Texas County and District Retirement System**

**Plan Description**

The Authority provides retirement, disability, and death benefits for all of its employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive CAFR on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 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 Authority.

**Funding Policy**

The Authority 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 2009 and 2008 was 7.97% and 8.09% respectively. The required contribution rate payable by the employee members is the rate of 6.0% as adopted by the Board of Directors. The employee and employer contribution rates may be changed by the Authority's Board of Directors within the options available in the TCDRS Act.

**Annual Pension Cost**

For the year ended August 31, 2009 and August 31, 2008, the actual contributions made by the employees were \$814 and \$710 respectively and those made by the Authority were \$1,087 and \$957 respectively.

The annual required contributions were actuarially determined as a percent of the covered payroll of the employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2008.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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**Funding Status and Funding Progress**

As of December 31, 2008, the most recent actuarial valuation date, the plan was 53.95 % funded. The actuarial accrued liability for benefits was \$4,225, and the actuarial value of assets was \$2,279, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,945. The covered payroll (annual payroll of active employees covered by the plan) was \$12,926, and the ratio for the UAAL to the covered payroll was 15.05%.

**Actuarial Methods and Assumptions**

Actuarial Valuation Information	
2009	
Actuarial valuation date	December 31, 2007
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period of years	15
Asset Valuation method	SAF: 10-yr smoothed value ESF: Fund value
Actuarial assumptions:	
Investment return	8.0%
Projected salary increases*	5.3%
Inflation	3.5%

\*Includes inflation at the stated rate

**8. FINANCING ARRANGEMENTS**

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

The Authority 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 and 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 Authority. However, bond proceeds, monies received from the contracting parties, and the related disbursements are included in the Authority's agency funds.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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, 2009
City of Robinson	1996	\$ 1,615	1998-2017	2.9% to 4.5%	\$ 835
Jonah Water SUD	2007	\$ 3,170	2009-2028	4.0% to 4.5%	3,065
Jonah Water SUD	2008	\$ 2,630	2010-2029	3.0% to 5.0%	2,630
<b>TOTAL</b>					<b>\$ 6,530</b>

The Authority regularly enters into agreements with various companies to issue tax-exempt and taxable debt for the benefit of the companies. The Authority 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 Authority's trustee in amounts sufficient to service the debt.

The Authority has no liability for repayment of these bonds. The payments from the companies and the constructed facilities represent the only security for the bondholders. Upon completion of construction, title to the facility transfers to the companies. Accordingly, the assets and debt related to these financing agreements are not reflected in the accompanying basic financial statements.

- 1) Center Point (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, 2009
1995	\$ 91,945	2015	5.800	\$ 91,945
1997	50,000	2018	5.050	50,000
1998A	100,000	2019	5.125	100,000
1998B	90,000	2020	5.125	90,000
1998C	100,000	2019	5.125	100,000
1998D	68,700	2015	4.900	68,700
1999A	100,000	2019	5.375	100,000
1999B	100,000	2018	7.750	100,000
2004	43,820	2017	4.250	43,820
2004B	83,565	2017	4.250	83,565
2004A	33,470	2012	3.625	33,470
<b>Sub Total for Center Point</b>				<b>\$ 861,500</b>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

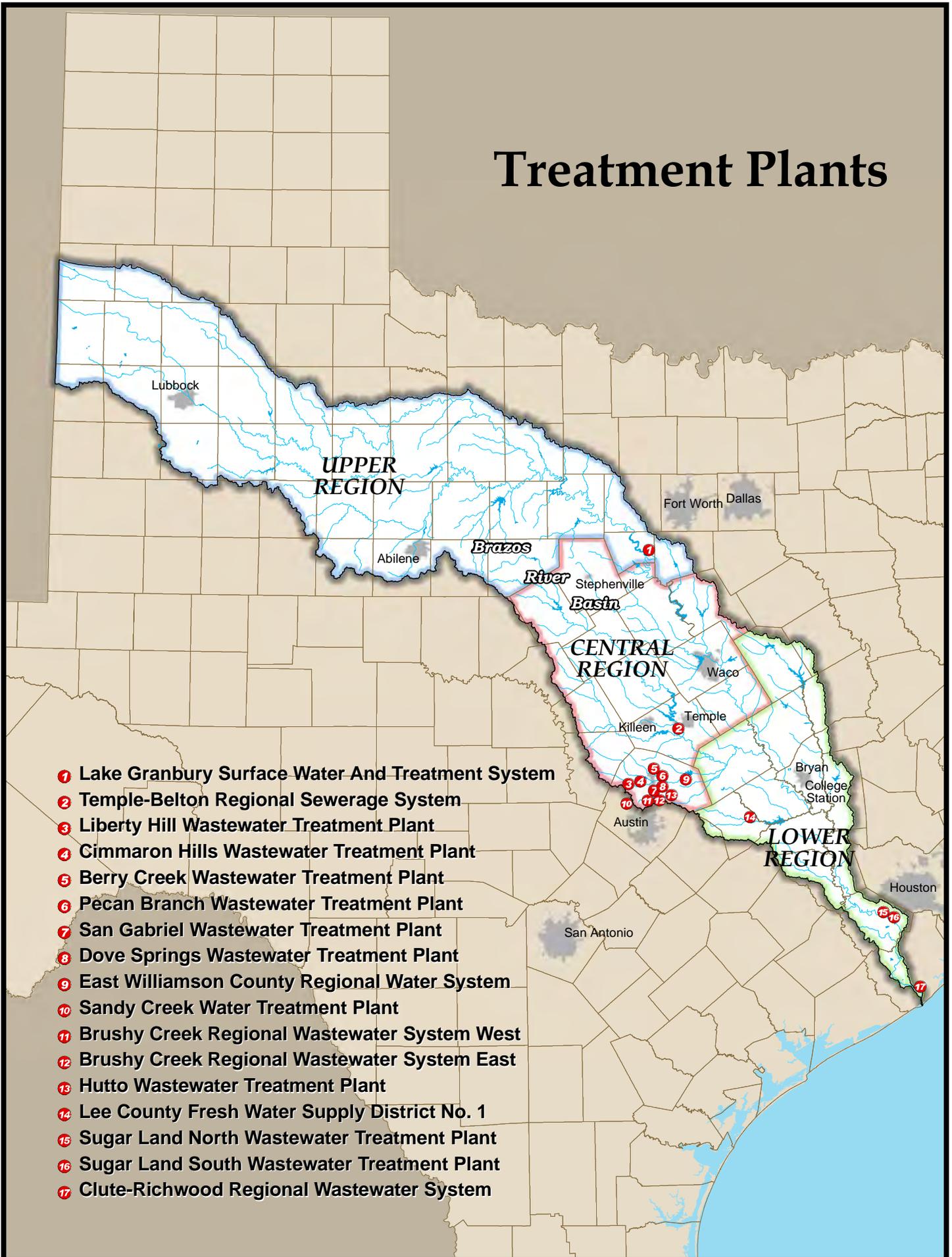
2) Texas Utilities Energy Company LLC - Air and/or Water Pollution Control and Waste Disposal Facilities:

Year Issued	Original Amount	Year of Maturity	Interest Rate %	Balance at August 31, 2009
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	6.75	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	5.75	217,180
2001D-1	170,895	2033	8.25	170,895
2001D-2	97,410	2033	Variable	97,410
2001I	62,920	2036	Variable	61,790
2002A	60,650	2037	Variable	44,630
2003A	43,685	2038	6.75	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 Utilities Energy Company LLC				\$ 1,365,695
TOTAL POLLUTION CONTROL FINANCING ARRANGEMENTS				\$ 2,227,195

**9. SEGMENT INFORMATION**

The Authority issues separate revenue bonds to finance operations. Within the Water Supply System and the Cost Reimbursable Operations are separate identifiable activities. Each of these activities have a separate agreement with the Authority that requires the revenue stream from that activity be pledged in support of the debt issued. Additionally, each of these activities requires that related revenues, expenses, gains and losses, assets and liabilities be accounted for separately. Within the Condensed Statements are six operations: Brushy Creek RWWS, Hutto WWS, Sandy Creek WTS, Clute Richwood WWS, Lee County FWD and Liberty Hill WWS. These six operations do not meet the aforementioned requirements but are listed for purpose of other contractual obligations. Those activities that meet these two requirements are as follows:

# Treatment Plants



- 1 Lake Granbury Surface Water And Treatment System
- 2 Temple-Belton Regional Sewerage System
- 3 Liberty Hill Wastewater Treatment Plant
- 4 Cimmaron Hills Wastewater Treatment Plant
- 5 Berry Creek Wastewater Treatment Plant
- 6 Pecan Branch Wastewater Treatment Plant
- 7 San Gabriel Wastewater Treatment Plant
- 8 Dove Springs Wastewater Treatment Plant
- 9 East Williamson County Regional Water System
- 10 Sandy Creek Water Treatment Plant
- 11 Brushy Creek Regional Wastewater System West
- 12 Brushy Creek Regional Wastewater System East
- 13 Hutto Wastewater Treatment Plant
- 14 Lee County Fresh Water Supply District No. 1
- 15 Sugar Land North Wastewater Treatment Plant
- 16 Sugar Land South Wastewater Treatment Plant
- 17 Clute-Richwood Regional Wastewater System

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 (in thousands)**

**CONDENSED STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009**

	Water Supply System			Cost Reimbursable Operations		
	Lake Granbury	All Other Water Supply Systems	WCRRWL	Lake Granbury SWATS	Temple-Belton RSS	Liberty Hill WWS
<b>Condensed Statement of Net Assets</b>						
Assets:						
Current assets - unrestricted	\$ 52	\$ 52,742	\$ 205	\$ 1,224	\$ 84	\$ 20
Current assets - restricted	253	29,468	3,863	5,738	655	-
Capital assets	11,367	157,197	29,982	32,333	1,676	-
Other assets	-	30,895	1,061	431	32	-
<b>TOTAL ASSETS</b>	<b>11,672</b>	<b>270,302</b>	<b>35,111</b>	<b>39,726</b>	<b>2,447</b>	<b>20</b>
Liabilities:						
Current liabilities - unrestricted	52	10,299	705	1,818	306	20
Current liabilities - restricted	895	4,397	3,134	4,572	994	-
Non-current liabilities	1,960	122,796	29,608	28,111	606	-
<b>TOTAL LIABILITIES</b>	<b>2,907</b>	<b>137,492</b>	<b>33,447</b>	<b>34,501</b>	<b>1,906</b>	<b>20</b>
Net Assets:						
Investment in capital assets, net of related debt	253	70,137	765	2,543	547	-
Restricted	8,512	18,537	1,399	3,276	216	-
Unrestricted	-	44,136	(500)	(594)	(222)	-
<b>TOTAL NET ASSETS</b>	<b>\$ 8,765</b>	<b>\$ 132,810</b>	<b>\$ 1,664</b>	<b>\$ 5,225</b>	<b>\$ 541</b>	<b>\$ -</b>
<b>Condensed Statement of Revenues, Expenses and Changes In Net Assets</b>						
Operating revenues:						
Pledged against identifiable bonds/ storage contracts	\$ 1,041	\$ 39,324	\$ 3,235	\$ 8,004	\$ 2,922	\$ -
Pledge against operations	-	-	-	-	-	213
Depreciation and amortization expense	(137)	(5,870)	(1,837)	(2,735)	(591)	-
Other operating expenses	-	(23,857)	(991)	(3,373)	(2,176)	(213)
<b>OPERATING INCOME (LOSS)</b>	<b>904</b>	<b>9,597</b>	<b>407</b>	<b>1,896</b>	<b>155</b>	<b>-</b>
Non-operating revenues (expenses):						
Investment income	8	1,251	28	25	-	-
Interest expense	(195)	(3,845)	(1,573)	(1,738)	(68)	-
Other Income/(Expense)	-	(291)	(12)	-	-	-
Gain/(loss) on Sale of Capital Assets	-	(112)	-	(3)	5	-
Contributed capital	-	975	-	48	12	-
<b>CHANGE IN NET ASSETS</b>	<b>717</b>	<b>7,575</b>	<b>(1,150)</b>	<b>228</b>	<b>104</b>	<b>-</b>
Beginning net assets	8,048	128,655	2,814	1,577	437	-
Adjustments	-	(3,420)	-	3,420	-	-
<b>ENDING NET ASSETS</b>	<b>\$ 8,765</b>	<b>\$ 132,810</b>	<b>\$ 1,664</b>	<b>\$ 5,225</b>	<b>\$ 541</b>	<b>\$ -</b>
<b>Condensed Statement of Cash Flows</b>						
Net cash provided by (used in) :						
Operating activities	\$ 1,025	\$ 14,681	\$ 1,912	\$ 4,644	\$ 751	\$ 20
Capital and related financing activities	(1,025)	2,319	(2,296)	(4,638)	(732)	-
Investing activities	-	6,819	530	(233)	319	-
Net Increase (Decrease) -	-	23,819	146	(227)	338	20
Beginning Cash and Cash Equivalents	-	6,188	3,717	3,718	22	-
<b>Ending Cash and Cash Equivalents</b>	<b>\$ -</b>	<b>\$ 30,007</b>	<b>\$ 3,863</b>	<b>\$ 3,491</b>	<b>\$ 360</b>	<b>\$ 20</b>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 (in thousands)**

**CONDENSED STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED AUGUST 31, 2009**

Cost Reimbursable Operations						
Brushy Creek RWWS	Hutto WWS	Sandy Creek WTS	Clute/ Richwood WWS	Lee County FWD	GRAND TOTAL	
\$ 1,119	\$ 93	\$ 43	\$ 235	\$ 69	\$ 55,886	
-	-	-	-	-	39,977	
152	14	2	57	-	232,780	
-	-	-	-	-	32,419	
<u>1,271</u>	<u>107</u>	<u>45</u>	<u>292</u>	<u>69</u>	<u>361,062</u>	
1,119	93	43	235	69	14,759	
-	-	-	-	-	13,992	
-	-	-	-	-	183,081	
<u>1,119</u>	<u>93</u>	<u>43</u>	<u>235</u>	<u>69</u>	<u>211,832</u>	
152	14	2	57	-	74,470	
-	-	-	-	-	31,940	
-	-	-	-	-	42,820	
<u>\$ 152</u>	<u>\$ 14</u>	<u>\$ 2</u>	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ 149,230</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,526	
3,881	437	821	534	83	5,969	
(40)	(1)	(1)	(13)	-	(11,225)	
<u>(3,857)</u>	<u>(431)</u>	<u>(823)</u>	<u>(525)</u>	<u>(83)</u>	<u>(36,329)</u>	
(16)	5	(3)	(4)	-	12,941	
8	1	3	5	-	1,329	
-	-	-	-	-	(7,419)	
-	-	-	-	-	(303)	
-	-	-	3	-	(107)	
-	-	-	-	-	1,035	
<u>(8)</u>	<u>6</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>7,476</u>	
160	8	2	53	-	141,754	
-	-	-	-	-	-	
<u>\$ 152</u>	<u>\$ 14</u>	<u>\$ 2</u>	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ 149,230</u>	
\$ 1,081	\$ 99	\$ (212)	\$ (83)	\$ (6)	\$ 23,912	
(33)	(7)	-	(18)	-	(6,430)	
8	1	2	6	-	7,452	
<u>1,056</u>	<u>93</u>	<u>(210)</u>	<u>(95)</u>	<u>(6)</u>	<u>24,934</u>	
23	-	233	328	60	14,289	
<u>\$ 1,079</u>	<u>\$ 93</u>	<u>\$ 23</u>	<u>\$ 233</u>	<u>\$ 54</u>	<u>\$ 39,223</u>	

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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**10. COMMITMENTS & CONTINGENCIES**

**Deferred Compensation Plans**

The Authority 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 Authority 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 Authority 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, 2009 and August 31, 2008 was \$48 and \$35, respectively.

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 Authority in a trustee capacity or as an agent for the participant.

**Construction Projects**

During Fiscal Year 2009, the Authority made progress on the following projects:

Name	Construction In Progress at August 31, 2009	Total Project Budgeted Cost	Estimated Project Comp. Date
System Permit Application	\$ 6,508	\$ 7,595	2011
Graham Flood Control	3,680	5,549	2010
Lake Granger /Groundwater Intake	1,270	22,000	2011
PK Nose Baffles & Pier 8	688	4,042	2012
Lower Basin Ground Water Acquisition	668	971	2010
West Fort Bend Co Regional WTS	487	51,213	2013
WCRRWL Phase II Pumping	483	3,900	2011
Allens Creek Reservoir	237	59,836	2025
Temple Belton Expansion	237	45,622	2013
Decordova Bend Dam Improvements	233	1,460	2010
San Gabriel Master Plan	229	135,835	2053
Other	432	-	various
<b>TOTAL</b>	<b>\$ 15,152</b>		

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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**Other**

The Authority 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 Authority has a hydroelectric generation facility located at the Morris Sheppard Dam at Possum Kingdom Lake. Since 1991, the Authority has operated the facility under a Power Sales Contract (PSC) with the Brazos Electric Power Cooperative (BEPC) to sell power generated from the facility to BEPC. In August 2007, due to maintenance and safety concerns, the operations of the facility were ceased. In November 2007, the Authority signed a new agreement, a Facility Use Agreement (FUA), to lease the hydroelectric facility to BEPC. The terms of the agreement were to take effect when approvals are received from both the Federal Energy Regulatory Commission (FERC) and the Rural Utility Services (RUS). Simultaneously, the two parties entered into a Facility Cost Agreement (FCA) which established BEPC's responsibility to reimburse the Authority for all costs associated with the hydroelectric plant until final approval from the regulatory agencies. The FCA expired in May 2009. In July 2009, BEPC filed suit against the Authority claiming breach of the PSC, FUA and FCA. The Authority filed a Plea to the Jurisdiction, claiming immunity from suit. Arguments were heard in September, October, and November 2009. On November 24, 2009, the trial court, by letter, stated the court's intention to deny the Plea to the Jurisdiction. The Authority plans to appeal. The disposition of such litigation and ultimate financial impact is not determinable at this time.

The Authority is subject to various other claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the Authority 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 Authority.

**11. RISK MANAGEMENT**

The Authority 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 Authority carries commercial insurance or participates in the Texas Municipal League Intergovernmental Risk Pool (Pool). The Authority'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 Authority has the responsibility to notify the Pool of all potential claims and pay for any amounts up to the agreement's deductible.

The Authority 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 Authority. Medical claims exceeding \$1,920 for the group and \$80 per covered individual are insured through Texas Municipal League. Annual cost did not exceed the plan year's additions, and as a result, the Authority's previously accumulated restricted health insurance investment account increased by \$48. These funds will be available in any future year the health cost exceed that plan years additions.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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The past three years of changes to the restricted investment account and the accrued liability account, are as follows:

Fiscal Year Ended	Beginning Balance	Additions	Deletions	Ending Balance
August 31, 2007	\$ 1,929	\$ 2,073	\$ (1,907)	\$ 2,095
August 31, 2008	\$ 2,095	\$ 2,019	\$ (1,644)	\$ 2,470
August 31, 2009	\$ 2,470	\$ 2,246	\$ (2,198)	\$ 2,518

Liabilities are reported when a contingency risk exists that may exceed reasonable cost projections. In the past three years, the Authority has had no settlements which exceeded insurance coverage. The Schedule of Insurance can be found on Page 84 of this report.

**12. BOARD DESIGNATED RESERVES**

On April 25, 2005, the Board of Directors of the Authority approved and adopted a contingency reserves policy and incorporated such policy into Section 4.06, "Contingency Reserve" of the Brazos River Authority Operations Policies Manual.

The balances of those reserves at August 31, 2009 are represented as follows:

Working Capital Reserve	\$ 5,964
Repair and Replacement Fund	4,274
Contingency Reserve Fund	5,000
Self Insurance Fund	500
Rate Stabilization Reserve Fund	25,389
<b>TOTAL</b>	<u>\$ 41,127</u>

**13. RELATED PARTY TRANSACTIONS**

The Authority had a contract with a financial advisory service company. A member of the financial service company's Board of Directors is a related party to one of the Authority's Management Team members. For the years ended August 31, 2009 and 2008, payments made to the consultants totaled \$0 and \$30 respectively for services rendered.

**14. RECENTLY ISSUED GASB STATEMENTS**

In June 2007, the Government Accounting Standards Board issued Statement No. 51. *Accounting and Financial Reporting for Intangible Assets*. The Statement is effective for the Authority beginning in Fiscal Year 2010. Management has not yet determined the impact of this statement on the basic financial statements.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008 (in thousands)**

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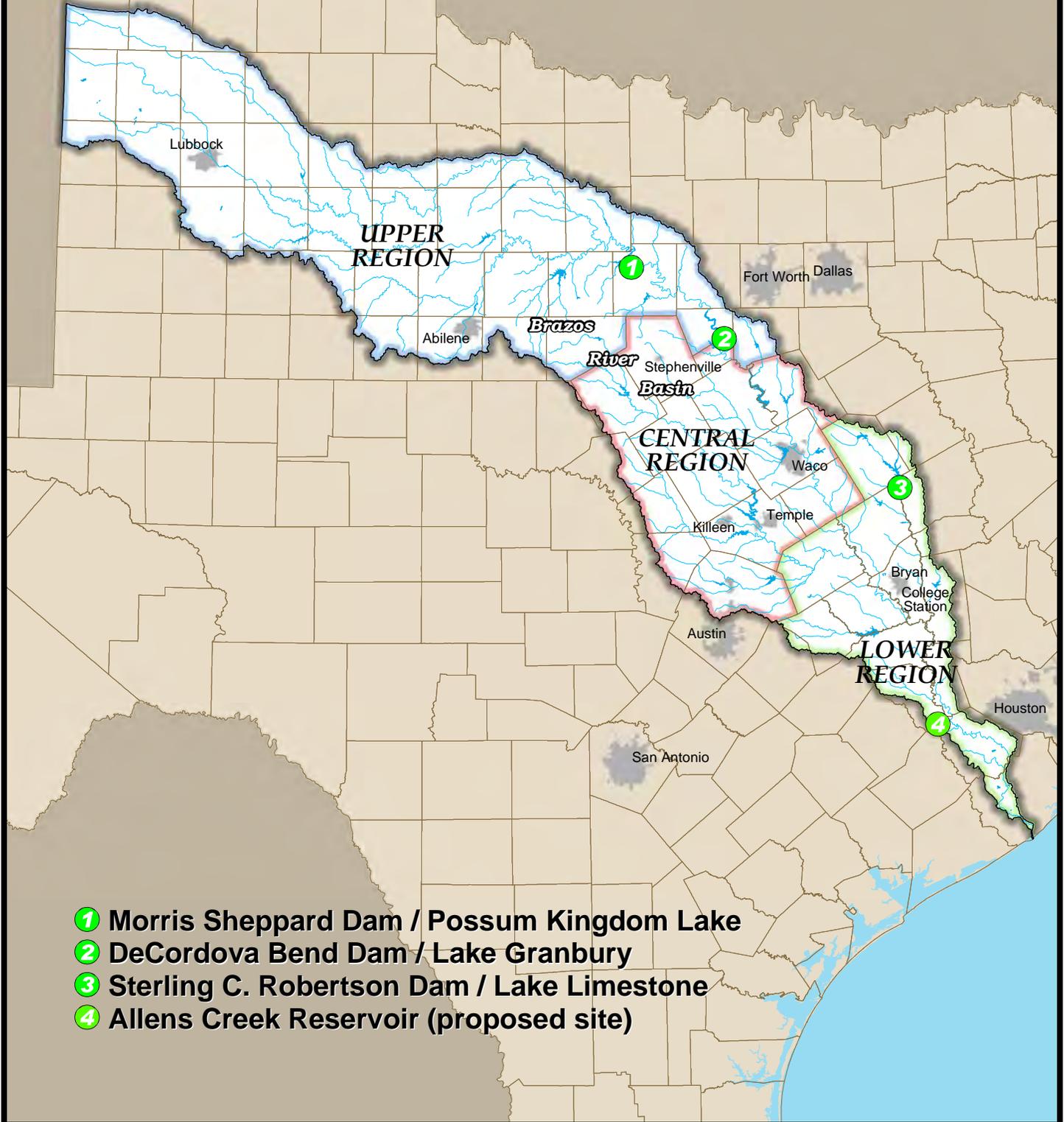
In November 2007, the Government Accounting Standards Board issued Statement No. 52. *Land and Other Real Estate Held as Investments by Endowments*. However, this Statement has no impact on the Authority's basic financial statements.

In June 2008, the Government Accounting Standards Board issued Statement No. 53. *Accounting and Financial Reporting for Derivative Instruments*. However, due to the current investment policy restricting these types of transactions, this Statement has no impact on the Authority's basic financial statements.

In March 2009, the Government Accounting Standards Board issued Statement No. 54. *Fund Balance Reporting and Governmental Fund Type Definitions*. However, this Statement has no impact on the Authority's basic financial statements.

# Dams and Reservoirs

Owned and Operated by  
the Brazos River Authority



- 1 Morris Sheppard Dam / Possum Kingdom Lake
- 2 DeCordova Bend Dam / Lake Granbury
- 3 Sterling C. Robertson Dam / Lake Limestone
- 4 Allens Creek Reservoir (proposed site)

# **Required Supplemental Information**

**BRAZOS RIVER AUTHORITY  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF FUNDING PROGRESS (Unaudited)**

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

Actuarial Valuation Date *	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
March 1, 2007*	23,930	21,881	(2,049)	109%	9,942	-21%
March 1, 2008	22,975	23,115	140	99%	9,357	1%
March 1, 2009	19,739	23,366	3,627	84%	N/A**	N/A**

\*The Aggregate Cost Method was used prior to the March 1, 2009 actuarial valuation. Under that cost method, the Actuarial Accrued Liability (AAL) was not directly determined. Subsequent to the plan freeze in 2006, the Present Value of Benefits determined under the Aggregate method became equal to the Actuarial Accrued Liability. Therefore, the Actuarial Accrued Liability amount first became available effective with the March 1, 2007 actuarial valuation.

\*\*As a result of the amendment to freeze the Plan, the valuation period March 1, 2009 will be the first year the covered payroll information is no longer needed for the calculation of the ARC.

**Brazos River Authority TCDRS:**

Actuarial Valuation Date *	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
October 1, 2007*	-	1,922	1,922	0.00%	11,419	16.83%
December 31, 2007	459	2,524	2,065	18.19%	13,047	15.83%
December 31, 2008	2,279	4,225	1,946	53.94%	12,926	15.05%

Historical trend information about the TCDRS, a nontraditional defined benefit pension plan, is presented as supplementary information. It is intended to help users assess the plan's funding status on an on-going basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other comparable retirement systems.

\*Year of entry into the plan.

# **Supplemental Information**

**BRAZOS RIVER AUTHORITY  
SUPPLEMENTAL INFORMATION  
COMBINING STATEMENTS OF FIDUCIARY NET ASSETS  
AUGUST 31, 2009 AND 2008 (in thousands)**

	2009	2008
<b>City of Robinson Agency Fund</b>		
<b>ASSETS</b>		
Cash	\$ 36	\$ 185
Investments	112	-
<b>TOTAL ASSETS</b>	<b>\$ 148</b>	<b>\$ 185</b>
<b>LIABILITIES</b>		
Held for future debt service	\$ 148	\$ 76
Held for future construction cost	-	109
<b>TOTAL LIABILITIES</b>	<b>\$ 148</b>	<b>\$ 185</b>
<b>City of Keene Agency Fund</b>		
<b>ASSETS</b>		
Cash	\$ 535	\$ 204
Investments	1,935	2,472
Accrued interest	2	12
<b>TOTAL ASSETS</b>	<b>\$ 2,472</b>	<b>\$ 2,688</b>
<b>LIABILITIES</b>		
Held for future debt service	\$ 2,472	\$ 2,688
<b>TOTAL LIABILITIES</b>	<b>\$ 2,472</b>	<b>\$ 2,688</b>
<b>Jonah Water SUD Agency Fund</b>		
<b>ASSETS</b>		
Cash	\$ 718	\$ 3,466
Investments	447	445
Accrued interest	1	1
<b>TOTAL ASSETS</b>	<b>\$ 1,166</b>	<b>\$ 3,912</b>
<b>LIABILITIES</b>		
Held for future debt service	\$ 512	\$ 504
Held for future construction cost	654	3,408
<b>TOTAL LIABILITIES</b>	<b>\$ 1,166</b>	<b>\$ 3,912</b>
<b>Grand Total</b>		
<b>ASSETS</b>		
Cash	\$ 1,289	\$ 3,855
Investments	2,494	2,917
Accrued interest	3	13
<b>TOTAL ASSETS</b>	<b>\$ 3,786</b>	<b>\$ 6,785</b>
<b>LIABILITIES</b>		
Held for future debt service	\$ 3,132	\$ 3,268
Held for future construction cost	654	3,517
<b>TOTAL LIABILITIES</b>	<b>\$ 3,786</b>	<b>\$ 6,785</b>

**BRAZOS RIVER AUTHORITY  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (AGENCY FUNDS)  
YEAR ENDED AUGUST 31, 2009 (in thousands)**

	Balance August 31, 2008	Additions	Deletions	Balance August 31, 2009
<b>City of Robinson Agency Fund</b>				
<b>ASSETS</b>				
Cash	\$ 185	\$ 357	\$ (506)	\$ 36
Investments		\$ 167	\$ (55)	\$ 112
<b>TOTAL ASSETS</b>	<b>\$ 185</b>	<b>\$ 524</b>	<b>\$ (561)</b>	<b>\$ 148</b>
<b>LIABILITIES</b>				
Held for future debt service	\$ 76	\$ 208	\$ (136)	\$ 148
Held for future construction cost	109	1	(110)	-
<b>TOTAL LIABILITIES</b>	<b>\$ 185</b>	<b>\$ 209</b>	<b>\$ (246)</b>	<b>\$ 148</b>
<b>City of Keene Agency Fund</b>				
<b>ASSETS</b>				
Cash	\$ 204	\$ 2,728	\$ (2,397)	\$ 535
Investments	2,472	4,142	(4,679)	1,935
Accrued interest	12	21	(31)	2
<b>TOTAL ASSETS</b>	<b>\$ 2,688</b>	<b>\$ 6,891</b>	<b>\$ (7,107)</b>	<b>\$ 2,472</b>
<b>LIABILITIES</b>				
Held for future debt service	\$ 2,688	\$ 54	\$ (270)	\$ 2,472
<b>TOTAL LIABILITIES</b>	<b>\$ 2,688</b>	<b>\$ 54</b>	<b>\$ (270)</b>	<b>\$ 2,472</b>
<b>Jonah Water SUD Agency Fund</b>				
<b>ASSETS</b>				
Cash	\$ 3,466	\$ 1,445	\$ (4,193)	\$ 718
Investments	445	535	(533)	447
Accrued interest	1	12	(12)	1
<b>TOTAL ASSETS</b>	<b>\$ 3,912</b>	<b>\$ 1,992</b>	<b>\$ (4,738)</b>	<b>\$ 1,166</b>
<b>LIABILITIES</b>				
Held for future debt service	\$ 504	\$ 372	\$ (364)	\$ 512
Held for future construction cost	3,408	19	(2,773)	654
<b>TOTAL LIABILITIES</b>	<b>\$ 3,912</b>	<b>\$ 391</b>	<b>\$ (3,137)</b>	<b>\$ 1,166</b>

**BRAZOS RIVER AUTHORITY  
SUPPLEMENTAL INFORMATION  
COMPARISON OF BUDGETED REVENUES AND EXPENSES TO ACTUAL (NON-GAAP BASIS)  
YEAR ENDED AUGUST 31, 2009 (in thousands)**

	2009 Budget	2009 Actual	Variance
<b>OPERATING REVENUES:</b>			
Water Supply System:			
Raw water sales	\$ 25,988	\$ 29,579	\$ 3,591 <sup>1</sup>
Treated water	1,159	1,232	73
Wastewater treatment	2,993	3,012	19
Lake operations	3,064	3,243	179
Hydroelectric	539	514	(25)
Grants	1,022	1,578	556 <sup>2</sup>
Other	846	1,466	620 <sup>3</sup>
Cost Reimbursable Operations:			
Water Conveyance	2,614	3,235	621 <sup>4</sup>
Water Treatment	9,446	8,903	(543) <sup>5</sup>
Wastewater Treatment	9,133	7,733	(1,400) <sup>5</sup>
<b>TOTAL OPERATING REVENUES</b>	<u>56,804</u>	<u>60,495</u>	<u>3,691</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	17,259	16,355	904 <sup>6</sup>
Materials and supplies	3,187	3,011	176
Utilities	4,693	5,121	(428) <sup>7</sup>
Depreciation and amortization	-	11,225	(11,225) <sup>8</sup>
Outside services	4,063	4,525	(462) <sup>2</sup>
Other	13,082	7,317	5,765 <sup>9</sup>
<b>TOTAL OPERATING EXPENSES</b>	<u>42,284</u>	<u>47,554</u>	<u>(5,270)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Investment income	1,354	1,329	(25)
Interest expense	(7,774)	(7,419)	355 <sup>10</sup>
Other expenses	-	(303)	(303) <sup>11</sup>
Loss on sale of capital assets	-	(107)	(107) <sup>11</sup>
Capital contributions	-	1,035	1,035 <sup>12</sup>
Debt service - principal	(6,588)	-	6,588 <sup>13</sup>
<b>TOTAL NET NON-OPERATING EXPENSES</b>	<u>(13,008)</u>	<u>(5,465)</u>	<u>7,543</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 1,512</u>	<u>\$ 7,476</u>	<u>\$ 5,964</u>

- 1 Actual column reflects increases in short-term and long-term water sales not budgeted and adjustments to noncurrent unearned revenues
- 2 Higher than expected Brazos G requirements resulting in higher revenues and expenses
- 3 Other revenues received not budgeted
- 4 Higher than expected flow, resulting in higher revenues and expenses
- 5 Lower than expected flow, resulting in lower revenues and expenses
- 6 Normal attrition in the replacement of personnel and positions
- 7 WCRRWL transported 3 times as much water as budgeted.
- 8 Depreciation and amortization are not budgeted expenditures
- 9 Budget column includes items subsequently reclassified to an asset for the preparation of the CAFR
- 10 Budget column includes two additional bonds that were not issued as expected
- 11 Miscellaneous items that are not budgeted for during the budget process
- 12 Actual column includes reimbursement from customers for various projects
- 13 Debt service principal payments are not GAAP expenditures

# Statistical Section

# Water Delivery Systems



**BRAZOS RIVER AUTHORITY  
STATISTICAL SECTION**

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This part of the Authority'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 Authority's overall financial health.

**Contents**

**Pages**

**Financial Trends**

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

64 - 65

**Revenue Capacity**

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

65 - 69

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt, the Authority'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.

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**Demographic and Economic information**

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

76 - 82

**Operating Information**

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

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**Sources:** Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports for the relevant year. The Authority implemented GASB Statement 34 in 2003; schedules presenting basic financial information include information beginning in that year.

Statement No. 44 of the Governmental Accounting Standards Board *Economic Condition Reporting: The Statistical Section* was implemented by the Authority during fiscal year 2005. The Statement allows governments to begin the schedules prospectively and are not required to retroactively report years prior to the implementation date of the Statement. However, governments are encouraged to report retroactively back to the year they implemented Statement 34.

**BRAZOS RIVER AUTHORITY**  
**CHANGES IN NET ASSETS** (in thousands)  
**LAST SEVEN FISCAL YEARS** (unaudited)  
(accrual basis of accounting)

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
<b>OPERATING REVENUES:</b>							
Water Supply System:							
Raw water	\$ 29,579	\$ 26,093	\$ 23,010	\$ 19,460	\$ 18,653	\$ 18,044	\$ 17,462
Treated water	1,232	1,022	1,062	1,115 d	886	247	-
Wastewater treatment	3,012	2,989	2,572	2,301 d	1,021	836	-
Lake operations	3,243	3,181	3,121	2,875	2,508	2,396	2,258
Hydroelectric	514	631	603	677	750	625	603
Grants	1,578	1,264	1,101	1,615	2,863	2,805	2,357
Pollution control financing fees	-	-	-	750	-	933	267
Other	1,466	1,356	1,229	1,259	1,251	981	962
Cost Reimbursable Operations:							
Water conveyance	3,235	2,346	2,247	1,801 b	5,954	6,058	5,617
Water treatment	8,903	8,174	7,880	8,038	6,877	6,632	5,437
Wastewater treatment	7,733	7,827	7,321	7,186	7,520 e	9,914 a	13,761
<b>TOTAL OPERATING REVENUES</b>	<b>60,495</b>	<b>54,883</b>	<b>50,146</b>	<b>47,077</b>	<b>48,283</b>	<b>49,471</b>	<b>48,724</b>
<b>OPERATING EXPENSES:</b>							
Personnel services	16,355	15,271	14,744	14,670	14,195	15,009	13,588
Materials and supplies	3,011	2,613	2,501	2,792	2,389	2,183	2,518
Utilities	5,121	4,836	4,545	4,355	3,087	3,800	3,704
Depreciation and amortization	11,225	10,124	9,819	9,965	11,478	10,434	10,412
Outside services	4,525	4,993	4,959	4,551	7,358	6,715	5,695
Other	7,317	7,025	6,655	6,677	4,985	5,281	5,070
<b>TOTAL OPERATING EXPENSES</b>	<b>47,554</b>	<b>44,862</b>	<b>43,223</b>	<b>43,010</b>	<b>43,492</b>	<b>43,422</b>	<b>40,987</b>
<b>OPERATING INCOME</b>	<b>12,941</b>	<b>10,021</b>	<b>6,923</b>	<b>4,067</b>	<b>4,791</b>	<b>6,049</b>	<b>7,737</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>							
Investment income	1,329	2,187	2,832	1,941	1,253	1,376	1,718
Interest expense	(7,419)	(5,848)	(5,928)	(5,963) e	(8,797)	(9,134)	(11,577)
Other income	-	4,125 f	-	-	-	-	-
Other expenses	(303)	(292)	(765)	(1,352)	(197)	(361)	(305)
Gain/(Loss) on sale of capital assets	(107)	(391)	33	(5,674) c	(9,418) b	1,875 a	-
<b>TOTAL NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>(6,500)</b>	<b>(219)</b>	<b>(3,828)</b>	<b>(11,048)</b>	<b>(17,159)</b>	<b>(6,244)</b>	<b>(10,164)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS:</b>	<b>6,441</b>	<b>9,802</b>	<b>3,095</b>	<b>(6,981)</b>	<b>(12,368)</b>	<b>(195)</b>	<b>(2,427)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>1,035</b>	<b>661</b>	<b>1,933</b>	<b>1,126</b>	<b>4,177</b>	<b>2,871</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 7,476</b>	<b>\$ 10,463</b>	<b>\$ 5,028</b>	<b>\$ (5,855)</b>	<b>\$ (8,191)</b>	<b>\$ 2,676</b>	<b>\$ (2,427)</b>

- a During Fiscal Year 2004, the customer cities of WMARSS and the Authority entered into negotiations for early termination of their contract, which had approximately eight years remaining. Negotiations were completed and the ownership/operation was transferred to the City of Waco on February 24, 2004 and all existing contracts, assets, and related debt were transferred to the City of Waco.
- b On July 14, 2005 a transfer agreement was signed by the City of Lubbock, Texas and the Authority to transfer ownership and operation of the Lake Alan Henery to the City of Lubbock. As a result of this transaction, the Authority removed all related assets, liabilities and net assets from its books resulting in a loss from sale of operations in the amount of \$9,425
- c During Fiscal Year 2006 a transfer agreement was signed by the City of Sugarland, Texas and the Authority, to transfer ownership and operation of the City of Sugarland. As a result of this transaction, the Authority removed all related assets, liabilities and net assets from its books resulting in a loss from sale of operations in the amount of \$5,681
- d These increases are due to a full year of operations of a new operating unit.
- e These reflect a full year of the effects of a disposal of an operating unit.
- f Proceeds from litigation settlement of capital assets

**BRAZOS RIVER AUTHORITY**  
**NET ASSETS BY COMPONENT** (in thousands)  
**LAST SEVEN FISCAL YEARS** (unaudited)  
(accrual basis of accounting)

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
Invested in capital assets net of related debt	\$ 74,470	\$ 83,408 c	\$ 71,750	\$ 72,514 b	\$ 90,598	\$ 83,648 a	\$ 66,152
Restricted	31,940 d	13,774 c	22,634	18,678 b	12,116	19,596 a	30,805
Unrestricted	42,820	44,572	36,907	35,071	29,404	38,014	41,625
<b>TOTAL NET ASSETS</b>	<b>\$ 149,230</b>	<b>\$ 141,754</b>	<b>\$ 131,291</b>	<b>\$ 126,263</b>	<b>\$ 132,118</b>	<b>\$ 141,258</b>	<b>\$ 138,582</b>

- a During Fiscal Year 2004, the customer cities of WMARSS and the Authority entered into negotiations for early termination of their contract, which had approximately eight years remaining. Negotiations were completed and the ownership/operation was transferred to the City of Waco on February 24, 2004 and all existing contracts, assets, and related debt were transferred to the City of Waco.
- b During Fiscal Year 2006, the customer city of Sugar Land and the Authority 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.
- c During Fiscal Year 2008, the Authority spent the majority of the bond proceeds and completed the expansion project at its East Williamson County Regional Water System.
- d During Fiscal Year 2009, the Authority issued \$22,000 in new debt for the construction of the deep water intake structure on Granger Lake.

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

Year	System Rate		Agriculture		Two-Tier		Other Fixed		Colorado Basin Water		Utilities		Total
	Acre	Avg	Acre	Avg	Acre	Avg	Acre	Avg	Acre	Avg	Acre	Avg	Acre
	Feet	Price	Feet	Price	Feet	Price	Feet	Price	Feet	Price	Feet	Price	Feet
2000	142,718	23.50	-	-	108,796	14.66	80,734	17.50	-	-	277,047	28.01	609,295
2001	161,241	26.00	-	-	128,796	15.87	60,634	20.84	-	-	277,047	28.04	627,718
2002	189,325	29.90	-	-	98,170	16.35	60,599	20.36	17,360	49.22	227,047	33.77	592,501
2003	191,039	34.50	-	-	98,170	16.48	60,402	20.40	21,860	49.22	227,047	33.69	598,518
2004	195,382	39.75	-	-	105,503	15.75	56,976	21.23	21,860	49.22	227,047	45.75	606,768
2005	206,184	45.75	11,344	39.75	105,503	15.94	56,916	20.86	22,460	53.91	205,447 a	16.57	607,854
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 b	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

Source: Brazos River Authority Annual Operating Plan.

a - Twenty one thousand acre feet, consisting of four Utility Contracts, expired and were reclassified under System Rate as required by contract.

b - Twenty three thousand three hundred acre feet, consisting of an Other Fixed Price Contract, expired and was contracted under a System Rate contract.

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

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

<b>Fiscal Year 2009</b>		
<b>Customer</b>	<b>Revenues</b>	<b>% of Total Operating Revenues</b>
Johnson County S.U.D.*	\$ 7,593	12.55%
Lower Colorado River Authority	6,779	11.21%
City of Georgetown	4,129	6.83%
City of Round Rock	4,040	6.68%
Gulf Coast Water Authority	3,266	5.40%
City of Temple	2,550	4.22%
NRG Texas Power, L.L.C.**	2,525	4.17%
City of Sugar Land	1,846	3.05%
Dow Chemical Company	1,810	2.99%
Bell County W.C.I.D. #1	1,727	2.85%
	<b>\$ 36,265</b>	<b>59.95%</b>

<b>Fiscal Year 2008</b>		
<b>Customer</b>	<b>Revenues</b>	<b>% of Total Operating Revenues</b>
Johnson County S.U.D.*	\$ 6,845	12.47%
Lower Colorado River Authority	5,791	10.55%
City of Georgetown	4,100	7.47%
City of Round Rock	3,750	6.83%
NRG Texas Power, L.L.C.**	2,466	4.49%
Acton Municipal Utility District	2,049	3.73%
City of Temple	2,013	3.67%
Gulf Coast Water Authority	1,806	3.29%
Bell County W.C.I.D. #1	1,692	3.08%
City of Sugar Land	1,622	2.96%
	<b>\$ 32,134</b>	<b>58.55%</b>

<b>Fiscal Year 2007</b>		
<b>Customer</b>	<b>Revenues</b>	<b>% of Total Operating Revenues</b>
Johnson County S.U.D.*	\$ 6,580	13.12%
Lower Colorado River Authority	5,335	10.64%
City of Round Rock	3,884	7.75%
City of Georgetown	3,597	7.17%
City of Temple	2,550	5.09%
NRG Texas Power, L.L.C.**	2,148	4.28%
Bell County W.C.I.D. #1	1,646	3.28%
City of Sugar Land	1,579	3.15%
City of Granbury	1,397	2.79%
Gulf Coast Water Authority	1,077	2.15%
<b>TOTAL</b>	<b>\$ 29,793</b>	<b>59.41%</b>

<b>Fiscal Year 2006</b>		
<b>Customer</b>	<b>Revenues</b>	<b>% of Total Operating Revenues</b>
Lower Colorado River Authority	\$ 5,080	10.79%
Johnson County S.U.D.*	4,824	10.25%
City of Round Rock	3,285	6.98%
City of Georgetown	2,998	6.37%
City of Temple	2,413	5.13%
City of Sugar Land	2,155	4.58%
NRG Texas, LP (Texas Genco)**	1,919	4.08%
TXU Electric Company	1,863	3.96%
City of Taylor	1,160	2.46%
Bell County WCID #1	1,121	2.38%
	<b>\$ 26,816</b>	<b>56.95%</b>

\*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

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

Fiscal Year 2005			Fiscal Year 2004		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
City of Lubbock	\$ 4,637	9.60%	TXU Electric Company	\$ 8,230	16.64%
Johnson County S.U.S.*	4,345	9.00%	City of Sugar Land	5,077	10.26%
City of Sugar Land	3,912	8.10%	City of Lubbock	4,534	9.16%
Lower Colorado River Authority	3,727	7.72%	Johnson County S.U.D.*	3,751	7.58%
City of Georgetown	2,959	6.13%	City of Waco	3,230	6.53%
City of Round Rock	2,656	5.50%	Lower Colorado River Authority	3,044	6.15%
Texas Genco, LP**	2,429	5.03%	Texas Genco, LP**	2,942	5.95%
City of Temple	2,410	4.99%	City of Temple	2,586	5.23%
TXU Electric Company	2,361	4.89%	City of Georgetown	2,552	5.16%
				2,339	4.73%
	<b>\$ 29,436</b>	<b>60.96%</b>		<b>\$ 38,285</b>	<b>77.39%</b>

Fiscal Year 2003		
Customer	Revenues	% of Total Operating Revenues
City of Waco	\$ 6,186	12.70%
TXU Electric Company	5,671	11.64%
City of Lubbock	4,172	8.56%
Johnson County R.W.S.C.*	3,476	7.13%
Lower Colorado River Authority	2,948	6.05%
City of Temple	2,482	5.09%
City of Round Rock	2,452	5.03%
Texas Genco, LP**	1,988	4.08%
City of Georgetown	1,333	2.74%
City of Sugar Land	1,307	2.68%
	<b>\$ 32,015</b>	<b>65.70%</b>

\*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

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

Fiscal Year 2009			Fiscal Year 2008		
Customer	Revenues	% of Total WSS Revenues	Customer	Revenues	% of Total WSS Revenues
City of Georgetown	\$ 3,276	8.07%	City of Round Rock	\$ 2,777	7.60%
Gulf Coast Water Authority	3,266	8.05%	NRG Texas Power, LLC*	2,187	5.99%
City of Round Rock	2,975	7.33%	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	4.55%	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	4.26%	City of Taylor	1,094	2.99%
TXU Electric Company	1,404	3.46%	TXU Electric Company	788	2.16%
Brazos Electric Power Co-op	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%
	<b>\$ 20,914</b>	<b>51.55%</b>		<b>\$ 15,118</b>	<b>41.38%</b>

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%
	<b>\$ 15,049</b>	<b>46.02%</b>	<b>TOTAL</b>	<b>\$ 13,841</b>	<b>46.06%</b>

\*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

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

Fiscal Year 2005			Fiscal Year 2004		
Customer	Revenues	% of Total WSS Revenues	Customer	Revenues	% of Total WSS Revenues
City of Georgetown	\$ 2,438	8.73%	TXU Electric Company	\$ 8,059	30.00%
City of Round Rock	2,382	8.53%	Texas Genco, LP*	2,137	7.95%
Texas Genco, L.P.*	2,265	8.11%	City of Georgetown	2,031	7.56%
TXU Electric Coimpany	1,754	6.28%	City of Round Rock	1,551	5.77%
Gulf Coast Water Authority	1,057	3.78%	Gulf Coast Water Authority	1,001	3.73%
City of Taylor	952	3.41%	Bell County W.C.I.D. #1	924	3.44%
Bell County W.C.I.D. #1	947	3.39%	Brazos Electric Power Cooperative	650	2.42%
Brazos Electric Power Cooperative	776	2.78%	Johnson County S.U.D.	536	1.99%
Johnson County S.U.D.	616	2.21%	City of Granbury	514	1.91%
Wellborn Special Utility District	500	1.79%	City of Taylor	494	1.84%
	<b>\$ 13,687</b>	<b>49.01%</b>		<b>\$ 17,897</b>	<b>66.61%</b>

Fiscal Year 2003		
Customer	Revenues	% of Total WSS Revenues
TXU Electric Company	\$ 5,670	23.72%
Texas Genco, LP*	1,982	8.29%
City of Round Rock	1,495	6.25%
City of Georgetown	1,107	4.63%
Bell County W.C.I.D. #1	969	4.05%
Gulf Coast Water Authority	952	3.98%
City of Taylor	517	2.16%
Brazos Electric Power Cooperative	484	2.02%
City of Granbury	481	2.01%
Johnson County S.U.D.	465	1.94%
	<b>\$ 14,122</b>	<b>59.05%</b>

\*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

**BRAZOS RIVER AUTHORITY  
WATER SUPPLY REVENUE BOND DEBT  
SERIES 2001A, SERIES 2001B, SERIES 2002 AMT  
SERIES 2005A & B, SERIES 2006 AND SERIES 2009  
AMORTIZATION SCHEDULE (unaudited)**

Fiscal Year Ended August 31	Prior Lien		Subordinate Lien				Total Debt Service Requirements	% Of Principal Retired
	Utilities Contract Debt (1)		Outstanding Bonds (2)		Outstanding Bonds (3)			
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		
2010	\$ 895,000	\$ 132,412.50	\$ 970,000	\$ 668,670.01	\$ 755,000	\$ 2,148,274.00	\$ 5,569,356.51	
2011	945,000	81,812.50	1,010,000	624,876.26	1,845,000	2,127,826.16	6,634,514.92	
2012	1,015,000	27,912.50	890,000	582,331.26	1,880,000	2,094,026.16	6,489,269.92	
2013			930,000	538,255.63	1,915,000	2,058,896.16	5,442,151.79	
2014			980,000	493,730.00	1,955,000	2,021,736.46	5,450,466.46	3.70%
2015			980,000	447,075.00	2,530,000	1,968,561.21	5,925,636.21	
2016			970,000	399,807.50	2,605,000	1,898,807.76	5,873,615.26	
2017			1,015,000	350,752.50	2,675,000	1,823,222.11	5,863,974.61	
2018			1,070,000	298,640.00	2,755,000	1,741,584.66	5,865,224.66	
2019			1,125,000	242,801.25	2,845,000	1,653,511.46	5,866,312.71	43.61%
2020			1,185,000	183,111.25	2,935,000	1,557,865.06	5,860,976.31	
2021			1,250,000	119,200.00	3,045,000	1,453,912.94	5,868,112.94	
2022			680,000	69,750.00	3,155,000	1,341,665.17	5,246,415.17	
2023			715,000	35,750.00	3,275,000	1,222,096.37	5,247,846.37	
2024					3,405,000	1,095,623.79	4,500,623.79	68.40%
2025					3,540,000	960,851.63	4,500,851.63	
2026					3,680,000	818,728.93	4,498,728.93	
2027					3,835,000	668,476.76	4,503,476.76	
2028					3,995,000	509,477.23	4,504,477.23	
2029					3,130,000	368,436.00	3,498,436.00	91.35%
2030					1,015,000	285,637.50	1,300,637.50	
2031					1,065,000	238,837.50	1,303,837.50	
2032					1,115,000	189,787.50	1,304,787.50	
2033					1,165,000	138,487.50	1,303,487.50	
2034					1,220,000	84,825.00	1,304,825.00	98.39%
2035					1,275,000	28,687.50	1,303,687.50	100%
<b>TOTAL</b>	<b>\$ 2,855,000</b>	<b>\$ 242,137.50</b>	<b>\$ 13,770,000</b>	<b>\$ 5,054,750.66</b>	<b>\$ 62,610,000</b>	<b>\$ 30,499,842.52</b>	<b>\$ 115,031,730.68</b>	

(1) Prior Lien Utilities Contract Debt includes Brazos River Authority Water Supply Refunding Revenue Bonds, Series 1972, and bonds issued hereafter on a parity therewith.

(2) Subordinate Lien Outstanding Bonds includes the Authority's Water Supply System Revenue Refunding and Improvements Bonds, Series 2001A (AMT) and the Authority's Water Supply System Revenue Refunding Bonds, Series 2001B and the Authority's Water Supply System Revenue Bonds, Series 2002 (AMT)

(3) Subordinate Lien Outstanding Bonds includes the Authority's Water Supply System Revenue Series 2005A (AMT), the Authority's Water Supply System Revenue Bonds, Series 2005 A&B, the Authority's Water Supply System Revenue Bonds, Series 2006 and the Authority's Water Supply System Revenue Bonds, Series 2009.

Source: Combined Bond Resolutions

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

**BRAZOS RIVER AUTHORITY**  
**WATER SUPPLY REVENUE BONDS**  
**SERIES 2001A, SERIES 2001B, SERIES 2002 AMT,**  
**SERIES 2005A, SERIES 2005B, SERIES 2006 AND SERIES 2009**  
**COVERAGE AND ACCOUNT BALANCES (in thousands)**  
**AUGUST 31, 2009 (unaudited)**

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Average Annual Principal and Interest Requirements, 2010 - 2035	\$ 4,305
Coverage of Average Requirements by August 31, 2009 Net Revenues*	3.02
Maximum Principal and Interest Requirements, 2015	5,926
Coverage of Maximum Requirements by August 31, 2009 Net Revenues*	2.19
System Revenue Bonds Outstanding, August 31, 2009	76,380
Interest and Sinking Account Balance, August 31, 2009	-
Reserve Account Balance, August 31, 2009	N/A

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

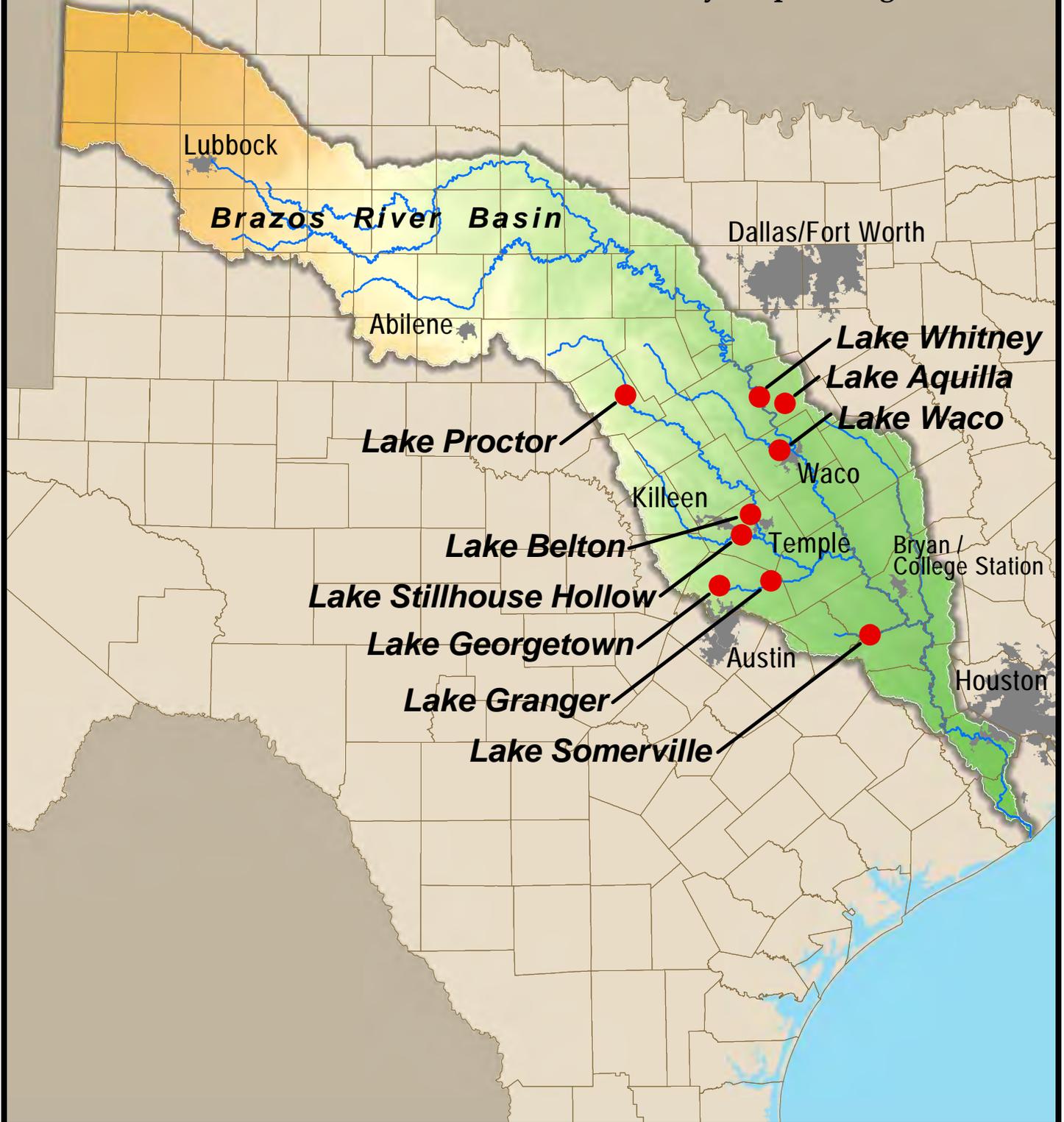
<sup>1</sup> Funds are transferred to the Interest and Sinking Fund on interest payment date.

<sup>2</sup> Upon delivery of the bonds, the Reserve Fund was fully funded by the purchase of a surety bond.

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

# Reservoirs

Owned and Operated by  
the US Army Corps of Engineers



**BRAZOS RIVER AUTHORITY**  
**WATER SUPPLY SYSTEM**  
**CONDENSED SUMMARY OF OPERATING RESULTS (in thousands)**  
**(CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS)**  
**AUGUST 31, 2009 (unaudited)**

	Fiscal Year Ended August 31				
	2009	2008	2007	2006	2005
<b>Gross Revenues:</b>					
Raw water	\$ 28,619	\$ 25,133	\$ 22,050	\$ 18,500	\$ 17,693
Treated water	1,232	1,022	1,062	1,115	886
Wastewater treatment	3,012	2,989	2,572	1,062	1,021
Power sales	514	631	603	677	750
Lease income	3,226	3,181	3,084	2,869	2,498
Other	1,225	1,159	929	1,581	791
Interest	1,258	2,093	2,434	1,831	1,312
Grants	1,578	1,264	1,101	1,615	2,933
Other non-operating	-	36	3	8	60
Less: Existing debt service (1)	<u>(1,025)</u>	<u>(1,016)</u>	<u>(1,020)</u>	<u>(1,016)</u>	<u>(1,021)</u>
<b>TOTAL GROSS REVENUES</b>	<b><u>\$ 39,639</u></b>	<b><u>\$ 36,492</u></b>	<b><u>\$ 32,818</u></b>	<b><u>\$ 28,242</u></b>	<b><u>\$ 26,923</u></b>
<b>Operation &amp; Maintenance Expenses:</b>					
Personnel services	12,737	11,834	11,699	\$ 10,882	\$ 10,305
Materials, supplies & services	1,467	1,329	1,162	977	977
Utilities	1,057	1,001	972	838	729
Outside services	3,686	4,150	2,727	2,864	5,070
Other	4,708	4,298	4,087	3,560	3,615
Other non-operating	379	343	684	679	155
Other debt service (2)	<u>2,607</u>	<u>2,426</u>	<u>2,503</u>	<u>2,341</u>	<u>2,341</u>
<b>TOTAL OPERATION &amp; MAINTENANCE</b>	<b><u>\$ 26,641</u></b>	<b><u>\$ 25,381</u></b>	<b><u>\$ 23,834</u></b>	<b><u>\$ 22,141</u></b>	<b><u>\$ 23,192</u></b>
<b>NET REVENUES AVAILABLE TO PAY DEBT SERVICE</b>	<b><u>\$ 12,998</u></b>	<b><u>\$ 11,111</u></b>	<b><u>\$ 8,984</u></b>	<b><u>\$ 6,101</u></b>	<b><u>\$ 3,731</u></b>
<b>DEBT SERVICE WATER SUPPLY SYSTEM BONDS</b>	<b><u>\$ 3,603</u></b>	<b><u>\$ 3,123</u></b>	<b><u>\$ 3,053</u></b>	<b><u>\$ 2,043</u></b>	<b><u>\$ 1,636</u></b>
<b>COVERAGE PERCENTAGE</b>	3.61	3.56	2.94	2.99	2.28

(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

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

**BRAZOS RIVER AUTHORITY  
 POSSUM KINGDOM ELECTRIC POWER GENERATION AND LAKE ELEVATIONS  
 CALENDAR YEARS 1942 - 2008 (unaudited)**

Calendar Year	Water Used Acre-Feet	Annual KWH Generation	Elevation 1st of Yr.	Elevation During Year			
				High		Low	
				Date	Elevation	Date	Elevation
1942	-	4,242,700	996.00	10/17	1,000.30	01/24	995.00
1943	446,000	42,091,500	998.29	01/01	998.29	12/24	997.90
1944	144,000	12,043,900	977.99	10/11	988.77	02/25	977.29
1945	299,000	25,111,500	985.70	07/23	997.08	03/03	983.11
1946	489,000	45,558,700	995.06	09/10	997.79	08/28	987.25
1947	408,910	37,564,600	994.60	05/20	998.80	10/25	984.90
1948	309,070	26,822,200	987.20	07/13	994.02	05/25	981.05
1949	547,280	52,225,100	984.96	06/17	998.55	03/21	983.53
1950	574,552	57,744,900	988.02	09/11	999.20	04/12	985.43
1951	357,360	36,602,000	991.56	06/20	997.40	12/31	983.23
1952	157,480	13,498,300	983.22	01/01	983.22	11/23	967.27
1953	238,915	23,801,300	967.50	10/30	999.41	03/08	966.83
1954	434,830	45,944,900	996.63	05/28	1,000.00	11/08	987.23
1955	412,610	43,699,600	987.93	09/27	999.00	02/02	987.18
1956	327,740	32,517,800	997.05	01/01	997.05	12/18	975.15
1957	663,595	69,229,400	976.34	04/30	1,000.90	02/05	974.52
1958	407,445	43,014,400	994.39	07/07	997.60	12/28	989.29
1959	296,210	31,430,400	989.31	10/08	997.89	05/05	986.83
1960	424,715	44,984,500	995.61	10/27	999.16	10/14	992.54
1961	561,185	59,939,400	994.32	06/22	999.07	04/28	991.64
1962	513,245	54,644,500	992.85	09/14	999.24	06/01	988.46
1963	383,380	40,729,700	995.97	06/13	999.71	10/23	990.36
1964	137,285	12,554,000	993.01	02/18	994.59	09/19	987.08
1965	250,580	26,329,200	990.71	05/22	999.25	04/14	989.02
1966	420,120	44,491,100	996.52	09/27	999.85	04/22	994.19
1967	260,910	27,278,600	996.10	07/23	999.72	04/13	995.02
1968	536,665	57,762,100	995.58	07/10	999.51	11/26	993.29
1969	609,120	62,014,000	993.53	05/20	999.80	11/13	984.68
1970	253,265	25,195,000	987.22	06/11	997.78	12/31	983.12
1971	208,405	21,510,000	983.20	10/03	999.60	05/28	981.20
1972	416,931	43,941,100	998.70	11/02	999.70	08/16	996.70
1973	382,765	39,997,400	996.80	03/16	998.20	07/26	992.67
1974	263,249	27,186,300	993.10	10/19	999.70	08/24	990.40

Source: Brazos River Authority Water Services Department

**BRAZOS RIVER AUTHORITY**  
**POSSUM KINGDOM ELECTRIC POWER GENERATION AND LAKE ELEVATIONS**  
**CALENDAR YEARS 1942 - 2008 (unaudited)**

Calendar Year	Water Used Acre-Feet	Annual KWH Generation	Elevation 1st of Yr.	Elevation During Year			
				High		Low	
				Date	Elevation	Date	Elevation
1975	427,328	44,363,000	998.60	05/30	999.30	03/31	995.80
1976	264,984	26,507,000	997.50	11/03	999.50	04/11	996.10
1977	239,709	23,135,000	997.07	04/24	999.31	12/26	993.47
1978	183,016	17,387,000	993.55	09/12	999.73	03/16	992.92
1979	245,685	24,852,000	997.60	05/10	999.40	12/17	995.40
1980	366,493	36,673,000	995.60	10/05	999.70	08/24	991.40
1981	432,796	44,012,000	997.80	10/15	1,002.20	02/13	995.40
1982	460,319	48,729,000	997.20	05/16	999.30	05/05	995.50
1983	267,661	26,848,000	995.80	06/13	999.00	10/21	990.00
1984	78,522	7,963,000	994.80	12/31	997.40	10/25	987.80
1985	573,162	59,762,000	998.30	02/26	999.60	10/06	993.00
1986	560,397	57,469,000	998.60	06/22	999.60	04/10	995.10
1987	581,560	56,849,000	998.65	02/28	999.42	12/18	985.09
1988	44,036	3,932,000	980.64	10/09	990.30	05/19	985.60
1989	297,614	30,244,000	988.53	06/15	999.98	04/13	987.10
1990	586,568	58,759,000	995.14	06/06	999.74	01/14	994.94
1991	529,061	52,527,000	996.94	12/20	999.49	05/02	994.78
1992	181,582	74,255,000	998.60	03/03	999.33	11/18	994.96
1993	233,236	22,526,000	996.10	04/01	998.30	09/10	991.85
1994	154,896	14,786,000	993.71	05/15	997.74	05/06	993.25
1995	263,974	25,699,000	996.42	06/18	999.40	05/23	995.71
1996	161,485	15,575,000	996.40	11/30	999.49	08/27	993.19
1997	484,984	47,076,000	998.54	03/04	999.41	12/19	993.45
1998	152,293	13,961,000	993.79	03/31	999.15	12/30	988.25
1999	99,971	9,119,000	988.29	07/05	999.30	01/25	988.00
2000	39,999	3,769,100	991.82	07/11	996.58	03/23	991.19
2001	154,073	15,184,000	995.37	03/03	999.24	10/11	993.51
2002	121,324	11,636,000	994.53	07/11	999.18	03/16	993.16
2003	102,617	8,952,000	995.67	07/10	997.20	12/29	991.07
2004	281,064	26,468,000	991.07	12/05	999.55	02/10	990.52
2005	309,127	30,008,000	999.23	08/26	999.44	08/04	994.21
2006	128,821	10,028,000	996.55	05/16	999.11	10/13	993.18
2007	299,150	29,994,500	997.49	6/27	999.34	4/30	997.37
2008	0	0	998.39	4/25	999.23	9/8	996.48

**BRAZOS RIVER AUTHORITY  
 MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
 AUGUST 31, 2009 (unaudited)**

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Authority created under Acts 1929, 41<sup>st</sup> Legislature, 2<sup>nd</sup> 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:	2004
Population of District:	1,753,000 (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 of District:	Ranges from 16 inches West to 47 inches Southeast
Number of employees:	271
Offices:	<ul style="list-style-type: none"> <li>Central office - Waco, Texas</li> <li>Operations office - Acton, Texas</li> <li>Regional office - Austin, Texas</li> <li>Operations office - Belton, Texas</li> <li>Operations office - Clute, Texas</li> <li>Operations office - Georgetown, Texas</li> <li>Regional office - Georgetown, Texas</li> <li>Operations office - Lake Granbury, Texas</li> <li>Operations office - Lake Limestone, Texas</li> <li>Operations office - Leander, Texas</li> <li>Operations office - Possum Kingdom Lake, Texas</li> <li>Operations office - Round Rock, Texas</li> <li>Operations office - Sugar Land, Texas</li> <li>Regional office - Sugar Land, Texas</li> <li>Operations office - Taylor, Texas</li> <li>Regional office - Waco, Texas</li> </ul>

Continued

**BRAZOS RIVER AUTHORITY  
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
AUGUST 31, 2009 (unaudited)**

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<b>Operating Statistics:</b>	<b>Years Ended August 31</b>	
	<b>2009</b>	<b>2008</b>
<i>(water/wastewater treated in thousands of gallons)</i>		
Temple-Belton Regional Sewerage System Total	1,967,870	1,858,732
Sugar Land Regional Sewerage System	2,851,301	3,115,590
Lake Granbury Surface Water and Treatment System	1,435,531	1,523,851
Brushy Creek Regional Wastewater System	5,435,150	5,238,110
Hutto Wastewater System	274,980	325,400
Clute/Richwood Regional Wastewater System	783,864	935,940
Sandy Creek Regional Water Treatment System	1,045,940	906,996
Lee County Fresh Water District #1	17,142	16,361
City of Georgetown	1,388,472	1,358,460
East Williamson County Water Treatment System	1,034,302	785,112
Liberty Hill	26,565	16,920

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**Brazos River Authority Dams and Reservoirs:**

*Possum Kingdom (January 2005 TWDB Survey)*

Capacity – 540,340 acre feet  
Surface area – 16,716 acres  
Elevation – 1,000.0 ft-msl

*Granbury (July 2003 TWDB Survey)*

Capacity – 129,011 acre feet  
Surface area – 7,945 acres  
Elevation – 693.0 ft-msl

*Limestone (April 2002 TWDB Survey)*

Capacity – 208,017 acre feet  
Surface area – 12,553 acres  
Elevation – 363.0 ft-msl

**U.S. Corps of Engineers Dams and Reservoirs:**

*Aquilla (March 2008 TWDB Survey)*

Conservation Pool

Capacity – 44,566 acre-feet  
Surface area – 3,066 acres  
Elevation – 537.5 ft-msl

Flood Control Pool

Capacity – 86,700 acre-feet  
Surface area – 7,000 acres  
Elevation – 556.0 ft-msl

*Belton (May 2003 TWDB Survey)*

Conservation Pool

Capacity – 435,225 acre-feet  
Surface area – 12,135 acres  
Elevation – 594.0 ft-msl

Flood Control Pool

Capacity – 640,000 acre-feet  
Surface area – 23,620 acres  
Elevation – 631.0 ft-msl

**BRAZOS RIVER AUTHORITY  
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
AUGUST 31, 2009 (unaudited)**

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*Granger (August 2008 TWDB Survey)*

Conservation Pool

Capacity – 50,779 acre-feet  
Surface area – 4,203 acres  
Elevation – 504.0 ft-msl

Flood Control Pool

Capacity – 162,200 acre-feet  
Surface area – 11,040 acres  
Elevation – 528.0 ft-msl

*Georgetown (May 2005 TWDB Survey)*

Conservation Pool

Capacity – 36,904 acre-feet  
Surface area – 1,287 acres  
Elevation – 791.0 ft-msl

Flood Control Pool

Capacity – 87,600 acre-feet  
Surface area – 3,220 acres  
Elevation – 834.0 ft-msl

*Proctor (July 2005 TWDB Survey)*

Conservation Pool

Capacity – 55,457 acre-feet  
Surface area – 4,537 acres  
Elevation – 1,162.0 ft-msl

Flood Control Pool

Capacity – 341,500 acre-feet  
Surface area – 14,010 acres  
Elevation – 1,197.0 ft-msl

*Somerville (July 2003 TWDB Survey)*

Conservation Pool

Capacity – 147,104 acre-feet  
Surface area – 11,555 acres  
Elevation – 238.0 ft-msl

Flood Control Pool

Capacity – 337,700 acre-feet  
Surface area – 24,400 acres  
Elevation – 258.0 ft-msl

*Stillhouse Hollow (May 2005 TWDB Survey)*

Conservation Pool

Capacity – 227,825 acre-feet  
Surface area – 6,484 acres  
Elevation – 622.0 ft-msl

Flood Control Pool

Capacity – 390,600 acre-feet  
Surface area – 11,830 acres  
Elevation – 666.0 ft-msl

*Waco (March 1995 TWDB Survey)*

Conservation Pool

Capacity – 199,227 acre-feet  
Surface area – 8,437 acres  
Elevation – 462.0 ft-msl

Flood Control Pool

Capacity – 518,895 acre-feet  
Surface area – 19,423 acres  
Elevation – 500.0 ft-msl

*Whitney (June 2005 TWDB Survey)*

Conservation Pool

Capacity – 554,203 acre-feet  
Surface area – 23,220 acres  
Elevation – 533.0 ft-msl

Flood Control Pool

Capacity – 1,372,400 acre-feet  
Surface area – 49,820 acres  
Elevation – 571.0 ft-msl

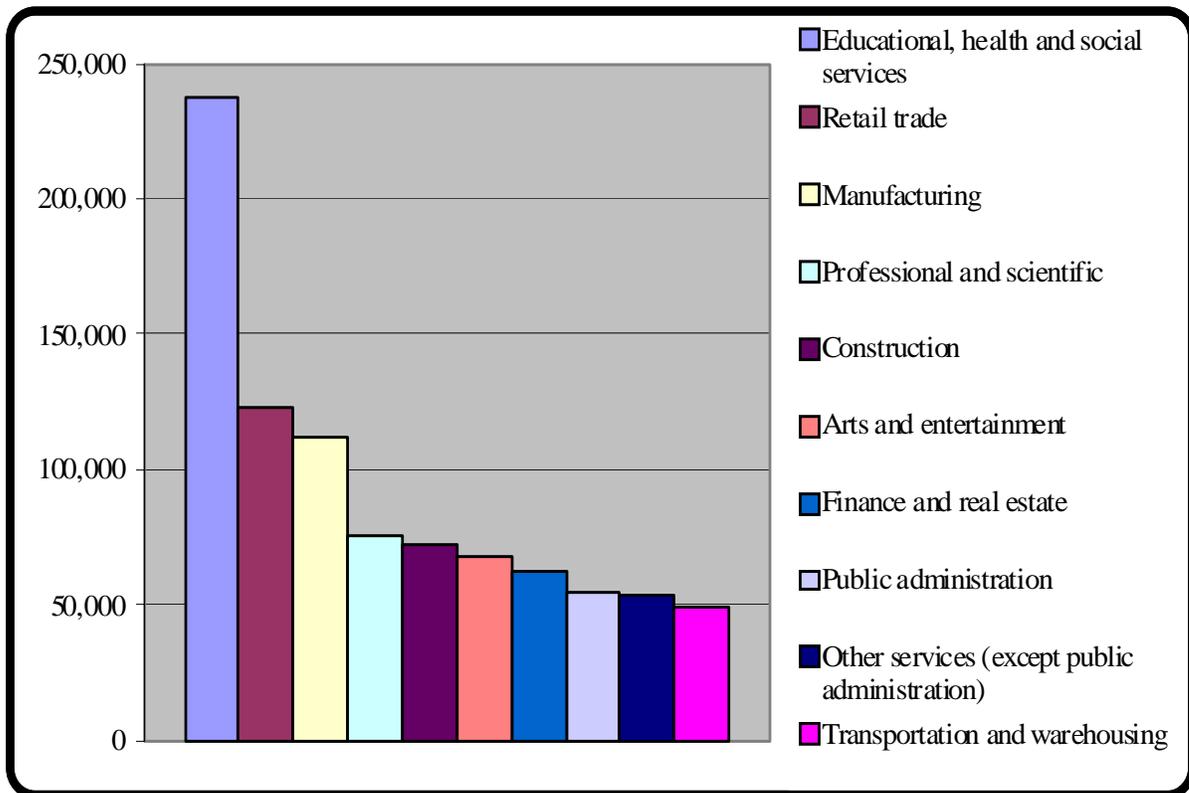
Source: Brazos River Authority Water Services Department

**BRAZOS RIVER AUTHORITY  
 MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
 AUGUST 31, 2009 (unaudited)**

<b>Ten Largest Industries</b>	
<b>Industry</b>	<b>Number of entities in category</b>
Educational, health and social services	237,320
Retail trade	122,672
Manufacturing	112,461
Professional and scientific	76,136
Construction	72,647
Arts and entertainment	67,984
Finance and real estate	62,537
Public administration	54,533
Other services (except public administration)	53,471
Transportation and warehousing	49,493

Source: U.S. Census Bureau, Census 2000

**Ten Largest Industries**

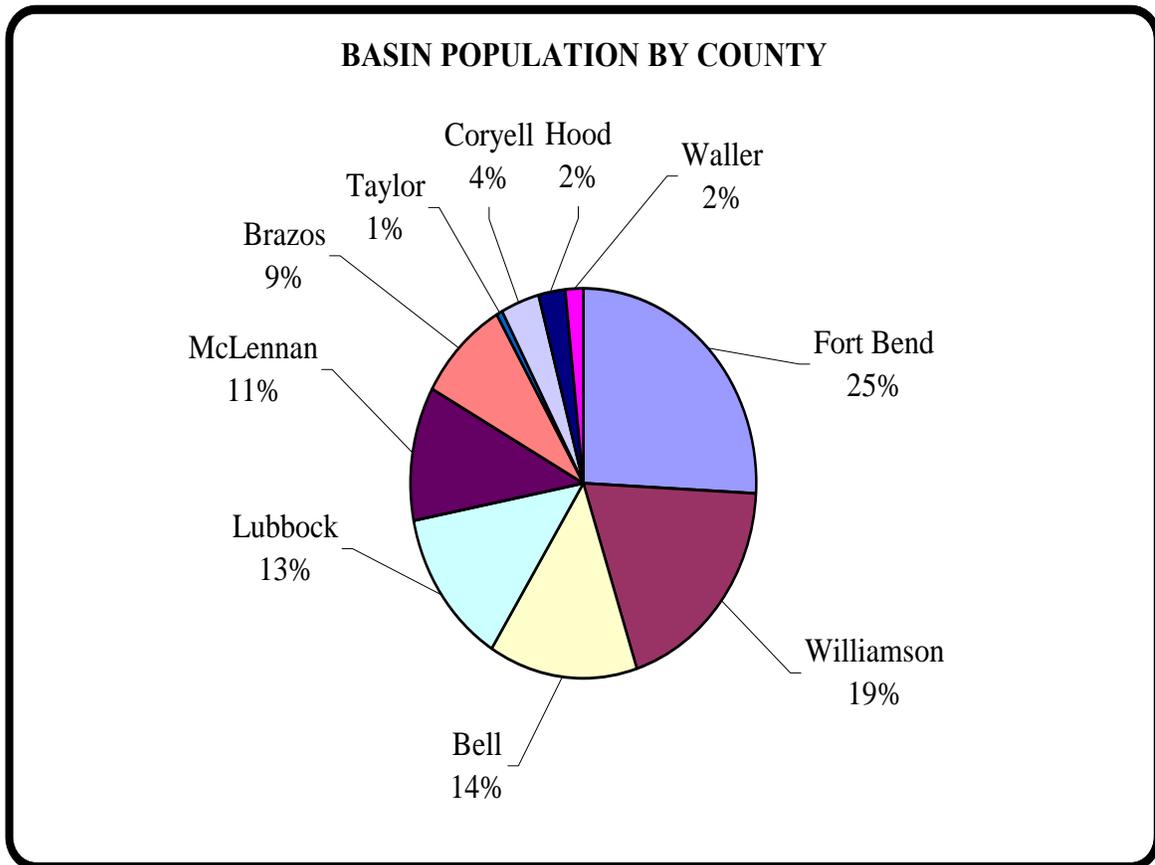


**BRAZOS RIVER AUTHORITY  
 MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
 AUGUST 31, 2009 (unaudited)**

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BASIN POPULATION BY COUNTY	POPULATION
Fort Bend	532,141
Williamson	394,193
Bell	285,084
Lubbock	264,418
McLennan	230,213
Brazos	175,122
Taylor	12,671
Coryell	72,654
Hood	50,573
Waller	35,995

Source: Population Division, U.S. Census Bureau  
 Release Date: March 19, 2009

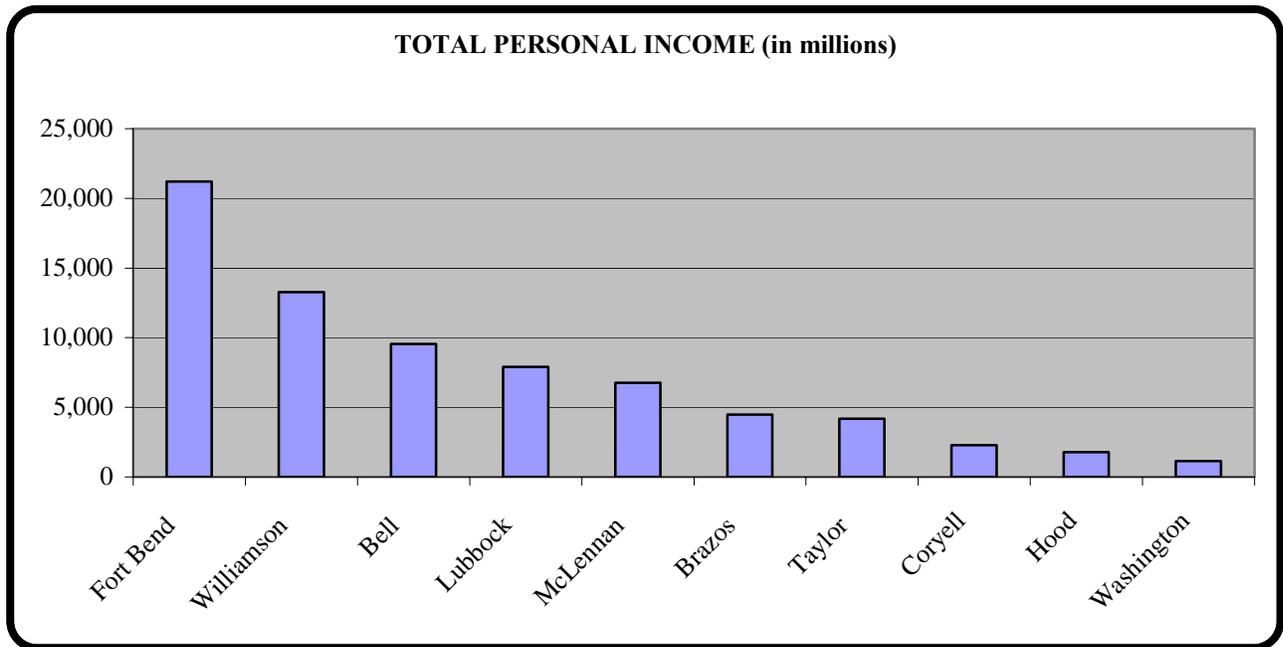


**BRAZOS RIVER AUTHORITY  
 MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
 AUGUST 31, 2009 (unaudited)**

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<b>COUNTY</b>	<b>Total Personal Income ( in millions)</b>
Fort Bend	21,206
Williamson	13,266
Bell	9,559
Lubbock	7,910
McLennan	6,773
Brazos	4,468
Taylor	4,179
Coryell	2,282
Hood	1,772
Washington	1,137

**Source: Bureau of Economic Analysis  
 Updated August 6, 2009**

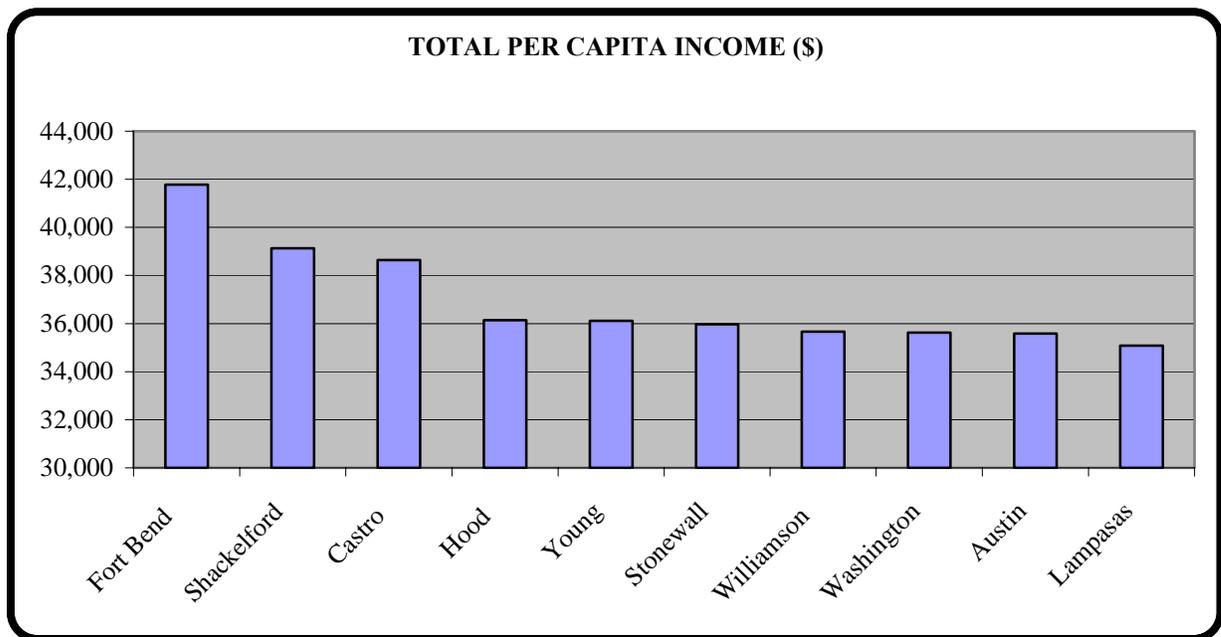


**BRAZOS RIVER AUTHORITY  
 MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
 AUGUST 31, 2009 (unaudited)**

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COUNTY	Total Per Capita Income
Fort Bend	41,779
Shackelford	39,133
Castro	38,645
Hood	36,142
Young	36,111
Stonewall	35,968
Williamson	35,659
Washington	35,618
Austin	35,580
Lampasas	35,078

Source: Bureau of Economic Analysis  
 Updated August 6, 2009



**BRAZOS RIVER AUTHORITY**  
**SCHEDULE OF CAPITAL ASSETS - NET ADDITIONS/(DELETIONS) BY OPERATIONS**  
**AUGUST 31, 2009 (unaudited) (in thousands)**  
**(accrual basis of accounting)**

**Last Seven Fiscal Years**

Year	Cost Reimbursables														Total
	Water Supply	Lake Alan Henry	WMARSS	SLRSS	SWATS	WCRRWL	TBRSS	BCRWS	Hutto	Sandy Creek	Clute-Richwood	Dime Box			
2003	\$ 12,012	\$ -	\$ 2,899	\$ 25	\$ 29,646	\$ 40	\$ 383	\$ 23	\$ -	\$ -	\$ 5	\$ 43	\$ -	\$ 45,076	
2004	6,167	41	(60,375)	1,071	382	11	63	44	-	-	-	18	-	(52,578)	
2005	329	(64,610)	-	1,302	161	35,602	(154)	(77)	3	(6)	(11)	1	(11)	(27,460)	
2006	1,487	-	-	(14,383)	(277)	1,433	5	43	-	-	-	-	-	(11,692)	
2007	590	-	-	-	1,625	8	94	(16)	5	-	-	-	-	2,306	
2008	32,962	-	-	-	362	-	(13)	25	-	-	16	-	-	33,352	
2009	11,895	-	-	-	8,454	-	124	33	7	-	1	-	-	20,514	
	\$ 65,441	\$ (64,569)	\$ (57,476)	\$ (11,985)	\$ 40,353	\$ 37,094	\$ 502	\$ 75	\$ 15	\$ (1)	\$ (11)	\$ 79	\$ (11)	\$ 9,518	

**BRAZOS RIVER AUTHORITY**  
**SCHEDULE OF CAPITAL ASSETS - NET ADDITIONS/(DELETIONS) BY CLASSIFICATION**  
**AUGUST 31, 2009 (unaudited) (in thousands)**  
**(accrual basis of accounting)**

**Last Seven Fiscal Years**

	Last Seven Fiscal Years							Total
	2003	2004	2005	2006	2007	2008	2009	
Land and Land Rights	\$ 41	\$ (228)	\$ 396	\$ 350	\$ 41	\$ -	\$ -	\$ 600
Reservoirs, water treatment and sewerage facilities	29,555	(48,770)	(63,005)	(13,999)	-	7,835	1,911	(86,473)
Building, structures and improvements	13,056	(3,708)	36,225	1,432	1,693	24,450	17,386	90,534
Vehicles, furniture and equipment	2,424	128	(1,076)	525	572	1,067	1,217	4,857
Total	\$ 45,076	\$ (52,578)	\$ (27,460)	\$ (11,692)	\$ 2,306	\$ 33,352	\$ 20,514	\$ 9,518

Source: Capital Asset Subledger and previous CAFRs.

**BRAZOS RIVER AUTHORITY  
SCHEDULE OF INSURANCE  
AS OF AUGUST 31, 2009 (unaudited)**

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Aircraft Liability	Falcon Insurance Agency U S Specialty Inc. Co	GA00159647-01	Non-owned Aircraft Liability Deductible - None	\$1,000,000 each occurrence	October 1, 2008 October 1, 2009
Airport Liability	Texas Municipal League	1970-08	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	October 1, 2008 October 1, 2009
Automobile Liability & Physical Damage	Texas Municipal League	1970-08	Automobile Liability Uninsured Motorist Collision Comprehensive Deductible - None Hired Auto Comp/Coll Deductible: \$ 250/Scheduled Vehicles	\$10,000,000 \$1,000,000 Actual Cash Value Actual Cash Value Actual Cash Value	October 1, 2008 October 1, 2009
Commercial Crime	Texas Municipal League	1970-08	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	October 1, 2008 October 1, 2009
Excess Liability	Wachovia Ins. Services/ Ins. Co. of the State of Pennsylvania	489037	Excess Liability (Applies in excess of primary Auto, GL, Airport Premises, and Law Enforcement) Includes Terrorism Coverage Deductible: \$10,000,000	\$10,000,000	October 1, 2008 October 1, 2009
Fiduciary and Employee Benefits	Wachovia Ins. Services/ Federal Insurance Co.	82095688	Annual Aggregate Per Occurrence Deductible: \$10,000	\$5,000,000 \$5,000,000	October 1, 2008 October 1, 2009
General Liability	Texas Municipal League	1970-08	General Aggregate Products/Completed Operation Each Occurrence (BI, PI, AI) Fire Damage Deductible - None	\$10,000,000 \$10,000,000 \$10,000,000 \$10,000,000	October 1, 2008 October 1, 2009
Marine and Hull/ Mobile Equipment	Texas Municipal League	1970-08	Coverage for Boats, Motors and Mobile Equipment Deductible: \$10,000	\$4,979,617	October 1, 2008 October 1, 2009
Law Enforcement Liability	Texas Municipal League	1970-08	Each Wrongful Act Annual Aggregate Deductible: \$2,500	\$10,000,000 \$10,000,000	October 1, 2008 October 1, 2009

(Continued)

**BRAZOS RIVER AUTHORITY  
SCHEDULE OF INSURANCE  
AS OF AUGUST 31, 2009 (unaudited)**

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Property/Boiler & Machinery	Texas Municipal League	1970-08	Blanket Real & Personal Property, EDP, & Boiler & Machinery Terrorism Valuable Papers & Records Accounts Receivable Fine Arts Transportation Business Income Demolition Increased cost of Construction Expediting Costs Mobile Homes per Location Pollution Cleanup in the Aggregate per premises Flood in the Aggregate (no flood coverage in 100 year flood zone or in Tier 1 and 2 counties) Deductible: \$25,000	\$160,145,800 \$10,000,000 \$25,000,000 \$1,000,000 \$1,000,000 \$1,000,000 Blanket Limit Blanket Limit Blanket Limit Blanket Limit \$10,000 \$10,000,000	October 1, 2007 October 1, 2008
Public Officials and Employees Practices Liability	Texas Municipal League	1970-08	Each Wrongful Act & Aggregate Limit Deductible: \$25,000	\$10,000,000	October 1, 2008 October 1, 2009
Public Officials Bond	Insurors of Texas	CMB-06-0005836	Treasurer's Bond Deductible - None	\$100,000	April 18, 2009 April 18, 2010
Public Officials Bond	Insurors of Texas	CMB-07-0010365	Board of Director's Bond Deductible - None	\$105,000	May 10, 2009 May 10, 2010
Peace Officer Bond	Insurors of Texas	46BSBAE6365	Peace Officer Bond Deductible - None	\$15,000	February 1, 2009 February 1, 2010
Travel Accident	Insurors of Texas/ Hartford Life	ETB-4333	Aggregate for Hazard Excludes Personal Aircraft Deductible - None	\$5,000,000	November 1, 2008 November 1, 2009
Workers' Compensation	Texas Water Conservation Association	00099	Self-insured for first 50,000 per occurrence	Aggregate Deduct \$150,000	July 1, 2008 July 1, 2009
Workers' Compensation	Texas Municipal League	1970-08	Self-insured for first 50,000 per occurrence	Aggregate Deduct \$150,000	July 1, 2009 July 1, 2010
Health Insurance	Texas Municipal League/ National Underwriting Services	NUS-01-0041	Medical expense claims self-insured for first 80,000 per employee	Aggregate Limit \$1,920,000	January 1, 2008 December 31, 2008
Health Insurance	Texas Municipal League/ HM Life Insurance	09HM200170	Medical expense claims self-insured for first 80,000 per employee	Aggregate Limit \$1,920,000	January 1, 2009 December 31, 2009

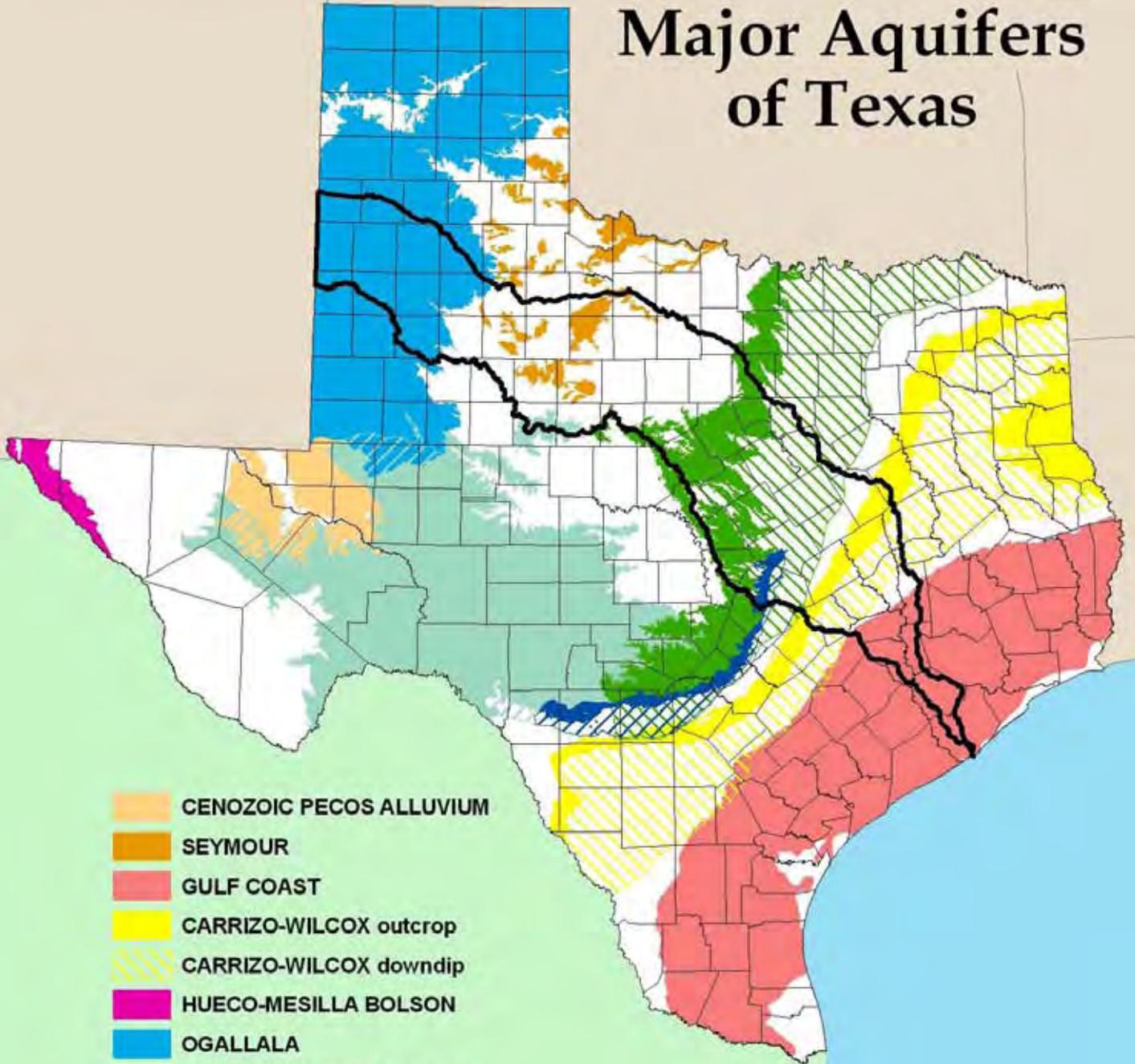
**BRAZOS RIVER AUTHORITY  
FULL -TIME EQUIVALENT  
LAST SEVEN FISCAL YEARS (unaudited)**

	Full-Time Equivalent Employees Per Annual Operating Plan						
	2009	2008	2007	2006	2005	2004	2003
<b>Upper Basin</b>							
Management	4	4	4	5	5	5	5
Lake Alan Henry	0	0	0	2	2	1	2
Possum Kingdom	57	57	60	58	55	56	54
SWATS	17	15	15	15	15	15	15
Lake Granbury	12	12	10	10	9	9	10
<b>Central Basin</b>							
Management & Lab	23	20	19	14	12	5	5
WMARSS (a)	0	0	0	0	0	25	26
TBRSS	10	10	10	10	10	15	15
BCRSS	16	13	13	13	11	12	15
Georgetown	8	7	7	7	7	0	0
SCRWTP	6	6	4	4	3	3	3
Hutto	0	1	1	1	0	0	0
East Williamson County RWS	5	4	3	3	3	0	0
<b>Lower Basin</b>							
Management	4	4	4	4	5	5	5
Lake Limestone	9	9	9	9	9	8	8
SLRSS	11	11	11	12	11	12	12
Clute	4	4	4	4	4	4	4
Liberty Hill	1	1	0	0	0	0	0
<b>Central Office</b>							
General Administration	4	4	4	4	3	3	2
Legal Services	4	4	4	3	3	4	3
Financial Services	17	17	17	17	16	15	16
Human Resources	4	4	4	4	4	4	4
Government & Customer Relatic	7	6	6	5	6	6	6
Information Technology	12	12	11	10	10	10	9
Planning & Development	1	1	2	2	2	3	0
Strategic Planning	3	2	1	4	4	5	5
Technical Analysis	0	0	0	1	2	0	0
Technical Services	40	37	35	33	35	35	36
	<u>279</u>	<u>265</u>	<u>258</u>	<u>254</u>	<u>246</u>	<u>260</u>	<u>260</u>

(a) During Fiscal Year 2004, the customer cities of WMARSS and the Authority entered into early termination of their contract, which had approximately eight years remaining. Negotiations were completed and the ownership/operation was transferred to the City of Waco on February 24, 2004 and all existing contracts, assets, and related debt were transferred to the City of Waco.

Source: Brazos River Authority Annual Operating Plan

# Major Aquifers of Texas



- CENOZOIC PECOS ALLUVIUM
- SEYMOUR
- GULF COAST
- CARRIZO-WILCOX outcrop
- CARRIZO-WILCOX downdip
- HUECO-MESILLA BOLSON
- OGALLALA
- EDWARDS-TRINITY outcrop
- EDWARDS-TRINITY downdip
- EDWARDS BFZ outcrop
- EDWARDS BFZ downdip
- TRINITY outcrop
- TRINITY downdip

Source: Texas Water Development Board



Brazos River Authority  
4600 Cobbs Drive - Waco, TX 76710  
254-761-3100 [www.brazos.org](http://www.brazos.org)