

# *BRAZOS RIVER AUTHORITY*



*Comprehensive Annual Financial Report*

*For The Fiscal Years Ended August 31, 2013 and 2012*

*Waco, Texas*

# The Brazos River Authority

## An Agency of the State of Texas



**Bell County** was formed in 1850. It was for named for Peter H. Bell, an Inspector General for the Republic of Texas Army, a Captain of the Texas Rangers and a Representative in the U.S. House of Representatives. Nolan Springs was chosen as the county seat, but in 1851 the name was changed to Belton. In 1883, the current courthouse was designed by J.N. Preston and Sons of Austin and constructed by Ben D. Lee, the contractor. The three stories measure 155' by 76' and is constructed of rusticated limestone from a local quarry.

Its Renaissance Revival style has arched passageways, round arch and pedimented windows, a clock tower with columned gallery and a statue of the Goddess of Justice mounted atop the 25 foot tower. The Fort Worth Daily Gazette on May 19, 1885 stated, "Among the many new courthouses built in the State during the past three years... the Bell County Courthouse surpasses all the beauty of design and elegance of finish..." The courthouse was fully restored in 1999. (Photo courtesy of CMBJ) (Cover photo courtesy of 254texascourthouses.net)

## Comprehensive Annual Financial Report

### For the Fiscal Years Ended August 31, 2013 and 2012

Prepared by the Finance and Administration Department

**BRAZOS RIVER AUTHORITY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2013 AND 2012**

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In 1837, an act was passed establishing **Fort Bend County** with Richmond, Texas as the county seat. The town of Richmond was founded and named by Robert Handy of Pennsylvania, William Lusk of Richmond, Virginia and eight other proprietors.

The Fort Bend County courthouse was designed by C.H. Page and Brother in a Texas Renaissance style and built in 1908 at a cost of \$75,000. It has a three storied rotunda. The front is faced with a portico of four three-story tall columns and a multi-domed roof. It is built of tawny red brick. The roof is topped with a hemispherical, copper-clad dome which is topped with a columned lantern with four clock faces at the base and topped by a statue of Lady Justice. It was restored in 1980, and has been in use since its construction. It has been filmed many times in movies and television shows. Photo courtesy of Larry D. Moore

The **Williamson County** courthouse is located in the town of Georgetown, Texas. The County is named for Robert McAlpin Williamson, a community leader and veteran of the Battle of San Jacinto.

The courthouse was designed by Charles H. Page of Austin in 1909 and built in 1911. It was designed in a Beaux Arts style as is the nearby Hays County courthouse in San Marcos. It has survived three major renovations. In 1965, due to damage, the roofline was substantially altered. In 2004, a \$9 million restoration project restored the courthouse to its original 1911 state and rededicated in October 2006.



**Coryell County** was organized in 1854 and named for the early explorer James Coryell. Gatesville, the county seat, was established in 1849 to protect the settlers from the Indians.

In 1865, a one-story wood framed building was the first courthouse. It was replaced in 1872, with a two story structure of native white limestone and stood for 25 years.

In 1897, Architect, Wesley Clark Dodson, was commissioned to draw plans and specifications for a the third courthouse at a contract price of three and one-half percent of the total building cost. The only stipulations were that the building have a metal roof with a cupola clad in copper on top with a Seth Thomas clock, a bell of not less than 800 pounds, and dual statues of Liberty and Justice at the North and South entrances. Photo courtesy of Larry D. Moore



# *Introductory Section*

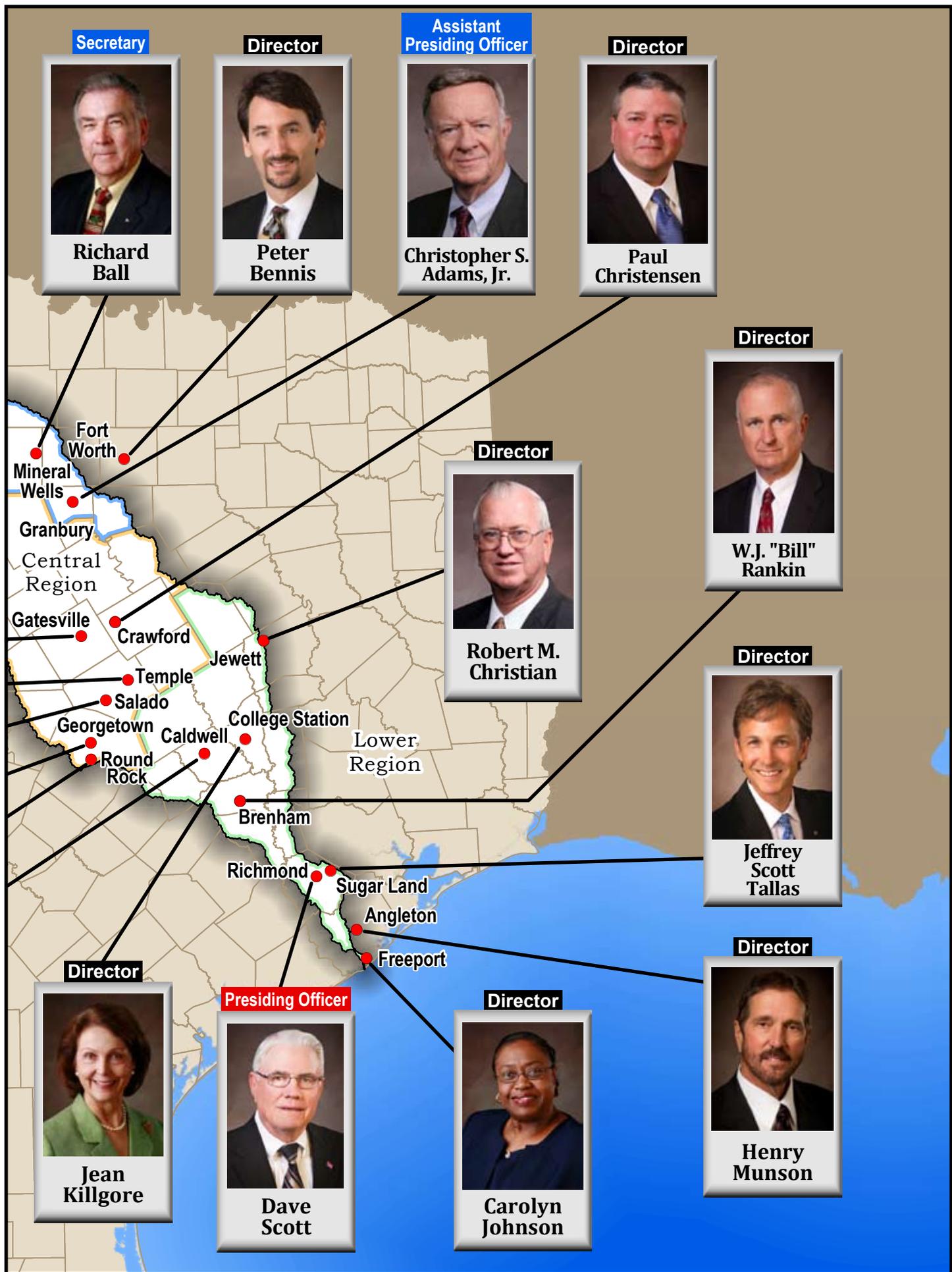
The image features a map of Texas with a blue outline of the Brazos River. A section in the north-central part of the state is labeled "Upper Region". Five red dots on the river are labeled: Wolforth, Guthrie, Olney, and Tuscola. Lines connect these dots to portrait boxes of directors. The portraits are arranged as follows:

- F. LeRoy Bell** (Director) is connected to the Wolforth area.
- Michel Todd Brashears** (Director) is connected to the Guthrie area.
- William Masterson** (Director) is connected to the Guthrie area.
- Chet Creel** (Director) is connected to the Olney area.
- Kari Belt** (Director) is connected to the Tuscola area.
- Sara Mackie Shull** (Director) is connected to the area south of the Upper Region.
- Robert Tesch** (Director) is connected to the area south of the Upper Region.
- Cynthia Olson Bourland** (Director) is connected to the area south of the Upper Region.
- Salvatore A. Zaccagnino** (Director) is connected to the area south of the Upper Region.

**Raleigh White IV** (Director) is shown in a portrait box but is not connected to any specific location on the map.



# Brazos River Authority Board of Directors





# Management Team



John Hawes, III  
Chief Financial Officer



Phillip J. Ford  
General Manager/CEO



Lauralee Vallon  
General Counsel



Courtney Dobogai  
Information Technology  
Manager



Jim Forte  
Planning &  
Development  
Manager



John Hofmann  
Central & Lower  
Basin  
Manager



Terry Lopas  
Technical Services  
Manager



Michael McClendon  
Upper Basin  
Manager



Matt Phillips  
Government &  
Customer Relations  
Manager



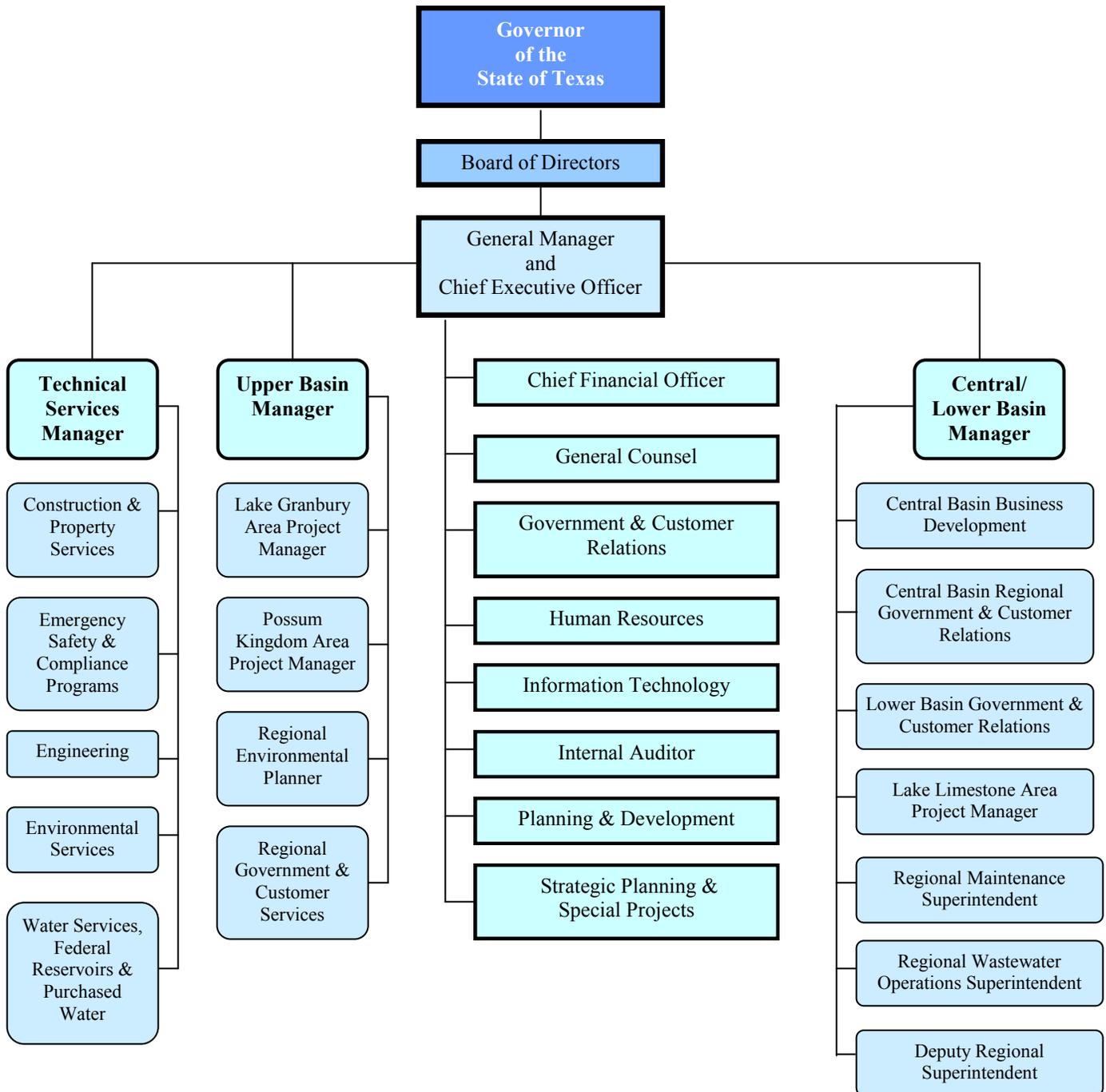
Monica Wheelis  
Human Resources  
Manager



Donna Zemanek  
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



Brazos River Authority



January 27, 2014

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

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Brazos River Authority (BRA) for the fiscal year ended August 31, 2013. The purpose of the report is to provide the Board of Directors, our customers, stakeholders, and other interested parties with reliable financial information about the BRA. The BRA's Finance Department has prepared the CAFR in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the BRA management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the BRA.

The BRA's financial statements for the fiscal years ended August 31, 2013 and 2012 have been audited by Padgett Stratemann & Co. LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the BRA for the fiscal years ended August 31, 2013 and 2012 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion and that the BRA's financial statements for the fiscal years ended August 31, 2013 and 2012 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 the MD&A and should be read in conjunction with it. The BRA's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE BRA**

The BRA was 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 BRA is a political subdivision of the State of Texas, it does not levy or collect taxes. With the exception of a relatively small number of governmental grants, the BRA is entirely self-supporting. It maintains and operates reservoirs, transmission facilities, and treatment systems through revenues from the customers it serves.

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254-761-3100 • FAX 254-761-3215

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

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

Together, the eleven reservoirs have conservation storage of more than 2.6 million acre-feet of water when full. The BRA contracts to supply water from these reservoirs on a wholesale basis to municipal, industrial, and agricultural water customers from West Texas to the Gulf Coast.

#### Water and Wastewater Treatment

The BRA operates potable (drinking) water treatment systems for Lee County Fresh Water Supply District #1 and the City of Leander. It also owns and operates the East Williamson County Regional Water System (EWCRWS) at Lake Granger.

Wastewater treated and released by the BRA at the seven sewerage systems it operates (Temple-Belton, Sugar Land, Brushy Creek (in Williamson County), Lee County Fresh Water Supply District #1, Clute, Hutto, Liberty Hill) is returned to the Brazos River cleaner than the water in the river. At the wastewater plants, some of the waste separated from liquids in the treatment process is used for beneficial purposes. Wastes at the Temple-Belton plant are composted with wood chips and sold as fertilizers and soil enhancers to local municipalities and individuals.

#### Water Quality

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

#### Regional Water Planning

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

### **ECONOMIC CONDITION AND OUTLOOK**

For the fiscal year ended August 31, 2013, the economy has traveled a difficult road to continued recovery with the help of monetary intervention by the Federal Reserve. The year began with the threat of European recession and the United States (U.S.) facing a “fiscal cliff” brought on by termination of the Bush tax cuts and automatic spending cuts at the Federal level. The markets managed to navigate the fiscal cliff relatively intact and the Euro Zone has begun to experience moderate improvement. But as the fiscal year drew to a close, the failure of the

Federal government to agree on a budget and the threat of a full government shutdown once again put stress on the market. The most critical impact of the failure to find consensus between the Legislative and Executive branches was the possibility of hitting the debt ceiling and the result that the Federal government would not meet its obligations to make scheduled debt payments. The ripple effect of non-payment or default by the U.S. would have negative global implications. U.S. businesses reacted to the situation, that forecasters predicted could lead to a renewed national recession, by curtailing any production or hiring expansion.

The Federal Open Market Committee (FOMC) remained accommodative throughout the year to provide the markets with liquidity. They introduced quantitative easing - version three (QE3) late in 2012 and have continued the program of purchasing \$85 billion in U.S. securities each month. This level of intervention kept the momentum of economic improvement on a modest upward trajectory. Late in the fiscal year, however, the markets began to sense that the FOMC was preparing to taper and ultimately discontinue their stimulative activities. This anticipation resulted in higher long term and mortgage interest rates. The FOMC has stated that they will continue to utilize any of the tools in their toolbox and will not make any major adjustments until the national unemployment rate has fallen below 6.5 percent and the rate of inflation remains +/- 2.0 percent. Accordingly, they will leave the Federal Funds Rate target, a critical lending program for banking institutions, at a rate between 0 percent and 0.25 percent until their goals are reached.

The housing market continues to show strength, although the pace of improvement was tempered during the last quarter. During 2012, the housing markets were distressed by a glut of available properties, continuing foreclosures and the reluctance of banks to lend money to prospective buyers. Over time the number of available and distressed properties has eased dramatically and property values have risen over 12 percent from the same period in the previous year (national average). The concern facing the housing market is the risk of rising mortgage rates once the FOMC begins to taper their stimulus programs. The employment situation is slowly improving, but not at the pace that one would expect during a recovery. During the last quarter of the fiscal year, job creation averaged 143,000 each month, compared to the usual 250,000 jobs added each month during a typical recovery. The stock markets continued to provide a strong positive, with all three major indices achieving new all-time highs.

The Texas economy continues to improve at a faster pace than the national economy. During the past year, the unemployment rate in Texas has declined from 6.8 percent in August 2012 to 6.4 percent by August 2013, compared to the current national average rate of 7.3 percent. Since August 2012, Texas has added over 274,000 jobs, representing an increase of 2.5 percent over this time last year. By comparison, California has experienced an increase of 1.5 percent, New York has increased 1.0 percent, Florida has increased 1.8 percent and Illinois has grown 1.0 percent. Texas sales tax revenues increased 5.4 percent this year as compared to 11.6 percent last year.

## **LONG-TERM FINANCIAL PLANNING**

In July 2013, the BRA's Board of Directors reviewed the Fiscal Year 2014 Long Range Financial Plan. This fifty-year look into the future is both an inventory of projects anticipated to be undertaken by the BRA to satisfy its mission, as well as an analysis of the implications of those projects on the BRA's System Water Rate. The inventory of projects is a mixture of 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 may be calculated.

The ratemaking process also includes anticipated future income from conversion of legacy contracts to the System Rate upon their expiration, as well as new income from sales of water from new contracts. Initial indications based on this analysis are that the BRA's System Water Rate over the next several decades will continue to be among the lowest in the State of Texas; while maintaining a level of service sufficient to address the obligations placed upon it by our enabling legislation, our Strategic Plan, and the vision of our 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 designated series of reserve funds to balance and stabilize rates. Additional information on the BRA's Board Designated Reserves can be found in Note 11, of the Notes to the Basic Financial Statements.

## **RELEVANT FINANCIAL POLICIES**

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

## **MAJOR INITIATIVES**

During Fiscal Year 2013, the BRA managed many new and ongoing water quality and water supply projects. Development of new water supply remains the priority for the BRA as we continue work to (1) obtain a major water right, (2) pursue groundwater development, and (3) initiate construction of Allen's Creek Reservoir. The following is a synopsis of select programs and projects managed by the BRA in Fiscal Year 2013:

### **WATER SUPPLY**

#### **Drought Management and Response Initiatives**

Fiscal Year 2013 was underscored by the continuing historic drought conditions in Texas, making the careful management of the BRA's water supply system a top priority. As part of these initiatives, the BRA finalized an updated Drought Contingency Plan including new drought trigger levels and drought response stages that considered lessons learned during the drought of 2011.

Throughout the year, the BRA focused on ensuring the continued supply of water to its customers during the drought, increasing communication efforts through media and web updates, as well as accelerating construction projects or repair of water delivery systems.

The BRA implemented its Drought Contingency Plans, notifying customers of recommended actions and urging them to implement their individual drought plans and to promote conservation.

To communicate drought status, a special drought section within the established website that had originally been developed in 2011, was maintained throughout the fiscal year to provide lake level projections and to communicate information to customers, the general public and elected officials. The BRA also provided testimony to the state Senate and House Natural Resources Committees and held regional meetings to update customers.

Consistent with the BRA Water Sales Policy, the BRA managed the sale and use of interruptible water supplies to meet the needs of customers that required additional water resources during the drought.

Finally, the BRA implemented an expedited schedule for construction of a Controlled Outlet Conduit at Possum Kingdom Lake (PK) to provide for the release of water downstream, and continued installation of increased pumping capacity at the Williamson County Regional Raw Water Line, which transfers water from Lake Stillhouse Hollow to Lake Georgetown.

#### **Water Conservation**

Along with drought management efforts, the BRA continued on-going efforts to develop and encourage water conservation practices in FY2013. An updated Water Conservation Plan was submitted to the TCEQ and the Texas Water Development Board (TWDB). The BRA also completed a two-phase master plan to convert to low water consumption landscaping at the Central Office building in Waco. The project utilizes xeriscaping, or native and drought tolerant plants, to further promote water conservation in the community.

#### **System Operation Permit**

In 2003, the BRA initiated the System Operations Permit project with the goal of maximizing use of existing reservoir storage in conjunction with unappropriated sources of water throughout the basin. During 2013, the BRA continued these efforts with the submittal of a Water Management Plan (WMP) to the TCEQ. To ensure appropriate public awareness and input, the BRA continued to maintain a special section of the BRA website to

disseminate information and communicate with the public. The BRA hosted stakeholder meetings throughout the basin and provided documentation, testimony and other support in preparation for the hearing before the State Office of Administrative Hearings.

#### Reallocation of Flood Storage – Lake Aquilla Pool Rise Update

In 2008, the BRA Board of Directors authorized a detailed feasibility study to evaluate the potential for water supply storage reallocation or “pool rise” at Lake Aquilla. In FY2013, the BRA continued to manage Phase II efforts to determine the feasibility and cost of raising the normal pool elevation of Lake Aquilla to meet future water supply needs.

#### Allens Creek Reservoir

Allens Creek Reservoir is a planned water storage reservoir permitted for construction on Allens Creek, a tributary of the Brazos River. Along with the City of Houston and the TWDB, the BRA purchased the site and acquired the permit originally held by Houston Lighting and Power.

In FY2013, the BRA continued communications with the City of Houston to establish the Allens Creek Reservoir as a priority project. The BRA coordinated efforts between Fort Bend and Brazoria Counties to provide additional water supply resources through this project. The BRA also partnered with TWDB on environmental assessments required for a federal permit to build the reservoir.

#### Williamson County Water Supply Plan & Groundwater Acquisition

The BRA has been actively engaged in groundwater acquisition efforts near Williamson County. In FY2013, the BRA initiated a groundwater demonstration project on the grounds of the EWCRWS to evaluate whether Trinity groundwater, conjunctively used with the Granger Lake surface water, will provide an additional source of water for the rapidly growing communities along the I-35 and SH-130 corridors in Williamson County.

### WATER TREATMENT

#### Expanding and Continuing Treatment Operations

In FY2013, in keeping with efforts to ensure water quality in the Brazos River basin, to facilitate environmental compliance, and to provide high quality water and wastewater treatment services, the BRA signed an agreement with the City of Sugarland to provide operation of wastewater services for an additional three years. The BRA also completed modifications to the Sandy Creek Regional Water Treatment Plant to allow for shallow water operation during drought conditions.

#### East Williamson County Regional Water System

Formerly owned and operated by the City of Taylor, the 5.5 million gallons per day (mgd) plant was purchased by the BRA in 2004 and expanded in 2008 to 12.8 mgd. The upgrades included the refurbishment of the existing plant and replacement of computer and water testing systems to compliment the new facility. As part of the facilities expansion, the BRA is completing construction of a new deep-water intake facility and pipeline from Lake Granger.

### WATER DELIVERY

#### Williamson County Regional Raw Water Line

The Williamson County Regional Raw Water Line is a water transportation pipeline operated by the BRA for five municipal customers in Williamson County. The line delivers water from Lake Stillhouse Hollow in Bell County to Lake Georgetown in Williamson County. During FY2013, the BRA continued work on the installation and testing of two additional large-sized pumps that, when brought online, will increase pumping capacity to approximately 43,000 acre-feet per year

#### West Central Brazos Water Distribution System

Acquired by the BRA in 2002, the West Central Brazos Water Distribution System supplies water to an area southwest of Possum Kingdom Lake. During 2013, the BRA continued the rehabilitation of the pipeline including

the addition of automated pump operation to meet system needs with the addition of Stephens Regional SUD (SRSUD) as an active municipal customer.

## MAINTENANCE

### Dam Rehabilitation Projects

As part of proactively addressing the safety, preventive maintenance and ongoing operational efficiency of the BRA-owned dams, during FY2013 the BRA completed structural repair of gates and buttresses at Possum Kingdom Lake's Morris Sheppard Dam. The BRA also initiated a comprehensive concrete assessment and service life extension study for the Dam. At Lake Granbury, the BRA continued modifications to low-flow gates and safety lighting; while at Lake Limestone, the BRA completed short-term repairs to tainter gate hoists to ensure the continued safe operations of the Sterling C. Robertson dam.

### Internal Engineering Design and Project Oversight

In addition to the oversight of design and construction engineering work by outside engineering firms, FY13 saw a number of design projects undertaken by TS-Engineering. Internal design and construction oversight projects included the bulkhead improvements at Lake Granbury's DeCordova Bend Park, the replacement of two vertical turbine pumps and associated piping modifications at Lake Possum Kingdom intake pump station, and the foundation for the maintenance building at the Dove Springs Wastewater Treatment Plant. The computer model of the West Central Brazos Water Distribution System piping was also completed in house. The model was used to identify sections of the pipeline with excessive pressure and to evaluate options for the BRA to provide water to the City of Abilene.

### Possum Kingdom Hydropower Decommissioning

In November 2010, the BRA notified the Federal Energy Regulatory Commission (FERC) of the intent to decommission the hydroelectric generating facilities at Morris Sheppard Dam. Since that time, BRA staff has worked on a variety of tasks required by FERC to surrender the plant's license. In FY2013, the BRA continued the construction, testing, evaluation and associated repairs of a Controlled Outlet Conduit as part of this process.

### Central Office Remediation

In September 2012, the BRA identified mold contamination at various locations within its Central Office facility in Waco, Texas. In FY 2013, the first phase of a remediation project was completed. Phase II rehabilitation is expected to be completed in FY2015. Additional information regarding this project can be found in Note 14, of the Notes to the Basic Financial Statements

## PROPERTY MANAGEMENT

### Possum Kingdom Lake Property Divestiture

To ensure compliance with legislative divestiture directives, in FY2013 the BRA continued negotiations with SET Ranch to divest of property as outlined in HB 3032. During the 80th Texas Legislature, the BRA helped pass Senate Bill 918 relating to the divestiture of the remaining lease properties and the additional areas.

### Salt Creek, Graham, Texas Floodplain Project

The BRA serves as the non-federal sponsor in partnership with the USACE on a project to minimize the flood risk to homeowners and commercial businesses located within the 10-year floodplain of the City of Graham. In FY2013, the BRA continued remediation and transfer of acquired lands to the City of Graham.

## ENVIRONMENTAL

### Texas Clean Rivers Program and Environmental Assessments

Since the 1990's, the BRA has collected and assessed surface water quality data of 130 stream and reservoir sites as part of the Texas Clean Rivers Program. During FY 2013, the BRA conducted Clean Rivers Program basin stakeholders planning workshop. During the workshop, input was provided from stakeholder's to assist in the development of the FY 2014 Clean Rivers Program work plan for the Brazos basin. The BRA also completed

specialized low-level nutrient sampling in the basin to support TCEQ's development of EPA-mandated surface water quality standards for nutrients. Environmental Services staff completed data collection and watershed analyses on four streams to provide information needed by TCEQ to evaluate the efficacy of the bacteria standards assigned to the four waterbodies. Staff also assisted TCEQ in reviewing results of numerous similar projects submitted by outside entities, to support/refute the need for revision of bacteria standards on basin streams. An intensive study of ph and alga concerns on Lake Somerville was also completed in FY 2013. Information obtained from this project will provide federal and state regulators with a better understanding of the mechanisms driving the water quality concerns in Lake Somerville.

#### Lake Granbury Watershed Protection Plan

The Lake Granbury Watershed Protection Plan (WPP) is a locally developed plan to reduce bacterial impairments in Lake Granbury that do not meet state water quality standards or local stakeholder goals. In FY 2013, the BRA continued implementation of management measures identified by the WPP.

#### Grant Initiatives

During FY2013, the BRA secured authorization to utilize surplus TWDB bond funding for construction of the EWCRWS/groundwater demonstration project. The BRA also obtained grant funding to widen and expand boat launch facilities at Lake Granbury.

### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the BRA for its CAFR for the fiscal year ended August 31, 2012. This was the twenty-seventh consecutive year that the BRA has received this prestigious award. In order to be awarded a Certificate of Achievement, the BRA published an easily readable and efficiently organized CAFR. The report must satisfy both GAAP and applicable legal requirements.

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

In addition, the BRA expects to receive its sixth GFOA Distinguished Budget Presentation Award for its annual budget document for fiscal year beginning September 1, 2013. In order to qualify for the Distinguished Budget Presentation Award, the BRA's budget document was 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, Judy Wallace, Michele Giroir, Lupe Diaz, Cheryl Hoelscher, Kim Goolsby, Janie Crowder, Kim Tosh, Marian Kuntz, Crystal Bloodworth, Tom Downey and Karen McCleney, 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 BRA in a responsible and professional manner and for providing us the tools and resources to ensure the integrity of the assets of the BRA.

Respectfully submitted,



Phillip J. Ford  
General Manager/CEO



John Hawes, CPA  
Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Brazos River Authority**  
**Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2012**

Executive Director/CEO



The **Grimes County** courthouse is located in the town of Anderson, TX. Anderson was named for Kenneth Lewis Anderson, the last Vice President of the Republic of Texas. The county was named after Jesse Grimes, a War of 1812 veteran, a signer of the Texas Declaration of Independence and early settler of the future county. The land on which it stands was part of an 1824 land grant from Mexico and donated in 1850 by Henry Fanthorp, the first permanent settler in the county. In the 1930's, the courthouse hosted the trial of a Barrow Gang (Bonnie and Clyde) member.

The unique Italianate structure was designed by F.S. Glover and Company. Built of hand-molded brick and native stone, it was completed in 1894. The current structure incorporates the east wall and foundation of a previous courthouse destroyed by fire. Due to deteriorating elements, a renovation was completed in June 2002. Photo courtesy of Mick Watson.

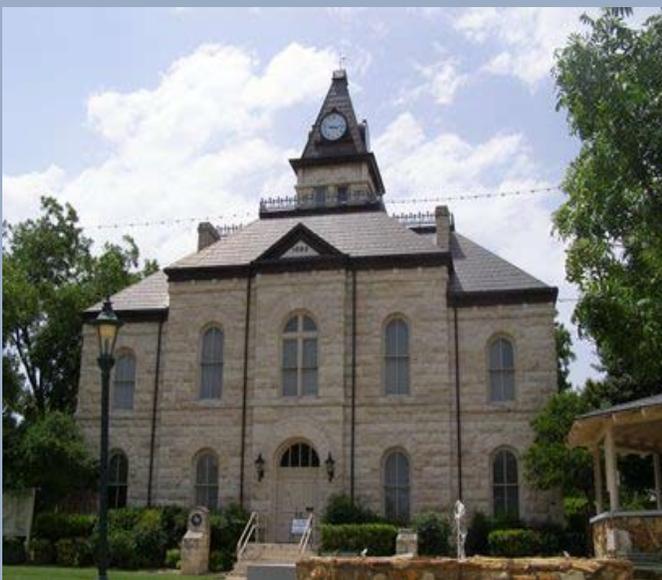
The **Lee County** courthouse is located in Giddings, Texas. Some say that the City of Giddings was named for Jabez Deming Giddings, a stockholder in the railroad, but others say it is named for Dewitt C. Giddings and then others say it was named for Giles Giddings, a brave San Jacinto Battle veteran who died helping Texas achieve its independence from Mexico. Since Dewitt, Giles and Jabez are said to be brothers, it stays within the family.

The first courthouse was a two-story building completed in 1878 and burned in 1897. The second and current one was designed by architect James Riely Gordon in 1898 and built by Sonnefield Emmins and Abright of San Antonio, TX. It was designed similar to New York State Capitol and several buildings at Harvard University. Its three story red brick Richardsonian Romanesque style structure is located in a predominately residential area. Photo courtesy 254texascourthouses.net



The **Somervell County** courthouse is located in the county seat of Glen Rose, Texas. Somervell County was carved out of Hood County after residents petitioned for a new county because of separation from markets and seats of government. It was named for Alexander Somervell, who led an expedition to Mexico under the Republic of Texas. Ada Ferrier in her book states, "During Prohibition, the area was a center of moonshining and the cedar brakes of Glen Rose became known as the 'whiskey woods capital of the state.'"

The courthouse was designed by Henry Hobson Richardson in a Romanesque Revival style. In 1893, it was built of native limestone by John Carmachiel at the cost of \$13,500, but the cornerstone credits John Cormack as the builder. In 1902, a tornado damaged the roof and clock tower that had elaborate cornice cresting. Recently, new clocks were installed during the restoration project. Photo courtesy of William Beauchamp





The **Erath County** courthouse is located in the county seat of Stephenville, Texas and named for an early surveyor and a veteran of the Battle of San Jacinto, George Bernard Erath.

In 1866, the first courthouse, a wooden structure, burned to the ground. In 1877, a second courthouse was built of stone and later razed. The current courthouse was designed by architects, James Riely Gordon and D.E. Laub. The three-story Victorian structure was completed in 1883 and built of limestone from the Leon River and red sandstone from Pecos County. It has a 95-foot bell tower and a three story chandeliered atrium. Texas pine lines the interior with cast and wrought-iron stairways and marble floors. It was renovated in 1988.

Photo courtesy of Stephanie Brown

The **Hood County** courthouse is located in the county seat of Granbury, Texas. The county was named for Lt. Gen. John Bell Hood of the Confederate Army and the county seat was named in honor of Confederate General Hiram Bronson Granbury. Controversy arose over the location of the county seat. The Commission established the current location citing poor water supply in the center of the county.

Designed by Wesley Clark Dodson, a Waco architect, the courthouse was constructed in 1890-1891 in a French Second Empire style. The three-story structure was built of Brazos limestone and supports the three-story lighted clock tower in the center of the roof. The exterior was restored in 1998-2000. The project earned a 1999 Design Award from the Ft. Worth Chapter of the American Institute of Architects. The courthouse was rededicated on October 27, 2012.

Photo courtesy of Terry Jeanson.



The **Parker County** courthouse is located in Weatherford, Texas. Isaac Parker, a Texas Legislator, and Governor Jefferson Weatherford helped the settlers form the new county in 1855. Parker was the uncle of Cynthia Ann Parker who, with her brother, was abducted by the indians at Fort Parker in 1836. After twenty years, she was identified by Isaac Parker after she was recaptured by Sul Ross.

The first courthouse was a one room building built in 1856. The second one built in 1856 was a two-story brick building and burned in 1874. The third was dedicated in 1879 and burned in 1884. The current French Empire designed courthouse was dedicated in 1886 costing \$55,555 and restored in 2004. It was designed by Wesley Clark Dodson of Waco and built with local limestone. The Seth Thomas clock was installed in 1897 for \$975. Photo courtesy of Paul A. Valentine



The first Texas State Legislature formed **Leon County** in 1846. It is named for Martin De Leon, the only Mexican impresario to start a colony in Texas and also founded the town of Victoria.. However, some locals say it was named for a regional yellow wolf called the leon (lion in Spanish). In 1850, Centerville became the county seat and was named for its location.

The courthouse was designed in a Renaissance Revival style and built in 1886 by architect George Edwin Dickey of Houston incorporating elements of the 1858 courthouse destroyed by fire. It included jury boxes on each side of the courtroom. It is said that this was done so the jury could always sit on the shady side of the courtroom, no matter the time of day. It was rededicated on July 1, 2007. Today, it is one of the oldest courthouses in Texas still in use in its original state. Photo courtesy of Mick Watson.

The town of Lampasas was originally named Burleson for John Burleson, a Texas Revolutionary soldier who established a permanent settlement in the 1850s. The name was changed to Lampasas Springs for the seven mineral springs for which claimed to cure “everything.” In 1856, the law specified, “The county seat shall be the same name as the county.”

In 1883, the **Lampasas County** courthouse was designed by Wesley Clark Dodson of Waco in Second Empire and Italianate architecture styles. It features a clock tower, arched windows, a mansard roof and constructed of native limestone. It was built by Kane Brothers, the contractor, and T. Lovell and Co., the stone contractor. In 1884, a Seth Thomas clock was authorized to be placed in the tower. It survived the damaging floods of 1936 and 1957 and is the third oldest Texas Courthouse still functioning as one. Photo courtesy of Dreanna L. Belden



In 1874, some residents of Jack County petitioned the county court for permission to organize their own county. The new county, **Shackelford County**, was named for Dr. Jack Shackelford, a Texas revolutionary hero. On November 8, 1874, an election established the permanent location of the county seat as Albany...named by William R. Cruger for his hometown of Albany, Georgia.

The courthouse was designed in a Second Empire style by J.E. Flanders of Dallas and built in 1883-84. Edgar Rye of Albany was Construction Superintendent. It is built of native limestone and the foundation rests two feet deep on “natural concrete” (caliche). The walls were erected by kilted Scottish Masons. It was budgeted at \$27,000, but final cost was \$49,433. The clock tower was added at the public’s request.

Photo courtesy of 254courthouses.net



# *Financial Section*

## Independent Auditor's Report

The Board of Directors  
Brazos River Authority  
Waco, Texas

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Brazos River Authority (the "BRA") as of and for the years ended August 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the BRA's basic financial statements, as listed in the foregoing table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

#### **SAN ANTONIO**

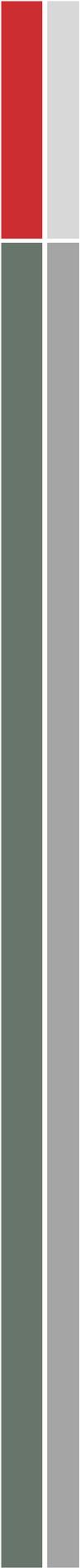
100 N.E. LOOP 410, SUITE 1100  
SAN ANTONIO, TEXAS 78216  
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#### **AUSTIN**

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

***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 and the aggregate remaining fund information of the BRA as of August 31, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 12 to the financial statements, in 2013, the BRA adopted the new accounting guidance contained in Governmental Accounting Standards Board (“GASB”) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to these matters.

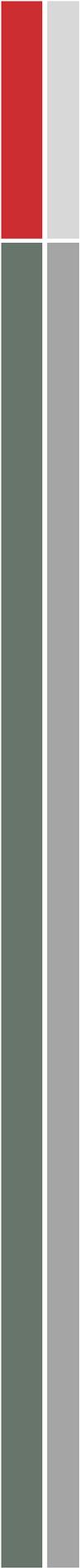
***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and Schedule of Funding Progress, as listed in the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BRA’s basic financial statements. The accompanying supplemental schedules of 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.



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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013 on our consideration of the BRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BRA's internal control over financial reporting and compliance.

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

Certified Public Accountants  
Austin, Texas  
December 13, 2013

*Management's  
Discussion and  
Analysis*

**BRAZOS RIVER AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AUGUST 31, 2013, 2012 AND 2011 (in thousands)**

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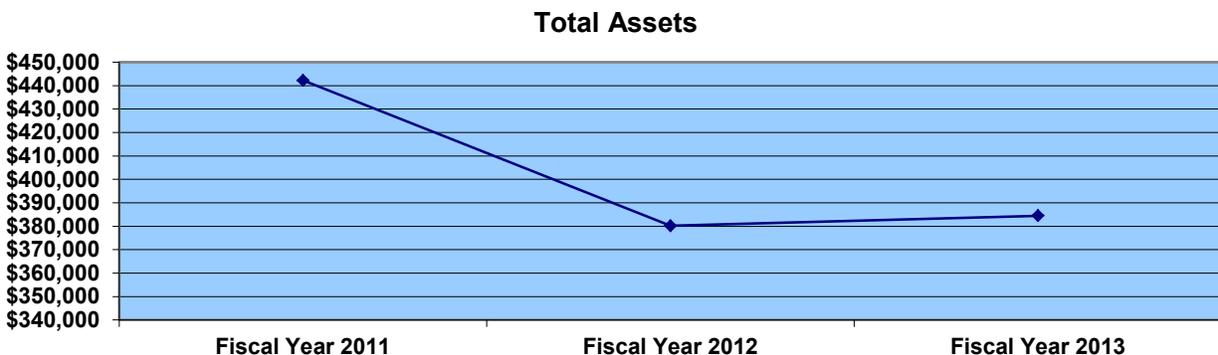
As Management of the Brazos River Authority (the “BRA”), we offer readers of the BRA’s financial statements this narrative overview and analysis of the financial activities of the BRA for the fiscal year ended August 31, 2013 in comparison with the two prior year financial results. We encourage readers 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 6 to 12 of the Introductory Section of this report.

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## **Financial Highlights**

### **Total Assets**

- Total assets at the end of Fiscal Year 2013, 2012 and 2011 were \$384,493, \$380,211 and \$442,219, respectively. Total assets exceeded liabilities at the end of Fiscal Year 2013, 2012 and 2011 by \$243,581, \$239,092 and \$244,791, respectively.
- Total assets for Fiscal Year 2013 increased by \$4,282 over prior year, primarily as a net result of continued income from operations, increased capital improvement cost and increased depreciation expense over prior year as a result of the impairment loss, which can be found on Page 69.
- Total assets for Fiscal Year 2012 decreased by \$62,008 over prior year, primarily as a net result of continued income from operations, early retirement of the Series 2005A (AMT), Series 2002 (AMT) and the Contract Payable debt for the Aquilla reservoir, and the execution of the transfer agreement with the contracting parties of the Lake Granbury Surface Water and Treatment System (SWATS). The agreement allowed for the transfer of ownership to the contracting parties. As a result of that agreement, the BRA removed all assets related to the SWATS operations from its balance sheet.
- Total assets for Fiscal Year 2011 increased \$51,720 over prior year, primarily as a net result of continued income from operations, early retirement of the Series 2001A and 2001B serial bonds and the infusion of cash from the third-party sale of most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Land Partnership, Ltd.



**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2013, 2012 AND 2011 (in thousands)**

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**Capital Assets**

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net (deletions)/additions to land storage and water rights	\$ 6,729	\$ (630)	\$ (73)
Additions to construction-in-progress (CIP)	18,083	23,913	10,689
Transfers from CIP to capital assets being depreciated	(30,589)	(2,860)	(7,295)
Additions and transfers to capital assets being depreciated	31,677	2,971	9,562
Net deletions and transfers	(490)	(26,080)	(815)
Normal annual depreciation and amortization	(9,296)	(8,747)	(9,144)
<b>TOTAL</b>	<b>\$ 16,114</b>	<b>\$ (11,433)</b>	<b>\$ 2,924</b>

- During Fiscal Year 2013, CIP decreased by \$12,506. This decrease was mainly a result of the completion of three multi-year projects: The Deep Water Intake Structure on Lake Granger; The Possum Kingdom Nose Baffles & Pier 8 Possum Kingdom Lake; and the completion of the Central Office Mold Remediation project. Also during Fiscal Year 2013, final estimated improvement costs were received from the United States Army Corps of Engineer (USCOE) for four of the BRA's conservation storage space reservoirs. The USCOE and the BRA are parties to a cost sharing agreement where the BRA is billed for BRA share of costs related to the improvements and repairs at those facilities. Substantial completion has been determined and the BRA's share of these projects was \$7,279. These costs are recorded as additions to water rights on the Statement of Net Position. It is anticipated that some of the cost will be paid in full during the following year, and a portion will be paid out over the next twenty-five years.
- During Fiscal Year 2012 CIP increased due primarily as a result of two projects, the beginning construction phase of the controlled outlet conduit (COC) at Possum Kingdom Lake and the continued construction of the Deep Water Intake Structure on Lake Granger. The COC project is needed to move water downstream to meet future water needs. The Deep Water Intake Structure is being designed for the dual purpose of providing enough raw water to maximize the treatment capacity at the East Williamson County Regional Water System plant on Lake Granger and for potential future conjunctive use with groundwater in the area.
- Also during Fiscal Year 2012, Capital Assets decrease as a result of the transfer of ownership of the SWATS operation and the removal of the Capital Assets related to that operation.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2013, 2012 AND 2011 (in thousands)**

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**Long-Term Debt**

- For Fiscal Year 2013, total outstanding debt increased by \$2,479. This net increase is a result of the aforementioned USACOE projects, principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$1,930, \$1,116 and \$86, respectively.
- For Fiscal Year 2012, total outstanding debt decreased by \$57,871. This net decrease is a result of the early retirement of the Series 2002 (AMT) and Series 2005A (AMT) in the amount of \$17,425, the write off of the aforementioned SWATS debt requirements of \$23,630, the early retirement of the Aquilla contracts payable in the amount of \$8,821, and annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$6,855, \$1,221 and \$81, respectively.
- For Fiscal Year 2011, total outstanding debt decreased by \$7,594. This net decrease is a result of \$17,190 in new bonds being issued for the refunding of the Series 2000 bonds in the amount of \$11,295 with the additional amount being used for the Phase II pump expansion for the Williamson County Regional Raw Water Line, the redemption of the Series 2001A and Series 2001B bonds in the amount of \$5,080, and annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$7,350, \$1,185 and \$126, 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 BRA's basic financial statements. The BRA's basic financial statements are composed of Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; Statements of Cash Flows; Statements of Fiduciary Net Position; Notes to the Basic Financial Statements; and the Schedule of Funding Progress (Required Supplementary Information). 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 BRA's finances in a manner similar to private-sector business.

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

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

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

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

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

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

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## **Financial Analysis**

***Schedule of Net Position*** - As noted earlier, net position may serve over time as a useful indicator of the BRA's financial position. In the case of the BRA, assets exceeded liabilities for Fiscal Year 2013, 2012 and 2011 by \$243,581, \$239,092 and \$244,791, respectively.

The largest portion of the BRA's net position, 75% in Fiscal Year 2013, reflects its investment in capital assets (e.g., land, storage rights, reservoirs, water treatment and sewerage facilities, and buildings and equipment), less any related debt used to acquire those assets that is still outstanding. Although the BRA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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For Fiscal Year 2013, current assets decreased as a result of the BRA utilizing reserves to fund the CIP program.

For Fiscal Year 2012, current assets decreased as a result of the early retirement of noncurrent bonds payable and noncurrent contracts payable of \$26,248. In addition to the early retirement of debt, the transfer agreement of the SWATS operation resulted in the decrease in total noncurrent liabilities of \$53,362.

For Fiscal Year 2011, current assets increased as a result of operations and the infusion of cash from the third-party sale of most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Land Partnership, Ltd. In addition, the noncurrent liabilities decreased as a result of the early retirement of the Series 2001A and 2001B serial bonds.

**Condensed Schedule of Net Position  
August 31, 2013, 2012 and 2011**

	2013	2012	2011
<b>ASSETS</b>			
Current assets - unrestricted	\$ 73,618	\$ 79,917	\$ 109,624
Current assets - restricted	8,391	13,536	13,230
Noncurrent assets-restricted	6,938	6,946	27,086
Capital assets, net	291,841	275,727	287,160
Noncurrent assets	3,705	4,085	5,119
<b>TOTAL ASSETS</b>	<b>\$ 384,493</b>	<b>\$ 380,211</b>	<b>\$ 442,219</b>
<b>LIABILITIES</b>			
Current liabilities (payable from current assets)	\$ 22,016	\$ 21,470	\$ 18,590
Current liabilities (payable from restricted assets)	6,743	8,707	14,534
Noncurrent liabilities	112,153	110,942	164,304
<b>TOTAL LIABILITIES</b>	<b>\$ 140,912</b>	<b>\$ 141,119</b>	<b>\$ 197,428</b>
<b>NET POSITION</b>			
Invested in capital assets	\$ 181,529	\$ 174,397	\$ 145,039
Restricted	9,627	6,490	9,393
Unrestricted	52,425	58,205	90,359
<b>TOTAL NET POSITION</b>	<b>\$ 243,581</b>	<b>\$ 239,092</b>	<b>\$ 244,791</b>

For Fiscal Year 2013, about 79% \$191,156 of the BRA's net position represent resources that are restricted. The remaining balance of *unrestricted net assets* (\$52,425) may be used to meet the BRA's ongoing obligations.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2013, 2012 AND 2011 (in thousands)**

**Condensed Schedule of Revenues, Expenses and Changes in Net Position  
Fiscal Years Ended August 31, 2013, 2012 and 2011**

	2013	2012	2011
OPERATING REVENUES			
Water supply system	\$ 40,393	\$ 42,028	\$ 42,606
Cost reimbursable operations	12,443	18,509	19,835
TOTAL OPERATING REVENUES	<u>52,836</u>	<u>60,537</u>	<u>62,441</u>
OPERATING EXPENSES			
Operating and Maintenance	34,593	36,263	36,646
Depreciation and amortization	9,343	8,837	9,376
TOTAL OPERATING EXPENSES	<u>43,936</u>	<u>45,100</u>	<u>46,022</u>
OPERATING INCOME	8,900	15,437	16,419
Total net non-operating revenues (expenses)	<u>(5,303)</u>	<u>(18,737)</u>	<u>42,775</u>
INCOME BEFORE CONTRIBUTIONS & SPECIAL ITEMS	3,597	(3,300)	59,194
Capital contributions	892	1	636
Special items	<u>-</u>	<u>(2,400)</u>	<u>-</u>
CHANGE IN NET POSITION	4,489	(5,699)	59,830
NET POSITION, BEGINNING	<u>239,092</u>	<u>244,791</u>	<u>184,961</u>
NET POSITION, ENDING	<u>\$ 243,581</u>	<u>\$ 239,092</u>	<u>\$ 244,791</u>

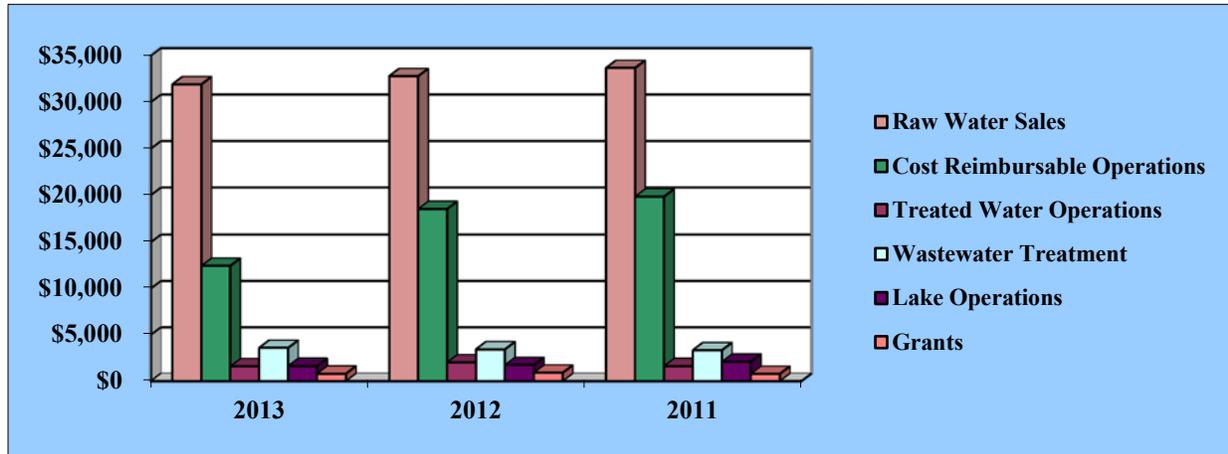
**Operating Income**

For Fiscal Year 2013, operating income decreased, when compared to prior year, by \$6,537. This decrease is a result of the sale of one of the BRA's water treatment operations. Detail on this sale can be found on Page 69 of this report.

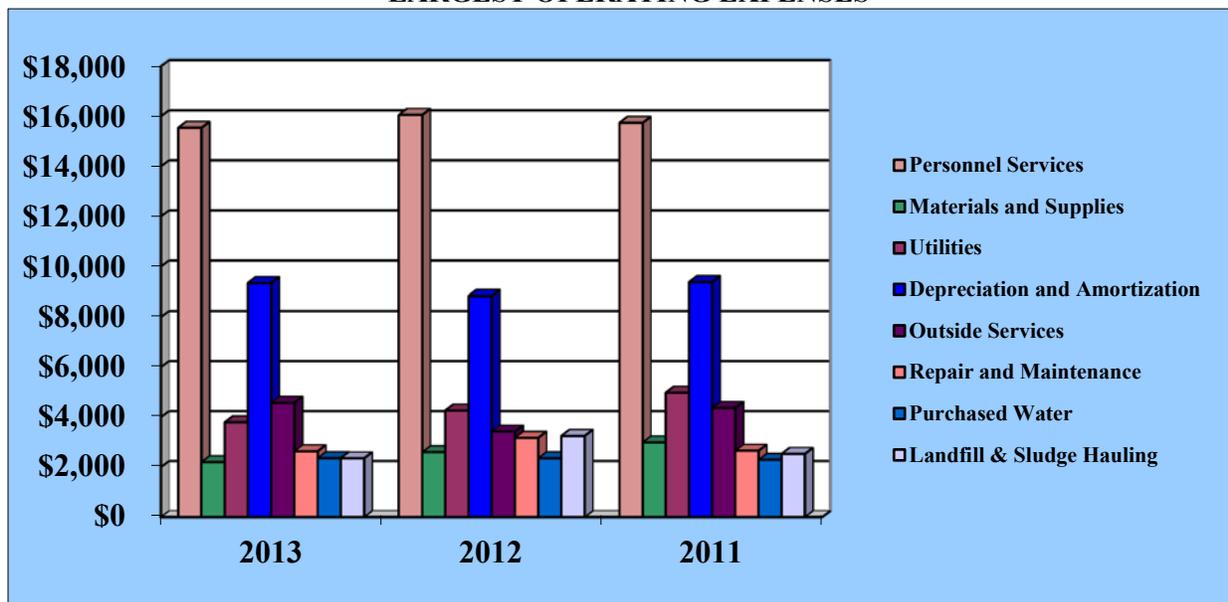
For Fiscal Year 2012, operating income decreased by \$982 or 6% after increasing in the prior year by 38%. This decrease in the current year is a result of a decrease in raw water sales. In the prior year the State of Texas was in the midst of a historic drought that resulted in an increase in short term water sales.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2013, 2012 AND 2011 (in thousands)**

**LARGEST OPERATING REVENUES**



**LARGEST OPERATING EXPENSES**



**Total net non-operating revenues (expenses)**

For the previous two years the total net non-operating revenues (expenses) have experienced large fluctuations resulting in \$42,775 total net revenue in 2011 to a total net loss in 2012 of \$18,737. The revenue in 2011 was due primarily as a result of the final closing of the Possum Kingdom Lake Property Divestiture project and the infusion of cash related to that sale. The 2012 net expense of \$18,737 was due primarily to the agreement to transfer ownership to the contracting parties of the SWATS plant and the resulting write off of the remaining assets and liabilities of \$11,763. For Fiscal 2013 Total net non-operating revenues and expenses are within expectable range.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2013, 2012 AND 2011 (in thousands)**

**Capital Assets and Outstanding Debt**

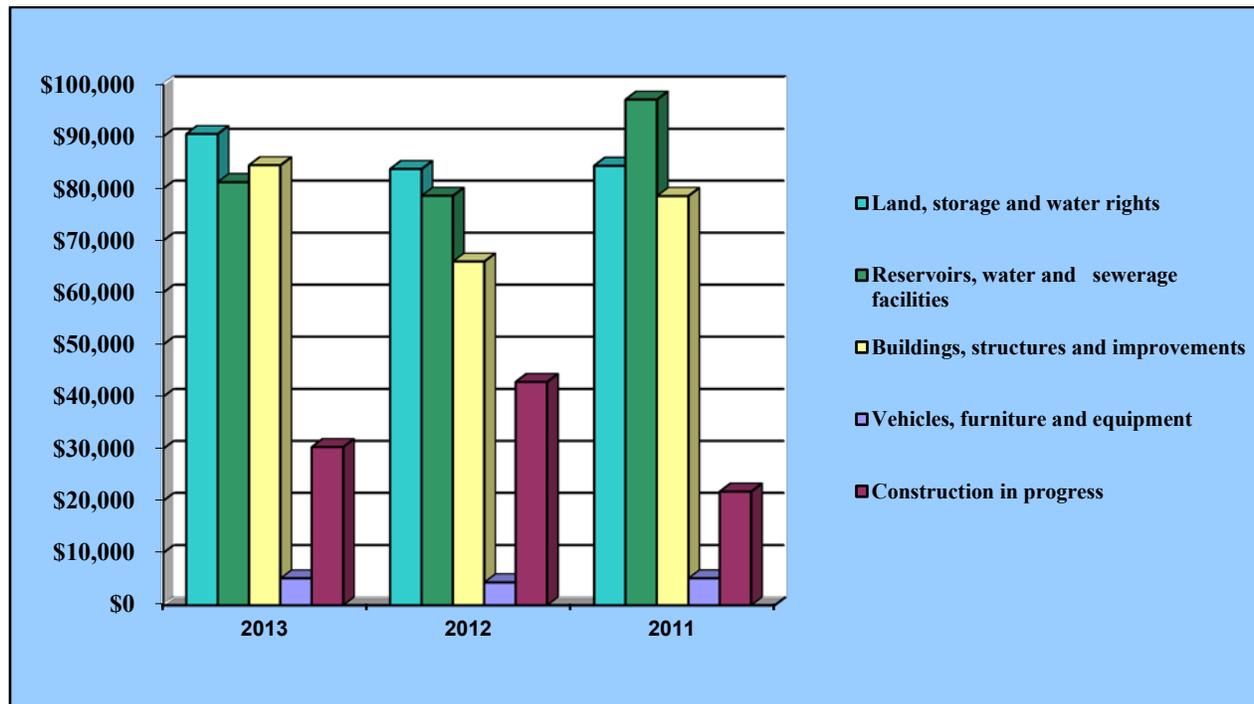
**Capital Assets** - The BRA's capital assets, as of August 31, 2013, 2012 and 2011, amounted to \$291,841, \$275,727 and \$287,160, respectively, (net of accumulated depreciation and amortization). The BRA continued its commitment to our customers and stakeholders to ensure the longevity of our capital assets. During the Fiscal year 2013 the BRA invested over twelve million dollars on 35 capital improvement projects.

The decrease in capital assets for 2012 is primarily due to the agreement to transfer ownership of the Lake Granbury SWATS to the contracting parties which reflect a write off of \$26,646 in capital assets.

**Capital Assets  
(net of accumulated depreciation and amortization)  
August 31, 2013, 2012 and 2011**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land, storage and water rights	\$ 90,526	\$ 83,797	\$ 84,427
Reservoirs, water and sewerage facilities	81,291	78,657	97,146
Buildings, structures and improvements	84,512	66,010	78,603
Vehicles, furniture and equipment	5,149	4,394	5,168
Construction in progress	<u>30,363</u>	<u>42,869</u>	<u>21,816</u>
<b>TOTAL</b>	<u>\$ 291,841</u>	<u>\$ 275,727</u>	<u>\$ 287,160</u>

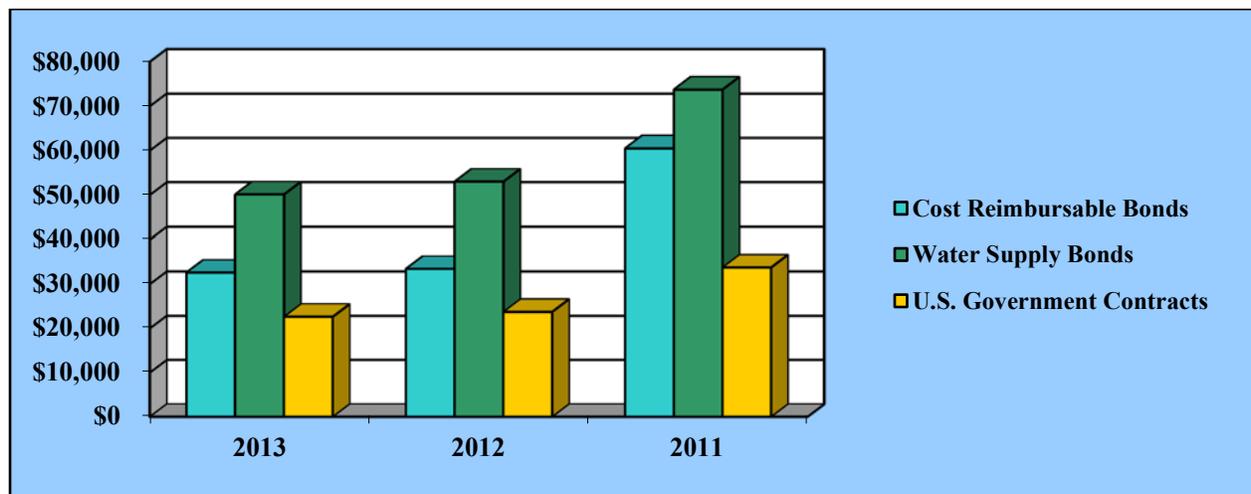
Additional information on the BRA's capital assets can be found in Notes 4 and 9, of this report.



**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2013, 2012 AND 2011 (in thousands)**

**Outstanding Debt** – At the end of Fiscal Year 2013, 2012 and 2011, the BRA had total outstanding debt of \$112,612, \$110,133 and \$168,004, respectively. Of the 2013 amount, 71% and 29% is reflected in Water Supply System and Cost Reimbursable Operations, respectively.

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



The changes in the BRA's debt for Fiscal Year 2013, 2012 and 2011 are shown in the following table:

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Accretion of interest on capital appreciation bonds	\$ 86	\$ 81	\$ 126
Early retirement of SWATS debt requirements	-	(23,630)	
Early retirement of Aquilla Space 1 & 2	-	(8,821)	
Early retirement of Series 2002 and Series 2005A (AMT)	-	(17,425)	
Early retirement of Series 2001A and Series 2001B	-	-	(5,080)
Refunding Series 2000 for new Series 2011 Bonds	-	-	(11,295)
New bond issue WCRRWL Series 2011	-	-	17,190
Lake Belton Improvements from USACE funding	5,439		
Principal payments made during each year	<u>(3,046)</u>	<u>(8,076)</u>	<u>(8,535)</u>
<b>INCREASE/(DECREASE) IN DEBT</b>	<b><u>\$ 2,479</u></b>	<b><u>\$ (57,871)</u></b>	<b><u>\$ (7,594)</u></b>

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

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2013, 2012 AND 2011 (in thousands)**

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## **Requests for Information**

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

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*Basic  
Financial  
Information*

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**AUGUST 31, 2013 AND 2012 (in thousands)**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
<b>UNRESTRICTED:</b>		
Cash and cash equivalents	\$ 20,962	\$ 8,715
Investments	48,613	66,366
Receivables:		
Accounts	2,571	2,662
Accrued interest	41	44
Current portion of contracts receivables	179	175
Other current assets	1,252	1,955
<b>TOTAL UNRESTRICTED</b>	<b>73,618</b>	<b>79,917</b>
<b>RESTRICTED:</b>		
Cash and cash equivalents	8,391	13,536
<b>TOTAL RESTRICTED</b>	<b>8,391</b>	<b>13,536</b>
<b>TOTAL CURRENT ASSETS</b>	<b>82,009</b>	<b>93,453</b>
<b>NONCURRENT ASSETS:</b>		
<b>RESTRICTED:</b>		
Cash and cash equivalents	2,545	321
Investments	4,387	6,617
Interest	6	8
<b>TOTAL RESTRICTED</b>	<b>6,938</b>	<b>6,946</b>
<b>CAPITAL ASSETS:</b>		
Land, storage and water rights	90,526	83,797
Reservoirs, water treatment and sewerage facilities	130,087	125,555
Building, structures and improvements	121,171	96,681
Vehicles, furniture and equipment	18,361	16,551
Construction in progress	30,363	42,869
<b>TOTAL CAPITAL ASSETS</b>	<b>390,508</b>	<b>365,453</b>
Less accumulated depreciation	(98,667)	(89,726)
<b>NET CAPITAL ASSETS</b>	<b>291,841</b>	<b>275,727</b>
<b>OTHER NONCURRENT ASSETS:</b>		
Contract receivable, net of current portion	184	363
Bond related costs	1,510	1,626
Other assets	2,011	2,096
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>3,705</b>	<b>4,085</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>302,484</b>	<b>286,758</b>
<b>TOTAL ASSETS</b>	<b>\$ 384,493</b>	<b>\$ 380,211</b>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**AUGUST 31, 2013 AND 2012 (in thousands)**

	<b>2013</b>	<b>2012</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
<b>PAYABLE FROM CURRENT ASSETS:</b>		
Accounts payable	\$ 9,738	\$ 10,238
Contracts payable	1,457	1,116
Accrued interest	418	435
Unearned revenues	10,403	9,681
<b>TOTAL PAYABLE FROM CURRENT ASSETS</b>	<b>22,016</b>	<b>21,470</b>
<b>PAYABLE FROM RESTRICTED ASSETS:</b>		
Accrued interest	1,513	1,362
Construction contracts payable	2,335	3,669
Revenue bonds payable	1,875	1,930
Unearned revenues	345	391
Other	675	1,355
<b>TOTAL PAYABLE FROM RESTRICTED ASSETS</b>	<b>6,743</b>	<b>8,707</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>28,759</b>	<b>30,177</b>
<b>NONCURRENT LIABILITIES:</b>		
Revenue bonds payable, net of current portion	82,316	84,082
Contracts payable, net of current portion	26,590	22,608
Unearned revenues	2,416	3,421
Other liabilities	831	831
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>112,153</b>	<b>110,942</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 140,912</b>	<b>\$ 141,119</b>
<b>NET POSITION:</b>		
Invested in capital assets	\$ 181,529	\$ 174,397
Restricted for construction and debt service	9,627	6,490
Unrestricted	52,425	58,205
<b>TOTAL NET POSITION</b>	<b>\$ 243,581</b>	<b>\$ 239,092</b>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FISCAL YEARS ENDED AUGUST 31, 2013 AND 2012 (in thousands)**

	<b>2013</b>	<b>2012</b>
<b>OPERATING REVENUES:</b>		
Water Supply System:		
Raw water sales	\$ 31,915	\$ 32,795
Treated water	1,588	2,019
Wastewater treatment	3,585	3,424
Lake operations	1,638	1,739
Grants	800	902
Other	867	1,149
Cost Reimbursable Operations:		
Water conveyance/supply	3,557	3,826
Water treatment	994	7,052
Wastewater treatment	7,892	7,631
<b>TOTAL OPERATING REVENUES</b>	<b>52,836</b>	<b>60,537</b>
<b>OPERATING EXPENSES:</b>		
Personnel services	15,540	16,054
Materials and supplies	2,206	2,598
Utilities	3,792	4,267
Depreciation and amortization	9,343	8,837
Outside services	4,578	3,426
Repair and maintenance	2,638	3,175
Landfill and sludge hauling	2,355	3,251
Purchased water	2,361	2,360
Other	1,123	1,132
<b>TOTAL OPERATING EXPENSES</b>	<b>43,936</b>	<b>45,100</b>
<b>OPERATING INCOME</b>	<b>8,900</b>	<b>15,437</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Investment income	592	1,074
Interest expense	(4,183)	(5,801)
Other expenses	(1,165)	(2,286)
Gain/(loss) on sale of capital assets	(547)	(11,724)
<b>TOTAL NET NON-OPERATING REVENUES ( EXPENSES)</b>	<b>(5,303)</b>	<b>(18,737)</b>
<b>INCOME/(LOSS) BEFORE CONTRIBUTIONS &amp; SPECIAL ITEM</b>	<b>3,597</b>	<b>(3,300)</b>
Capital contributions	892	1
Special item	-	(2,400)
<b>CHANGE IN NET POSITION</b>	<b>4,489</b>	<b>(5,699)</b>
<b>NET POSITION, BEGINNING</b>	<b>239,092</b>	<b>244,791</b>
<b>NET POSITION, ENDING</b>	<b>\$ 243,581</b>	<b>\$ 239,092</b>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FISCAL YEARS ENDED AUGUST 31, 2013 AND 2012 (in thousands)**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 55,409	\$ 59,189
Cash paid to suppliers for goods and services	(28,491)	(28,161)
Cash paid to employees for services	(11,313)	(11,806)
Net cash provided by operating activities	<u>15,605</u>	<u>19,222</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash paid on SWATS transfer agreement	-	(6,000)
Cash paid for capital assets	(20,607)	(21,630)
Interest paid	(4,224)	(6,993)
Principal payments on long-term debt	(2,960)	(36,753)
Proceeds from disposal of capital assets	40	38
Capital contributions	892	1
Net cash used in capital and related financing activities	<u>(26,859)</u>	<u>(71,337)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sales of investments	53,582	82,123
Purchases of investments	(33,600)	(35,564)
Interest received	598	1,086
Net cash provided by in investing activities	<u>20,580</u>	<u>47,645</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>9,326</u>	<u>(4,470)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		
(including \$13,857 and \$21,118, respectively, reported in restricted accounts)	<u>22,572</u>	<u>27,042</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		
(including \$10,936 and \$13,857, respectively, reported in restricted accounts)	<u>\$ 31,898</u>	<u>\$ 22,572</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 8,900	\$ 15,437
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,289	8,740
Amortization	54	97
Change in current assets and liabilities:		
(Increase) decrease in accounts receivable	631	(1,419)
(Increase) decrease in other current assets	769	(781)
Increase (decrease) in accounts payable	(3,114)	3,404
Decrease in unearned revenue and other liabilities	(924)	(6,256)
Total adjustments	<u>6,705</u>	<u>3,785</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 15,605</u>	<u>\$ 19,222</u>
<b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Write off of Capital Assets	\$ (899)	\$ (26,646)
Amounts recorded for accrual of central office remediation obligation	-	\$ (2,400)
Accrual made for subsequent payment for Storage Rights related to the USACE projects	\$ 7,279	\$ -
Amounts recorded for accretion on WCRRWL Series 2000 Capital Appreciation Bonds	\$ 86	\$ 81

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**AUGUST 31, 2013 AND 2012 (in thousands)**

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	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash	\$ 2,098	\$ 4,939
Investments	630	832
<b>TOTAL ASSETS</b>	<u>\$ 2,728</u>	<u>\$ 5,771</u>
<b>LIABILITIES</b>		
Held for future debt service	\$ 909	\$ 877
Held for future construction cost	1,819	4,894
<b>TOTAL LIABILITIES</b>	<u>\$ 2,728</u>	<u>\$ 5,771</u>

The accompanying notes are an integral part of these statements.

*Notes to the  
Basic Financial  
Statements*

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2013 AND 2012 (in thousands)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**Reclassification** – Certain prior year balances have been reclassified to conform with current year presentation.

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

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2013 AND 2012 (in thousands)**

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

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

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

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

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

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

**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

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2013 AND 2012 (in thousands)**

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The BRA capitalizes net interest costs, as applicable, as a component cost of construction in progress. The project that met the capitalization rule was the deep water intake structure on Lake Granger. For the years ended August 31, 2013 and 2012, the BRA had \$316 and \$252 in net capitalized interest, respectively.

During Fiscal Year 2010, the BRA adopted the provisions of GASB 51 *Accounting and Financial Reporting for Intangible Assets*. The BRA owns, through contracts with the United States government, conservation storage space in nine Corps of Engineer lakes operated in the Brazos River watershed. These rights have been determined to have no evident limited life and therefore will have no amortization recognized.

**Other Assets** – The BRA 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, 2013 and 2012, bond and loan issuance costs, (net of accumulated amortization), of approximately \$859 and \$905, respectively, were included in bond related costs in the accompanying Statement of Net Position.

By agreement in 1988, the BRA amended a water contract with a utility company which provided for the sale of 162,000 acre feet of water per year through the year 2030. The amendment reduced the utility company's right to purchase water to 83,000 acre feet per year beginning January 1, 1989. As consideration for the 79,000 acre-feet reduction, the BRA (1) paid the utility company \$3,823 in 1988 and (2) reduced charges to the utility company by approximately \$350 per year beginning January 1, 1989. The BRA has sold the 79,000 acre-feet to various third parties under long-term water contracts. The balance of \$2,011 and \$2,096 at August 31, 2013 and 2012, respectively, is included in other assets and will be amortized against related revenues from such contracts over the contract lives.

**Compensated Absences** – Prior to May 1, 2002 the BRA's employees were granted vacation and sick leave in specified amounts. Effective May 1, 2002 vacation and sick leave were superseded by Personal Time Off (PTO). The BRA's current policy states that upon termination an employee will be paid for 100% of unused vacation time and 50% of their PTO balance up to a maximum of 160 hours (20 days) combined. In addition, for employees eligible to retire only, unused sick leave is paid out at a rate of 50% of their balance or 144 hours (18 days) whichever is less. The total recorded liability for compensated absences, as of August 31, 2013 and 2012, was \$652 and \$685, respectively. Based on historical data, a portion of the accrual for compensated absences is classified as other noncurrent liabilities.

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

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

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2013 AND 2012 (in thousands)**

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

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

**2. DEPOSITS AND INVESTMENTS**

As of August 31, 2013 and 2012, the BRA had the following investments:

Investment Type	2013		2012	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	\$ 51,990	0.83	\$ 72,983	0.71
Municipal Bonds	1,010	0.94	-	
<b>Total Value</b>	<b>\$ 53,000</b>		<b>\$ 72,983</b>	

**Credit Risk**

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

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2013 AND 2012 (in thousands)**

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

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

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

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

Portfolio disclosure as of August 31, 2013

- Certificates of deposits represented 61.2% of the total portfolio,
- Fully collateralized demand deposits represented 37.6 % of the total portfolio,
- The remainder of the portfolio (1.2%) was in municipal bonds, and
- The BRA had no certificate of deposits with a maturity greater than two years.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2013 AND 2012 (in thousands)**

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**Concentration of Credit Risk**

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

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

Portfolio disclosure as of August 31, 2013 and August 31, 2012:

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

Portfolio disclosure as of August 31, 2013 and August 31, 2012 :

- The dollar weighted average maturity of the total portfolio was 190 days in 2013 and 186 days in 2012

As of August 31, 2013 and August 31, 2012 , the portfolio contained no structured securities and no mortgage backed securities

**Custodial Credit Risk**

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

Portfolio disclosure as of August 31, 2013 and August 31, 2012:

- The portfolio contained 28 certificates of deposit in 2013 and 23 certificates of deposit in 2012
- 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.

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**3. RESTRICTED ASSETS**

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

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

Restricted assets represent:

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

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.

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The cash and cash equivalents, investments, and accrued interest components of each fund represented by restricted assets at August 31, 2013 and 2012 were as follows:

	2013			2012		
	Cash and Cash Equivalents	Invest- ments	Accrued Interest	Cash and Cash Equivalents	Invest- ments	Accrued Interest
<b>CURRENT RESTRICTED:</b>						
<b>Water Supply System:</b>						
Debt Service	\$ 729	\$ -	\$ -	\$ -	\$ -	\$ -
Bond proceeds funds	4,687	-	-	9,085	-	-
Other funds	529	-	-	1,236	-	-
<b>Water Supply System Total</b>	<b>5,945</b>	<b>-</b>	<b>-</b>	<b>10,321</b>	<b>-</b>	<b>-</b>
<b>Cost Reimbursable Operations:</b>						
Bond proceeds funds	510	-	-	1,364	-	-
Debt service funds	1,936	-	-	1,851	-	-
Repair and replacement funds	-	-	-	-	-	-
<b>Cost Reimbursable Operations Total</b>	<b>2,446</b>	<b>-</b>	<b>-</b>	<b>3,215</b>	<b>-</b>	<b>-</b>
<b>TOTAL CURRENT RESTRICTED</b>	<b>\$ 8,391</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,536</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NONCURRENT RESTRICTED:</b>						
<b>Water Supply System:</b>						
Bond proceeds funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond reserve funds	-	1,430	5	-	1,413	4
Repair and replacement funds	1,542	2,957	1	-	4,548	4
Other funds	503	-	-	321	156	-
<b>Water Supply System Total</b>	<b>2,045</b>	<b>4,387</b>	<b>6</b>	<b>321</b>	<b>6,117</b>	<b>8</b>
<b>Cost Reimbursable Operations:</b>						
Repair and replacement funds	500	-	-	-	500	-
Bond proceeds funds	-	-	-	-	-	-
Bond reserve funds	-	-	-	-	-	-
<b>Cost Reimbursable Operations Total</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500</b>	<b>-</b>
<b>TOTAL NONCURRENT RESTRICTED</b>	<b>\$ 2,545</b>	<b>\$ 4,387</b>	<b>\$ 6</b>	<b>\$ 321</b>	<b>\$ 6,617</b>	<b>\$ 8</b>

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**4. CAPITAL ASSETS**

A summary of changes in capital assets for August 31, 2013 follows:

<b>Classification</b>	<b>Balance at August 31, 2012</b>	<b>Additions and Transfers</b>	<b>Deletions and Transfers</b>	<b>Balance at August 31, 2013</b>
<b>Capital assets, not being</b>				
<b>depreciated/amortized:</b>				
Land, storage and water rights	\$ 83,797	\$ 7,279	\$ (550)	\$ 90,526
Construction in progress	42,869	18,083	(30,589)	30,363
Total capital assets, not being depreciated/amortized	<u>126,666</u>	<u>25,362</u>	<u>(31,139)</u>	<u>120,889</u>
<b>Capital assets, being</b>				
<b>depreciated/amortized:</b>				
Reservoirs, water treatment and sewerage facilities	125,555	4,532	-	130,087
Buildings, structures and improvements	96,681	24,975	(485)	121,171
Vehicles	2,782	212	(171)	2,823
Furniture	342	432	(5)	769
Computers	3,570	655	(27)	4,198
Tools and heavy equipment	9,857	871	(157)	10,571
Total capital assets, being depreciated/amortized	<u>238,787</u>	<u>31,677</u>	<u>(845)</u>	<u>269,619</u>
<b>TOTAL CAPITAL ASSETS</b>	<u>\$ 365,453</u>	<u>\$ 57,039</u>	<u>\$ (31,984)</u>	<u>\$ 390,508</u>
<b>Less accumulated</b>				
<b>depreciation/amortization:</b>				
Reservoirs, water treatment and sewerage facilities	\$ 46,898	\$ 1,898	\$ -	\$ 48,796
Buildings, structures and improvements	30,671	6,132	(145)	36,658
Vehicles	2,179	260	(170)	2,269
Furniture	337	326	104	767
Computers	3,258	109	(27)	3,340
Tools and heavy equipment	6,383	571	(117)	6,837
Total accumulated depreciation/amortization	<u>\$ 89,726</u>	<u>\$ 9,296</u>	<u>\$ (355)</u>	<u>\$ 98,667</u>
<b>NET CAPITAL ASSETS</b>	<u>\$ 275,727</u>	<u>\$ 47,743</u>	<u>\$ (31,629)</u>	<u>\$ 291,841</u>

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A summary of changes in capital assets for August 31, 2012 follows:

<b>Classification</b>	<b>Balance at August 31, 2011</b>	<b>Additions and Transfers</b>	<b>Deletions and Transfers</b>	<b>Balance at August 31, 2012</b>
<b>Capital assets, not being depreciated/amortized:</b>				
Land, storage and water rights	\$ 84,427	\$ -	\$ (630)	\$ 83,797
Construction in progress	21,816	23,913	(2,860)	42,869
Total capital assets, not being depreciated/amortized	106,243	23,913	(3,490)	126,666
<b>Capital assets, being depreciated/amortized:</b>				
Reservoirs, water treatment and sewerage facilities	175,912	1,264	(51,621)	125,555
Buildings, structures and improvements	106,176	269	(9,764)	96,681
Vehicles	2,793	273	(284)	2,782
Furniture	342	-	-	342
Computers	3,497	117	(44)	3,570
Tools and heavy equipment	10,795	1,048	(1,986)	9,857
Total capital assets, being depreciated/amortized	299,515	2,971	(63,699)	238,787
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 405,758</b>	<b>\$ 26,884</b>	<b>\$ (67,189)</b>	<b>\$ 365,453</b>
<b>Less accumulated depreciation/amortization:</b>				
Reservoirs, water treatment and sewerage facilities	\$ 78,766	\$ 2,908	\$ (34,776)	\$ 46,898
Buildings, structures and improvements	27,573	4,546	(1,448)	30,671
Vehicles	2,132	273	(226)	2,179
Furniture	333	4	-	337
Computers	2,955	326	(23)	3,258
Tools and heavy equipment	6,839	690	(1,146)	6,383
Total accumulated depreciation/amortization	\$ 118,598	\$ 8,747	\$ (37,619)	\$ 89,726
<b>NET CAPITAL ASSETS</b>	<b>\$ 287,160</b>	<b>\$ 18,137</b>	<b>\$ (29,570)</b>	<b>\$ 275,727</b>

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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, 2013 and 2012 were as follows:

	2013		2012	
	Current Unearned Revenues	Noncurrent Unearned Revenues	Current Unearned Revenues	Noncurrent Unearned Revenues
<b>Unrestricted</b>				
Water Supply System:				
Lake Granbury	\$ 1,249	\$ -	\$ 1,287	\$ -
Lake Limestone	1,561	1,920	1,709	2,880
Possum Kingdom Lake	309	-	389	-
Federal Reservoirs	5,703	-	4,192	-
Other Water Supply System	250	-	152	-
Total Water Supply	<u>9,072</u>	<u>1,920</u>	<u>7,729</u>	<u>2,880</u>
Cost Reimbursable Operations:				
Williamson County RRWL	60	496	36	541
Temple-Belton RSS	457	-	470	-
Sandy Creek WTP	-	-	31	-
Clute-Richwood RSS	183	-	119	-
Hutto WWS	218	-	267	-
Brushy Creek RWS	413	-	882	-
Liberty Hill WTS	-	-	38	-
Lee County FWD	-	-	109	-
Total Cost Reimbursable Operations	<u>1,331</u>	<u>496</u>	<u>1,952</u>	<u>541</u>
<b>Total Unrestricted</b>	<u>\$ 10,403</u>	<u>\$ 2,416</u>	<u>\$ 9,681</u>	<u>\$ 3,421</u>
<b>Restricted</b>				
Cost Reimbursable Operations:				
Williamson County RRWL	\$ 345	\$ -	\$ 391	\$ -
<b>Total Restricted</b>	<u>\$ 345</u>	<u>\$ -</u>	<u>\$ 391</u>	<u>\$ -</u>

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**6. NONCURRENT LIABILITIES**

**Revenue Bonds Payable**

Revenue bonds payable consists of the following at August 31, 2013:

	<b>Balance at August 31, 2012</b>	<b>Additions</b>	<b>Retired</b>	<b>Balance at August 31, 2013</b>	<b>Amount Due Within One Year</b>
<b><i>Water Supply System:</i></b>					
Series 2002 State Participation Loan	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ -
Series 2005B (AMT) Revenue Bonds	9,300	-	375	8,925	390
Series 2006 Revenue Bonds	17,805	-	-	17,805	-
Series 2009 Revenue Bonds	19,880	-	1,060	18,820	1,060
<b>Total Water Supply System</b>	<b>\$ 52,985</b>	<b>\$ -</b>	<b>\$ 1,435</b>	<b>\$ 51,550</b>	<b>\$ 1,450</b>
<b><i>Cost Reimbursable Operations:</i></b>					
Series 1999 State Participation Loan	\$ 14,955	\$ -	\$ -	\$ 14,955	\$ -
Series 2000 Serial and Capital Appreciation Bonds	1,874	86	375	1,585	310
Series 2011 Revenue Bonds	16,595	-	120	16,475	115
<b>Total Cost Reimbursable Operations</b>	<b>\$ 33,424</b>	<b>\$ 86</b>	<b>\$ 495</b>	<b>\$ 33,015</b>	<b>\$ 425</b>
<b><i>Discount on revenue bonds payable</i></b>	<b>\$ (397)</b>	<b>\$ -</b>	<b>\$ 23</b>	<b>\$ (374)</b>	<b>\$ 23</b>
<b><i>Total Net Revenue Bonds Payable</i></b>	<b>\$ 86,012</b>	<b>\$ 86</b>	<b>\$ 1,953</b>	<b>\$ 84,191</b>	<b>\$ 1,898</b>

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Revenue bonds payable consists of the following at August 31, 2012:

	Balance at August 31, 2011	Additions	Retired	Balance at August 31, 2012	Amount Due Within One Year
<i><b>Water Supply System:</b></i>					
Series 1972 Refunding Serial Bonds	\$ 1,015	\$ -	\$ 1,015	\$ -	\$ -
Series 2002 State Participation Loan	6,000	-	-	6,000	-
Series 2002 (AMT) Term Bonds	6,710	- 1	6,710	-	-
Series 2005A (AMT) Revenue Bonds	11,605	- 2	11,605	-	-
Series 2005B (AMT) Revenue Bonds	9,660	-	360	9,300	375
Series 2006 Revenue Bonds	17,805	-	-	17,805	-
Series 2009 Revenue Bonds	20,940	-	1,060	19,880	1,060
<b>Total Water Supply System</b>	<b>\$ 73,735</b>	<b>\$ -</b>	<b>\$ 20,750</b>	<b>\$ 52,985</b>	<b>\$ 1,435</b>
<i><b>Cost Reimbursable Operations:</b></i>					
Series 1997 Serial and Term Bonds	\$ 7,530	\$ -	3 \$ 7,530	\$ -	\$ -
Series 1999 State Participation Loan	14,955	-	-	14,955	-
Series 2000 Serial and Capital Appreciation Bonds	2,378	101	605	1,874	375
Series 2001 Serial and Term Bonds	7,495	- 3	7,495	-	-
Series 2002 Revenue Bonds	10,955	- 3	10,955	-	-
Series 2011 Revenue Bonds	17,190	-	595	16,595	120
<b>Total Cost Reimbursable Operations</b>	<b>\$ 60,503</b>	<b>\$ 101</b>	<b>\$ 27,180</b>	<b>\$ 33,424</b>	<b>\$ 495</b>
<i><b>Discount on revenue bonds payable</b></i>	<i><b>\$ (867)</b></i>	<i><b>\$ -</b></i>	<i><b>\$ 470</b></i>	<i><b>\$ (397)</b></i>	<i><b>\$ 23</b></i>
<i><b>Total Revenue Bonds Payable</b></i>	<i><b>\$ 133,371</b></i>	<i><b>\$ 101</b></i>	<i><b>\$ 48,400</b></i>	<i><b>\$ 86,012</b></i>	<i><b>\$ 1,953</b></i>

1) On August 15, 2012 the BRA redeemed the \$9,635 Water Supply System Revenue Bonds Series 2002 (AMT) As a result of the early retirement of the bonds, there was a loss on early retirement of \$156.

2) On March 28, 2012 the BRA redeemed the \$12,875 Water Supply System Revenue Bonds, Series 2005A (AMT). As a result of the early retirement of the bonds, there was a loss on early retirement of \$256.

3) On January 30, 2012 the Board of Directors of the BRA approved the resolution calling all the outstanding bonds relating to the financing and refinancing of the BRA's Lake Granbury Surface Water and Treatment System. The redemption of the bonds was in furtherance of the objectives of the Transfer Resolution discussed in footnote 13. The closing date for this transaction was May 31, 2012.

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Revenue bonds payable at August 31, 2013, are further detailed as follows:

***Water Supply System:***

- *Series 2002 (\$6,000) Brazos River Authority State Participation Loan (Allens Creek Project) – for purchase of land for Allens Creek Reservoir site; due in installments of \$260 to \$580 beginning from 2022 through 2036; interest at 5.776% to 5.876%*
- *Series 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% (redeemed on August 15, 2012)*
- *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% (redeemed on March 28, 2012)*
- *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 \$1,060 to \$1,380 through 2029; 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 in annual installments of \$1,415 to \$1,690 beginning from 2012 through 2016; interest at 5.2% to 6.05% (redeemed on May 31, 2012)*
- *Series 1999 (\$14,955) Brazos River Authority Texas Water Development Board State Participation Loan for Williamson County Regional Raw Water Line – due in annual installments of \$860 to \$1,630 beginning from 2021 through 2033; Interest at 4.35% to 5.50%*
- *Series 2000 (\$2,795) Brazos River Authority – capital appreciation bonds for Williamson County Regional Raw Water Line; due in annual installments of \$300 to \$605 through 2019; interest at 5.3% 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% (redeemed on May 31, 2012)*

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***Cost Reimbursable Operation: (continued)***

- *-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 beginning from 2006 through 2025; interest at 3.875% to 5.5%**(redeemed on May 31, 2012)**
  
- *Series 2011 (\$17,190) Brazos River Authority Contract Revenue and Refunding Bonds, (Williamson County Regional Raw Water Line Project)* - to refund the serial portion of the Contract Revenue Bonds series 2000 for Williamson County Regional Raw Water Line. In addition, proceeds from the sale of the bonds will be used for additional pumps to the project intake structure; due in annual payments of \$115 to \$1,545 through 2030; interest at 2.0% to 5.13%

The Water Supply System bond covenants require that the BRA will fix, establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary to produce Net Revenues for each year, which are at least 1.10 times the maximum annual debt service requirements of all then outstanding bonds and additional parity obligations. For the years ended August 31, 2013 and 2012, the BRA's coverage rates were 3.90 and 3.14, respectively. The BRA was in compliance with this and all other bond covenants and restrictions.

The BRA has adopted the provisions of Governmental Accounting Standards Board Statement No. 23, "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, 2013 and 2012 the cumulative unamortized deferred amount of \$335 and \$354, respectively, are included as an element of discount on revenue bonds payable. The deferred amount resulted from refunding of debt in 2011.

On January 31, 2011, the BRA issued \$17,190 of revenue bonds for a current refunding of \$11,295 of the Series 2000 Brazos River Authority Serial and Term Bonds. The refunding was done to reduce the total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$372. This amount is being netted against the new debt and amortized over the life of the new debt which is the same as the old debt. The difference between the present values of the two debt service streams of \$563 constitutes the economic gain on the transaction and a reduction of \$658 in future debt service payments.

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Annual requirements to retire revenue bonds outstanding including interest are:

	Water Supply System		Cost Reimbursable Operations	
	Principal	Interest	Principal	Interest
2014	1,450	1,873	\$ 425	\$ 1,821
2015	2,005	2,133	409	1,835
2016	2,055	2,087	383	1,847
2017	2,100	2,037	814	1,851
2018	2,155	1,982	819	1,849
2019-2023	12,320	8,303	7,465	8,071
2024-2028	15,660	4,895	11,835	4,908
2029-2033	9,670	2,101	10,865	1,406
2034-2036	4,135	310	-	-
<b>Total</b>	<b>\$ 51,550</b>	<b>\$ 25,721</b>	<b>\$ 33,015</b>	<b>\$ 23,588</b>

Details of Net Position invested in capital assets

	2013	2012
Net capital assets	\$ 291,841	\$ 275,727
Revenue bonds payable - current & noncurrent	(81,814)	(75,960)
Bond related costs	1,510	1,626
Discount on revenue bonds payable	374	397
Construction contracts payable	(2,335)	(3,669)
Contracts payable, current & noncurrent	(28,047)	(23,724)
<b>Total Net Position invested in capital assets</b>	<b>\$ 181,529</b>	<b>\$ 174,397</b>

The unspent proceeds of debt issued for capital purposes and the related debt are excluded from the computation of capital assets. At August 31, 2013 and 2012, the balance of unspent bond proceeds for capital purposes was \$2,751 and \$10,449 respectively.

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***Contracts Payable*** consists of the following at August 31, 2013:

	<b>Balance at August 31, 2012</b>	<b>Retired/ (Additions)</b>	<b>Balance at August 31, 2013</b>	<b>Amts Due Within One Year</b>
\$5,124 to acquire water conservation storage space in the Belton Reservoir; due in annual installments of principal and interest of \$170 through 2006 and \$126 from 2007 through 2024; interest at 2.50% to 2.54%	\$ 1,294	\$ 94	\$ 1,200	\$ 96
\$1,314 to acquire water conservation storage space in the Proctor Reservoir; due in annual installments of principal and interest of \$43 through 2015 and \$35 from 2016 through 2024; interest at 2.69%	381	33	348	33
\$7,127 to acquire water conservation storage space in the Stillhouse Hollow Reservoir; due in annual installments of principal and interest of \$284 through 2018; interest at 2.72%	1,549	241	1,308	248
\$7,383 to acquire water conservation storage space in the Somerville Reservoir; due in annual installments of principal and interest of \$266 through 2023 and \$253 from 2024 through 2027; interest at 2.74%	3,196	178	3,018	183
\$5,532 to acquire water conservation storage space in the Waco Reservoir; due in annual installments of principal and interest of \$188 through 2015; interest at 2.50%	538	175	363	179
\$15,178 to acquire water conservation storage space in the Granger Reservoir; due in annual installments of principal and interest of \$599 through 2041 and \$598 in 2042; interest at 3.25%	11,369	229	11,140	237
\$7,130 to acquire water conservation storage space in the Georgetown (formerly Northfork) Reservoir; due in annual installments of principal and interest ranging from \$285 through 2032 to \$135 in 2042; the interest at 3.25%	5,037	121	4,916	125
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc., due in annual installments of principal only of \$10 to \$45 through 2020	360	45	315	45
\$5,439 to fund the required repair, replacement and rehabilitation of the Belton Reservoir, due in annual installments of principal and interest of \$311 through 2043; interest at 4.25%		(5,439)	5,439	311
<b>TOTAL</b>	<b>\$ 23,724</b>	<b>\$ (4,323)</b>	<b>\$ 28,047</b>	<b>\$ 1,457</b>

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

	<b>Contracts Payable</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2014	\$ 1,457	\$ 690	\$ 2,147
2015	1,271	877	2,148
2016	1,111	840	1,951
2017	1,143	808	1,951
2018	1,177	775	1,952
2019-2023	4,791	3,413	8,204
2023-2028	4,498	2,651	7,149
2029-2033	4,025	1,949	5,974
2033-2038	4,415	1,213	5,628
2039-2043	4,159	408	4,567
<b>TOTAL</b>	<b>\$ 28,047</b>	<b>\$ 13,624</b>	<b>\$ 41,671</b>

**Other Noncurrent Liabilities** Other noncurrent liability activity for the year ended August 31, 2013 was as follows:

	<b>Balance at August 31, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at August 31, 2013</b>	<b>Amounts Due Within One Year</b>
<b>Unearned Revenues:</b>					
Lake Limestone	\$ 3,840	\$ -	\$ 960	\$ 2,880	\$ 960
WCRRWL	586	-	45	541	45
<b>TOTAL</b>	<b>\$ 4,426</b>	<b>\$ -</b>	<b>\$ 1,005</b>	<b>\$ 3,421</b>	<b>\$ 1,005</b>
<b>Other Liabilities:</b>					
Hydroelectric	\$ 321	\$ 2	\$ -	\$ 323	\$ -
Trans TX Phase II	210	-	-	210	-
Compensated Absences	251	11	57	205	16
Other	109	-	-	109	-
<b>TOTAL</b>	<b>\$ 891</b>	<b>\$ 13</b>	<b>\$ 57</b>	<b>\$ 847</b>	<b>\$ 16</b>

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

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

**Plan Description**

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

Copies of the Plan's audited annual financial report may be obtained from the BRA's office: P.O. Box 7555, Waco, TX 76714-7555.

Participation in the Plan, as of the beginning of the year evaluation date, March 1, 2011, and March 1, 2010, is composed of the following:

<b>Group</b>	<b>2012</b>	<b>2011</b>
Retirees and beneficiaries currently receiving benefits	99	96
Terminated Plan members entitled to but not yet receiving benefits	108	103
Transferred Canal Division employees*	6	7
Active Plan members	147	159
TOTAL	<u>360</u>	<u>365</u>

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

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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.

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.

**Funding Policy**

*Defined Benefit Component*

The BRA's employees were not required or allowed to contribute to the Plan. The BRA 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).

**Annual Pension Cost**

For the fiscal year ended August 31, 2013, the BRA's Annual Required Contribution (ARC) was \$656. The BRA's ARC, Annual Pension Cost (APC), the percentage of APC and the Net Pension Obligation (NPO) for 2013 and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation Balance</b>
August 31, 2011	\$ 236	\$ 223	95%	\$ 13
August 30, 2012	\$ 315	\$ 302	105%	\$ -
August 31, 2013	\$ 656	\$ 656	100%	\$ -

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The ARC is actuarially determined as a percent of the covered payroll of the participating employees and is in compliance with GASB Statement No. 27 and 50 parameters based on the actuarial valuation date of March 1, 2012.

**Funding Status and Funding Progress**

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

<b>Actuarial Valuation Date</b>	<b>Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Underfunded AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>*Covered Payroll (c)</b>	<b>*UAAL as % of Covered Payroll (b-a)/(c)</b>
March 1, 2013	\$ 19,332	\$ 27,640	\$ 8,308	70%	\$ 6,173	134.59

\*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, 2013, actuarial valuation, the unprojected unit credit method actuarial cost method was used. The actuarial assumptions included a 6.5 percent (changed from 7.5 percent) investment rate of return (compounded annually, net of expenses). The amortization method used was a closed twenty year period (changed from a closed thirty year period) and the asset valuation method was market value with gains and losses smoothed over a five year period.

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**Texas County and District Retirement System:**

**Plan Description**

The BRA 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 641 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 Finance Division 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 sixty and above with eight or more years of service, with thirty years of service regardless of age, or when the sum of their age and years of service equals eighty or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer financed benefit. Members who withdraw their personal contribution in a lump sum are not entitled to any amounts contributed by the BRA. The plan offers no post-employment benefits.

**Funding Policy**

The BRA has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the annual employer contribution rate for calendar years 2013 and 2012 was 7.85% and 7.86% respectively. The required contribution rate payable by the employee members is 6.0% as adopted by the Board of Directors. The employee and employer contribution rates may be changed by the BRA's Board of Directors within the options available in the TCDRS Act.

**Annual Pension Cost**

For the year ended August 31, 2013 and August 31, 2012, the actual contributions made by the employees were \$773 and \$783, respectively. For the fiscal year ended August 31, 2013, the BRA's ARC was \$1,011. The BRA's ARC, the percentage of APC and the NPO for 2013 and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation Balance</b>
August 31, 2011	\$ 1,017	\$ 1,017	100%	\$ -
August 31, 2012	\$ 1,081	\$ 1,081	100%	\$ -
August 31, 2013	\$ 1,011	\$ 1,011	100%	\$ -

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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 December 31, 2012.

**Funding Status and Funding Progress**

As of December 31, 2012, the most recent actuarial valuation date, the plan was 87.82% funded. The actuarial accrued liability for benefits was \$12,418, and the actuarial value of assets was \$10,905, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,512. The covered payroll (annual payroll of active employees covered by the plan) was \$12,987, and the ratio for the UAAL to the covered payroll was 11.65%.

**Actuarial Methods and Assumptions:**

Actuarial Valuation Information	
2013	
Actuarial valuation date	December 31, 2012
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period of years	20
Asset Valuation method	SAF: 10-yr smoothed value ESF: Fund value

Actuarial Assumptions	
Investment return*	8.0%
Projected salary increases*	5.4%
Inflation	3.5%

\*Includes inflation at the stated rate

**8. FINANCING ARRANGEMENTS**

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

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

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

<b>Contracting Party</b>	<b>Date of Issue</b>	<b>Original Amount</b>	<b>Date of Maturity</b>	<b>Interest Rate</b>	<b>Balance at August 31, 2013</b>
Jonah Water SUD	2007	\$ 3,170	2009-2028	4.0% to 4.5%	\$ 2,595
Jonah Water SUD	2008	\$ 2,630	2010-2029	3.0% to 5.0%	2,265
Jonah Water SUD	2012	\$ 5,090	2015-2032	3.0% to 5.0%	5,090
<b>TOTAL</b>					<b>\$ 9,950</b>

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

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

<b>Year Issued</b>	<b>Original Amount</b>	<b>Year of Maturity</b>	<b>Interest Rate %</b>	<b>Balance at August 31, 2013</b>
1997	50,000	2018	5.050	50,000
1998A	100,000	2019	Variable	100,000
1998B	90,000	2020	Variable	90,000
1998C	100,000	2019	Variable	100,000
1998D	68,700	2015	4.900	68,700
1999A	100,000	2026	Variable	100,000
1999B	100,000	2018	Variable	100,000
2004	43,820	2017	4.250	43,820
2004B	83,565	2017	4.250	83,565
<b>Subtotal for CenterPoint</b>				<b>\$ 736,085</b>

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

<b>Year Issued</b>	<b>Original Amount</b>	<b>Year of Maturity</b>	<b>Interest Rate %</b>	<b>Balance at August 31, 2013</b>
1994A	39,170	2029	5.40	\$ 39,170
1994B	39,170	2029	Variable	39,170
1995A	50,670	2030	Variable	49,770
1995B	118,355	2030	Variable	113,895
1999A	110,545	2033	7.70	110,545
1999B	15,955	2034	15.00	15,955
1999C	50,000	2032	7.70	50,000
2001A	120,750	2030	8.25	70,750
2001B	19,180	2029	Variable	19,180
2001C	273,985	2036	15.00	217,180
2001D-1	170,895	2033	8.25	170,895
2001D-2	97,410	2033	Variable	97,410
2001 I	62,920	2036	Variable	61,790
2002A	60,650	2037	Variable	44,630
2003A	43,685	2038	15.00	43,685
2003B	39,025	2032	6.30	39,025
2003C	72,335	2038	6.75	51,825
2003D	30,820	2029	5.40	30,820
2006	100,000	2041	5.00	100,000
Subtotal for Texas Competitive Electric Holdings Company LLC				<u>\$ 1,365,695</u>
<b>TOTAL POLLUTION CONTROL FINANCING ARRANGEMENTS</b>				<u><u>\$ 2,101,780</u></u>

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**9. COMMITMENTS & CONTINGENCIES**

**Deferred Compensation Plans**

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

All regular full-time and part-time employees who contribute to the 457 Deferred Compensation Plan are eligible for employer contributions to the 401 (a) plan. The employer contribution is based on 50% of the employee's 457 semi-monthly deferral (maximum employer contribution is 3% of the employee's semi-monthly gross compensation). Employees are vested in the employer contribution and related investment earnings (losses) after completing five or more years of continuous BRA service. Non-vested employer contributions are deposited into the ICMA Traditional Growth Fund until vesting occurs. Total deposits into the non-vested account for the twelve months ended August 31, 2013 and August 31, 2012 were \$23 and \$30, 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 BRA in a trustee capacity or as an agent for the participant.

**Construction Projects**

During Fiscal Year 2013, the BRA made progress on the following projects:

Name	Construction In Progress at August 31, 2013	Total Project Budgeted Cost	Estimated Project Comp. Date
System Permit Application	\$ 12,542	\$ 20,704	2019+
PK Hydro Controlled Outlet Conduit	7,262	9,300	2014
Graham Flood Control	5,191	5,740	2014
DeCordova Bend Dam Low Flow Facility	3,498	4,344	2014
PK Dam Improvement Projects	802	3,061	various
Allens Creek Reservoir	239	67,198	2019+
Other	829	-	various
<b>TOTAL</b>	<b>\$ 30,363</b>		

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**Other**

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

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

**10. RISK MANAGEMENT**

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

The BRA maintains a partially self-insured plan for medical and dental. The purpose of the partially self-insured plan is to reduce total medical cost for both employees and the BRA. Medical claims exceeding \$80 per covered individual are insured through Texas Municipal League. Annual costs exceed the plan year's additions and, as a result, the BRA's previously accumulated restricted health insurance investment account decreased by \$705. These funds will be available in any future year the health cost exceed that plan year's additions.

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

<b>Fiscal Year Ended</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
August 31, 2011	\$ 2,313	\$ 1,920	\$ (2,220)	\$ 2,013
August 31, 2012	\$ 2,013	\$ 2,399	\$ (3,176)	\$ 1,236
August 31, 2013	\$ 1,236	\$ 2,042	\$ (2,747)	\$ 531

Liabilities are reported when a contingency risk exists that may exceed reasonable cost projections. In the past three years, the BRA has had no settlements which exceeded insurance coverage. The Schedule of Insurance can be found on Pages 104 and 105 of this report.

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**11. BOARD DESIGNATED RESERVES**

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

The balances of those reserves at August 31, 2013 are represented as follows:

Working Capital Reserve	\$	6,121
Contingency Reserve Fund		5,000
Self Insurance Fund		500
Rate Stabilization Reserve Fund		39,981
<b>TOTAL</b>	<b>\$</b>	<b>51,602</b>

**12. RECENTLY ISSUED GASB STATEMENTS**

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- i. Financial Accounting Standards Board (FASB) Statements and Interpretations
- ii. Accounting Principles Board Opinions
- iii. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

*This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business type activities to apply post November 30, 1989 FASB Statements and interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements including this Statement. The provisions of this Statement were adopted by the BRA with no significant impact in 2012.*

In June 2011 the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standard do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The provisions of this Statement were adopted beginning September 1, 2012, with no significant impact.

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In June 2011 the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after their replacement of swap counterparty or swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement were adopted beginning September 1, 2012, with no significant impact.

In March 2012 the GASB issued Statement No 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

In March 2012 the GASB issued Statement No 66, *Technical Corrections -2012- an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement No 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. This Statement is effective for the separate financial statements of the Retirement Plan for Employees of Brazos River Authority for fiscal years beginning after June 15, 2013.

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In June 2012, the GASB issued Statement No 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for the BRA fiscal year beginning September 1, 2014.

**13. AGREEMENT TO TRANSFER OWNERSHIP**

During Fiscal Year 2012, the contracting parties of the Lake Granbury Surface Water and Treatment System (SWATS) and the BRA entered into negotiations for the sale and transfer of the SWATS facility. Negotiations were completed and the ownership/operation was transferred to the contracting parties on May 31, 2012. The BRA paid \$6,000 at closing and all remaining assets and liabilities have been removed from the books and records resulting in a loss on sale of operations of \$11,762.

**14. CENTRAL OFFICE REMEDIATION OBLIGATION**

In September 2012, the BRA identified mold contamination within its Central Office facility in Waco, Texas. It has been determined that the BRA has a remediation obligation in Fiscal Year 2012 under GASB 49, and an impairment loss occurring in Fiscal Year 2013 under GASB 42.

As of the end of Fiscal Year 2012, the estimated remediation obligation recorded was \$2,400. The amount of this liability was calculated from environmental consultants, architect, engineering, and construction contracts entered into subsequent to August 31, 2012; including some amount for cost contingency, but no amount for insurance recovery. In accordance with the provisions of GASB Statements 34 and 49, the estimated remediation expense was classified as a Special Item in the Statements of Revenues, Expenses and Changes in Net Position.

The first phase of the remediation project required the temporary relocation of the BRA staff for seventeen days in October 2012. The total remediation and rehabilitation project had an estimated cost of \$7,200 (including the \$2,400 mentioned above) as of August 31, 2012, and involves the identification and removal of damaged and/or contaminated material, the rebuilding of the interior and exterior walls, enhancements to the HVAC system, and site drainage improvements.

The Central Office building was constructed in 2001 at a total cost of \$5,523. The building had an expected useful life of forty years. The carrying amount of the building at August 31, 2012 was \$4,011. The estimated replacement cost of the building is \$9,823. In Fiscal Year 2013, the BRA recorded an impairment loss of \$1,756, which is the year of discovery of the damages to the structure which caused the unexpected decline in service utility and the initiation of repairs. As of August 31, 2013, the remediation project was essentially complete at a total cost of \$6,289 versus the original estimate of \$7,200.

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***Required  
Supplemental  
Information***

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

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

<b>Actuarial Valuation Date</b>	<b>Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Underfunded AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (c) *</b>	<b>UAAL as % of Covered Payroll (b-a)/(c) *</b>
March 1, 2011	\$ 20,343	\$ 23,968	\$ 3,625	85%	\$ 7,406	48.95
March 1, 2012	** \$ 19,776	\$ 27,231	\$ 7,455	73%	\$ 7,070	105.45
March 1, 2013	** \$ 19,332	\$ 27,640	\$ 8,308	70%	\$ 6,173	134.59

\*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.

\*\* During the Retirement Committee meeting on May 15, 2012 the Committee amended the Investment Policy of the Plan to change the targeted investment rate from 7.5% to 6.5% and the amortization method used from a closed thirty year period to a closed twenty year period.

**Brazos River Authority TCDRS:**

<b>Actuarial Valuation Date</b>	<b>Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Underfunded AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as % of Covered Payroll (b-a)/(c)</b>
December 31, 2010	\$ 6,469	\$ 8,304	\$ 1,835	77.90%	\$ 13,211	13.89
December 31, 2011	\$ 8,656	\$ 10,396	\$ 1,740	83.26%	\$ 13,232	13.15
December 31, 2012	\$ 10,905	\$ 12,418	\$ 1,512	87.82%	\$ 12,987	11.65

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.

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*Supplemental  
Information*

**BRAZOS RIVER AUTHORITY  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (AGENCY FUNDS)  
YEAR ENDED AUGUST 31, 2013 (in thousands)**

	<b>Balance August 31, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance August 31, 2013</b>
<b><u>Jonah Water SUD Agency Fund</u></b>				
<b>ASSETS</b>				
Cash	\$ 4,939	\$ 1,202	\$ (4,043)	\$ 2,098
Investments	832	5	(207)	630
<b>TOTAL ASSETS</b>	<b><u>\$ 5,771</u></b>	<b><u>\$ 1,207</u></b>	<b><u>\$ (4,250)</u></b>	<b><u>\$ 2,728</u></b>
<b>LIABILITIES</b>				
Held for future debt service	\$ 877	\$ 640	\$ (608)	\$ 909
Held for future construction cost	4,894	11	(3,086)	1,819
<b>TOTAL LIABILITIES</b>	<b><u>\$ 5,771</u></b>	<b><u>\$ 651</u></b>	<b><u>\$ (3,694)</u></b>	<b><u>\$ 2,728</u></b>

**BRAZOS RIVER AUTHORITY**  
**SUPPLEMENTAL INFORMATION**  
**COMPARISON OF BUDGETED REVENUES AND EXPENSES TO ACTUAL (NON-GAAP BASIS)**  
**YEAR ENDED AUGUST 31, 2013 (in thousands)**

	<b>2013 Budget</b>	<b>2013 Actual</b>	<b>Variance</b>	
<b>OPERATING REVENUES:</b>				
<b>Water Supply System:</b>				
Raw water sales	\$ 27,127	\$ 31,915	\$ 4,788	1
Treated water	1,612	1,588	(24)	
Wastewater treatment	3,426	3,585	159	
Lake operations	1,633	1,638	5	
Grants	824	800	(24)	
Other	460	867	407	
<b>Cost Reimbursable Operations:</b>				
Water conveyance	3,337	3,557	220	
Water treatment	1,009	994	(15)	
Wastewater treatment	9,395	7,892	(1,503)	2
<b>TOTAL OPERATING REVENUES</b>	<b>48,823</b>	<b>52,836</b>	<b>4,013</b>	
<b>OPERATING EXPENSES:</b>				
Personnel services	17,350	15,540	1,810	3
Materials and supplies	2,384	2,206	178	
Utilities	4,080	3,792	288	
Depreciation and amortization	-	9,343	(9,343)	4
Outside services	4,861	4,578	283	
Repair and maintenance	2,790	2,638	152	
Land fill & sludge hauling	2,142	2,355	(213)	
Purchased water	2,360	2,361	(1)	
Other	3,308	1,123	2,185	5
<b>TOTAL OPERATING EXPENSES</b>	<b>39,275</b>	<b>43,936</b>	<b>(4,661)</b>	
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment income	618	592	(26)	
Interest expense	(4,649)	(4,183)	466	
Other expenses	-	(1,165)	(1,165)	6
Gain on sale of capital assets	-	(547)	(547)	
Capital contributions	-	892	892	
Special item	-	-	-	
Debt service - principal	(3,103)	-	3,103	7
<b>TOTAL NET NON-OPERATING REVENUES</b>	<b>(7,134)</b>	<b>(4,411)</b>	<b>2,723</b>	
<b>CHANGE IN NET ASSETS</b>	<b>\$ 2,414</b>	<b>\$ 4,489</b>	<b>\$ 2,075</b>	

1 Higher than expected water sales

2 Cost savings on chemicals, utilities and capital outlay at wastewater facilities

3 Normal attrition in the replacement of personnel and salaries allocated to CIP

4 Depreciation and amortization are not budgeted expenditures

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

6 Budget column does not include the write off of four CIP projects that were removed from the projects list

7 Debt service principal payments are not GAAP expenditures

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# *Statistical Section*

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**BRAZOS RIVER AUTHORITY  
STATISTICAL SECTION**

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

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b> These schedules contain information to assist the reader in obtaining a better understanding of how the BRA's financial performance and well-being have changed over time.	82 - 84
<b>Revenue Capacity</b> These schedules contain information to assist the reader in obtaining a better understanding of the BRA's significant revenue sources, water sales and cost reimbursable operations.	85 - 89
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the BRA's current levels of outstanding debt, the BRA's ability to issue additional debt in the future, and to provide information to comply with the continuing disclosure requirements of SEC Rule 15c2-12.	90 - 93
<b>Demographic and Economic information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the BRA operates and the geographic regions the BRA manages, each with distinctive climate, topography and water needs.	94 - 101
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the BRA's financial report relates to the services the BRA provides and the activities it performs.	103 - 106

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

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

	Fiscal Year			
	2013	2012	2011	2010
<b>OPERATING REVENUES:</b>				
Water Supply System:				
Raw water	\$ 31,915	\$ 32,795	\$ 33,672	\$ 28,640
Treated water	1,588	2,019	1,623	1,571
Wastewater treatment	3,585	3,424	3,335	3,285
Lake operations	1,638	1,739	2,095	4,492
Hydroelectric	-	-	-	-
Grants	800	902	778	1,552
Pollution control financing fees	-	-	-	-
Other	867	1,149	1,103	927
Cost Reimbursable Operations:				
Water conveyance (a)	3,557	3,826	3,037	1,853
Water treatment	994	7,052	8,938	8,221
Wastewater treatment (b)	7,892	7,631	7,860	8,045
<b>TOTAL OPERATING REVENUES</b>	<b>52,836</b>	<b>60,537</b>	<b>62,441</b>	<b>58,586</b>
<b>OPERATING EXPENSES:</b>				
Personnel services	15,540	16,054	15,740	16,615
Materials and supplies	2,206	2,598	2,990	2,769
Utilities	3,792	4,267	4,981	4,506
Depreciation and amortization	9,343	8,837	9,376	9,789
Outside services	4,578	3,426	4,372	5,422
Repair and maintenance	2,638	3,175	2,655	2,122
Landfill and sludge hauling	2,355	3,251	2,529	2,289
Purchased water	2,361	2,360	2,291	2,156
Other	1,123	1,132	1,088	1,012
<b>TOTAL OPERATING EXPENSES</b>	<b>43,936</b>	<b>45,100</b>	<b>46,022</b>	<b>46,680</b>
<b>OPERATING INCOME</b>	<b>8,900</b>	<b>15,437</b>	<b>16,419</b>	<b>11,906</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment income	592	1,074	1,223	891
Interest expense	(4,183)	(5,801)	(7,166)	(7,341)
Other income (d)	-	-	-	-
Other expenses	(1,165)	(2,286)	(147)	(735)
Gain/(Loss) on sale of capital assets (a),(b),(c),(e),(f)	(547)	(11,724)	48,865	38
<b>TOTAL NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>(5,303)</b>	<b>(18,737)</b>	<b>42,775</b>	<b>(7,147)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; SPECIAL ITEMS:</b>	<b>3,597</b>	<b>(3,300)</b>	<b>59,194</b>	<b>4,759</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>892</b>	<b>1</b>	<b>636</b>	<b>1,203</b>
<b>SPECIAL ITEMS (g)</b>	<b>-</b>	<b>(2,400)</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 4,489</b>	<b>\$ (5,699)</b>	<b>\$ 59,830</b>	<b>\$ 5,962</b>

- (a) On July 14, 2005 a transfer agreement was signed by the City of Lubbock, Texas and the BRA to transfer ownership and operation of Lake Alan Henry to the City of Lubbock. As a result of this transaction, the BRA removed all related assets, liabilities and net position from its books resulting in a loss from sale of operations in the amount of \$9,425
- (b) During Fiscal Year 2004, the customer cities of WMARSS and the BRA 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.
- (c) During Fiscal Year 2006 a transfer agreement was signed by the City of Sugar Land, Texas and the BRA, to transfer ownership and operation of the City of Sugar Land Treatment Facilities. As a result of this transaction, the BRA removed all related assets, liabilities and net position from its books resulting in a loss from sale of operations in the amount of \$5,681
- (d) Proceeds from litigation settlement of capital assets
- (e) During Fiscal Year 2011, the BRA sold most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Land Partnership, Ltd.
- (f) During Fiscal Year 2012, the customer cities of SWATS and the BRA entered into negotiations for early termination of their contract. Negotiations were completed and the ownership/operation was transferred to the customers May 31, 2012 and all existing contracts, assets, and related debt were transferred to the SWATS customers.
- (g) Central office mold remediation expenses

	Restated					
	2009	2008	2007	2006	2005	2004
\$	29,529	\$ 26,093	\$ 23,010	\$ 19,460	\$ 18,653	\$ 18,044
	1,232	1,022	1,062	1,115	886	247
	3,012	2,989	2,572	2,301	1,021	836
	3,243	3,181	3,121	2,875	2,508	2,396
	514	631	603	677	750	625
	1,578	1,264	1,101	1,615	2,863	2,805
	-	-	-	750	-	933
	1,466	1,356	1,229	1,259	1,251	981
	3,235	2,346	2,247	1,801	5,954	6,058
	8,953	8,174	7,880	8,038	6,877	6,632
	7,733	7,827	7,321	7,186	7,520	9,914
	<u>60,495</u>	<u>54,883</u>	<u>50,146</u>	<u>47,077</u>	<u>48,283</u>	<u>49,471</u>
	16,355	15,271	14,744	14,670	14,195	15,009
	3,011	2,613	2,501	2,792	2,389	2,183
	5,121	4,836	4,545	4,355	3,087	3,800
	9,905	8,804	9,819	9,965	11,478	10,434
	4,525	4,993	4,959	4,551	7,358	6,715
	2,035	1,896	1,882	1,946	1,651	1,423
	2,140	2,355	2,030	1,995	513	1,113
	2,094	1,969	1,911	1,797	1,804	1,641
	1,048	805	832	939	1,017	1,104
	<u>46,234</u>	<u>43,542</u>	<u>43,223</u>	<u>43,010</u>	<u>43,492</u>	<u>43,422</u>
	14,261	11,341	6,923	4,067	4,791	6,049
	1,329	2,187	2,832	1,941	1,253	1,376
	(7,419)	(5,848)	(5,928)	(5,963)	(8,797)	(9,134)
	-	4,125	-	-	-	-
	(303)	(292)	(765)	(1,352)	(197)	(361)
	(107)	(391)	33	(5,674)	(9,418)	1,875
	<u>(6,500)</u>	<u>(219)</u>	<u>(3,828)</u>	<u>(11,048)</u>	<u>(17,159)</u>	<u>(6,244)</u>
	7,761	11,122	3,095	(6,981)	(12,368)	(195)
	1,035	661	1,933	1,126	4,177	2,871
	-	-	-	-	-	-
\$	<u>8,796</u>	<u>\$ 11,783</u>	<u>\$ 5,028</u>	<u>\$ (5,855)</u>	<u>\$ (8,191)</u>	<u>\$ 2,676</u>

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

<b>Fiscal Year</b>	<b>Invested in Capital Assets</b>	<b>Restricted</b>	<b>Unrestricted</b>	<b>Total Net Position</b>
8/31/2004	105,899	16,139	41,471	163,509
8/31/2005	115,103	12,116	29,404	156,623
8/31/2006	98,325	18,678	35,071	152,074
8/31/2007	98,880	22,634	36,907	158,421
8/31/2008	111,857	13,774	44,572	170,203
8/31/2009	135,152	6,149	37,698	178,999
8/31/2010	135,931	5,641	43,389	184,961
8/31/2011	145,039	9,393	90,359	244,791
8/31/2012	174,397	6,490	58,205	239,092
8/31/2013	181,529	9,627	52,425	243,581

- During Fiscal Year 2004, the customer cities of WMARSS and the BRA 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.
- During Fiscal Year 2006, the customer, City of Sugar Land, and the BRA entered into negotiations for early termination of their contract. Negotiations were completed and the ownership/operation was transferred to the City of Sugar Land on October 25, 2005 and all existing contracts, assets and related debt were transferred to the City of Sugar Land.
- During Fiscal Year 2008, the BRA spent the majority of the bond proceeds and completed the expansion project at its East Williamson County Regional Water System.
- During Fiscal Year 2009, the BRA issued \$22,000 in new debt for the construction of the deep water intake structure on Granger Lake.
- During Fiscal Year 2011, the BRA sold most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Land Partnership, Ltd.
- During Fiscal Year 2012, the BRA disposed of all assets and liabilities related to the SWATS operation as a result of the transfer agreement with the contracting parties of the SWATS operation. In addition, during the Fiscal Year 2012, the BRA redeemed the Series 2002 Water Supply bonds, the Series 2005A Water Supply bonds, and the Contracts Payable for the Aquilla Reservoir storage space.

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

Year	System Rate			Agriculture			Two-Tier			Other Fixed			Colorado Basin			Utilities			Total	
	Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre	Feet
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	11,344	39.75	15.94	105,503	15.94	56,916	20.86	22,460	53.91	205,447	16.57	607,854					
2006	205,817	49.65	11,344	11,344	39.75	16.30	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	9,940	39.75	16.36	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	9,990	39.75	16.59	103,838	16.59	33,583	17.52	21,528	67.73	205,447	18.18	617,867					
2009	289,414	57.00	9,990	9,990	39.75	16.51	100,238	16.51	33,583	17.71	25,000	72.86	205,447	16.10	663,672					
2010	294,741	60.50	10,190	10,190	42.35	16.54	100,238	16.54	33,633	17.87	21,528	74.19	205,447	16.42	665,777					
2011	296,773	62.50	10,190	10,190	43.75	16.54	100,238	16.54	33,633	18.14	25,000	83.07	205,447	16.10	671,281					
2012	296,891	62.50	10,160	10,160	43.75	16.72	100,238	16.72	33,583	18.30	21,528	81.49	205,447	15.46	667,847					
2013	296,546	62.50	10,160	10,160	43.75	16.72	100,238	16.72	33,878	18.36	21,528	81.19	205,447	18.36	667,797					

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  
MAJOR CUSTOMERS  
ALL OPERATIONS  
LAST TEN FISCAL YEARS (unaudited) (in thousands)**

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

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

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

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

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 (3)	16.64
Johnson County S.U.D.*	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 (4)	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
	<b>\$ 29,436</b>	<b>60.96</b>	City of Round Rock	2,339	4.73
				<b>\$ 38,285</b>	<b>77.39</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

- (1) The increase is due to higher demand for water during the record drought
- (2) The decrease is due to LCRA selling back operations to the contracting parties
- (3) Increase due to the collection of the final balloon payment on debt service
- (4) Decrease due to the transfer agreement and subsequent sale of the operational unit.

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

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

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

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

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

<b>Fiscal Year 2009</b>		
<b>Customer</b>	<b>Revenues</b>	<b>% of Total WSS Revenues</b>
City of Georgetown	\$ 3,276	8.06
Gulf Coast Water Authority	3,266	8.04
City of Round Rock	2,975	7.32
NRG Texas Power, LLC*	2,525	6.22
City of Sugar Land	1,846	4.54
Dow Chemical Company	1,810	4.46
Bell County W.C.I.D. #1	1,727	4.25
TXU Electric Company	1,404	3.46
Brazos Electric Power Cooperative	1,075	2.65
City of Taylor	1,010	2.49
	<b>\$ 20,914</b> (1)	<b>51.49</b>

<b>Fiscal Year 2008</b>		
<b>Customer</b>	<b>Revenues</b>	<b>% of Total WSS Revenues</b>
City of Round Rock	\$ 2,777	7.60
NRG Texas Power, LLC*	2,187	5.99
Gulf Coast Water Authority	1,789	4.90
City of Georgetown	1,753	4.80
Bell County W.C.I.D. #1	1,692	4.63
City of Sugar Land	1,623	4.44
City of Taylor	1,094	2.99
TXU Electric Company	788	2.16
Johnson County S.U.D.	734	2.01
City of Cleburne	681	1.86
	<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
	<u>\$ 15,049</u>	<u>46.03</u>		<u>\$ 13,841</u>	<u>46.06</u>

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 (2)	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 Company	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
	<u>\$ 13,687</u>	<u>49.01</u>		<u>\$ 17,897</u>	<u>66.61</u>

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

- (1) The increase is due to higher demand for water during the record drought  
(2) Increase due to the collection of the final balloon payment on debt service

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 2005B, SERIES 2006  
AND SERIES 2009 (in thousands)  
AMORTIZATION SCHEDULE (unaudited)**

Fiscal Year Ended August 31	Series 2005B		Subordinate Lien Series 2006		Series 2009		Outstanding Bonds		Total Debt Service Requirements	% Of Principal Retired
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		
2014	390	403	-	776	1,060	342	1,450	1,522	2,972	
2015	405	386	535	766	1,065	339	2,005	1,491	3,496	
2016	425	369	560	744	1,070	333	2,055	1,446	3,501	
2017	445	349	580	721	1,075	325	2,100	1,395	3,495	
2018	465	329	605	697	1,085	315	2,155	1,341	3,496	21.44
2019	485	308	630	673	1,100	301	2,215	1,282	3,497	
2020	505	285	655	646	1,115	285	2,275	1,216	3,491	
2021	530	262	685	618	1,135	264	2,350	1,144	3,494	
2022	555	237	715	589	1,160	241	2,430	1,067	3,497	
2023	580	211	745	557	1,185	215	2,510	983	3,493	47.30
2024	610	183	780	524	1,215	187	2,605	894	3,499	
2025	640	153	815	489	1,245	157	2,700	799	3,499	
2026	670	123	850	453	1,275	125	2,795	701	3,496	
2027	705	90	890	414	1,310	92	2,905	596	3,501	
2028	740	55	930	373	1,345	56	3,015	484	3,499	78.08
2029	775	19	975	331	1,380	19	3,130	369	3,499	
2030			1,015	286			1,015	286	1,301	
2031			1,065	239			1,065	239	1,304	
2032			1,115	190			1,115	190	1,305	
2033			1,165	139			1,165	139	1,304	94.52
2034			1,220	85			1,220	85	1,305	
2035			1,275	29			1,275	29	1,304	100.00
TOTAL	\$ 8,925	3,762	\$ 17,805	\$ 10,339	\$ 18,820	\$ 3,598	\$ 45,550	\$ 17,700	\$ 63,251	

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 2005B, SERIES 2006 AND SERIES 2009  
COVERAGE AND ACCOUNT BALANCES  
AUGUST 31, 2013 (unaudited) (in thousands)**

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Average Annual Principal and Interest Requirements, 2014 - 2035	\$ 2,875
Coverage of Average Requirements by August 31, 2013 Net Revenues*	4.93
Maximum Principal and Interest Requirements, 2027	3,501
Coverage of Maximum Requirements by August 31, 2013 Net Revenues*	3.90
System Revenue Bonds Outstanding, August 31, 2013	45,550
Interest and Sinking Account Balance, August 31, 2013	729 <sup>1</sup>
Reserve Account Balance, August 31, 2013 (Series 2009)	\$1,430 <sup>2</sup>

\*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 in equal monthly installments sufficient to make the next debt service payment when due.

<sup>2</sup> In lieu of a Reserve Fund, Surety Bonds were purchased from Municipal Bond Insurance Association Insurance Corporation for the Series 2005B and Series 2006. At August 31, 2013 all reserve account balances met all coverage requirements.

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

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**BRAZOS RIVER AUTHORITY**  
**WATER SUPPLY SYSTEM**  
**CONDENSED SUMMARY OF OPERATING RESULTS**  
**(CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS)**  
**AUGUST 31, 2013 (unaudited) (in thousands)**

	Fiscal Year Ended August 31				
	2013	2012	2011	2010	2009
Gross Revenues:					
Raw water	\$ 30,955	\$ 31,835	\$ 32,712	\$ 27,680	\$ 28,619
Treated water	1,588	2,019	1,623	1,571	1,232
Wastewater treatment	3,585	3,424	3,335	3,285	3,012
Power sales	-	-	-	-	514
Lease income	1,638	1,739	2,095	4,476	3,226
Other	518	831	779	655	1,225
Interest	573	1,032	1,173	822	1,258
Grants	800	902	778	1,552	1,578
Less: Existing debt service (1)	-	(1,042)	(1,027)	(1,027)	(1,025)
<b>TOTAL GROSS REVENUES</b>	<b><u>\$ 39,657</u></b>	<b><u>\$ 40,740</u></b>	<b><u>\$ 41,468</u></b>	<b><u>\$ 39,014</u></b>	<b><u>\$ 39,639</u></b>
Operation & Maintenance Expenses:					
Personnel services	\$ 12,969	\$ 12,676	\$ 12,110	\$ 12,919	\$ 12,737
Materials, supplies & services	1,417	1,427	1,346	1,285	1,467
Utilities	922	877	1,060	1,033	1,057
Outside services	3,937	2,798	3,666	4,549	3,686
Other	6,332	5,333	5,151	4,650	4,708
Other non-operating	32	55	95	44	379
Program and project expenditures	232	730	193	1,432	-
Other debt service (2)	2,232	2,650	2,728	2,670	2,607
<b>TOTAL OPERATION &amp; MAINTENANCE</b>	<b><u>\$ 28,073</u></b>	<b><u>\$ 26,546</u></b>	<b><u>\$ 26,349</u></b>	<b><u>\$ 28,582</u></b>	<b><u>\$ 26,641</u></b>
<b>NET REVENUES AVAILABLE TO PAY DEBT SERVICE</b>	<b><u>\$ 11,584</u></b>	<b><u>\$ 14,194</u></b>	<b><u>\$ 15,119</u></b>	<b><u>\$ 10,432</u></b>	<b><u>\$ 12,998</u></b>
<b>DEBT SERVICE WATER SUPPLY SYSTEM BONDS</b>	<b><u>\$ 2,974</u></b>	<b><u>\$ 4,522</u></b>	<b><u>\$ 5,608</u></b>	<b><u>\$ 4,210</u></b>	<b><u>\$ 3,603</u></b>
<b>COVERAGE PERCENTAGE</b>	<b>3.90</b>	<b>3.14</b>	<b>2.70</b>	<b>2.48</b>	<b>3.61</b>

(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 - 2012 (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

**POSSUM KINGDOM ELECTRIC POWER GENERATION AND LAKE ELEVATIONS  
CALENDAR YEARS 1942 - 2012 (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	06/27	999.34	04/30	997.37
2008	-	-	998.39	04/25	999.23	09/08	996.48
2009	-	-	997.54	01/03	997.60	12/20	996.48
2010	-	-	994.90	01/09	999.48	05/03	994.78
2011	-	-	998.57	02/01	998.72	10/08	988.29
2012	-	-	989.08	03/26	994.97	01/03	988.97

**BRAZOS RIVER AUTHORITY  
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
AUGUST 31, 2013 (unaudited)**

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**BRA was 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:** 1,800,000 (TWDB)  
**Area of District:** 42,800 square miles  
**Brazos River**  
Total river miles: 840 miles  
Average discharge: 6,000,000 acre feet

**Average annual rainfall in the Basin ranges from:**  
West - 16 inches  
Southeast - 47 inches

**Number of employees:** 255 Full-time, 23 Part-time

**Offices:**

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

**BRAZOS RIVER AUTHORITY  
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
AUGUST 31, 2013 (unaudited)**

<b>Brazos River Authority Operating Statistics:</b> (water/wastewater treated in thousands of gallons)	<b>Years Ended August 31</b>	
	<b>2013</b>	<b>2012</b>
Temple-Belton Regional Sewerage System	2,187,500	2,316,922
Sugar Land Regional Sewerage System	3,253,092	2,973,838
Lake Granbury Surface Water and Treatment System	-----	930,898 *
Brushy Creek Regional Wastewater System	4,278,420	5,670,133
Hutto Wastewater System	348,541	359,131
Clute/Richwood Regional Sewerage System	525,605	672,570
Sandy Creek Regional Water Treatment Plant	962,445	1,273,238
Lee County Fresh Water District #1	9,439 **	13,074
City of Georgetown Wastewater Treatment Plant	1,301,527	1,479,058
East Williamson County Water Treatment System	1,137,680	1,103,736
Liberty Hill Water Treatment System	58,060	45,351

\* Flow information through May 2012  
\*\* Flow information through May 2013

<b>Brazos River Authority Dams and Reservoirs:</b>	
<b>Possum Kingdom</b>	(TWDB Survey January 2005)
Capacity - 540,340 acre-feet	
Surface Area - 16,716 acres	
Elevation - 1,000.0 ft-msl	
<b>Limestone</b>	(TWDB Survey April 2002)
Capacity - 208,017 acre-feet	
Surface Area - 12,553 acres	
Elevation - 363.0 ft-msl	
<b>Granbury</b>	(TWDB Survey July 2003)
Capacity - 129,011 acre-feet	
Surface Area - 7,945 acres	
Elevation - 693.0 ft-msl	

**BRAZOS RIVER AUTHORITY  
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
AUGUST 31, 2013 (unaudited)**

<b>U. S. Army Corps of Engineers Dams and Reservoirs</b>		
<b>Aquilla</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	43,319 acre-feet	86,700 acre-feet
Surface Area	3,020 acres	7,000 acres
Elevation	537.5 ft-msl	556.0 ft-msl
		TWDB Survey April 2002
<b>Belton</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	435,225 acre-feet	640,000 acre-feet
Surface Area	12,135 acres	23,620 acres
Elevation	594.0 ft-msl	631.0 ft-msl
		TWDB Survey May 2003
<b>Granger</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	52,525 acre-feet	162,200 acre-feet
Surface Area	4,064 acres	11,040 acres
Elevation	504.0 ft-msl	528.0 ft-msl
		TWDB Survey April 2002
<b>Georgetown</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	36,904 acre-feet	87,600 acre-feet
Surface Area	1,287 acres	3,220 acres
Elevation	791.0 ft-msl	834.0 ft-msl
		TWDB Survey May 2005
<b>Proctor</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	55,457 acre-feet	341,500 acre-feet
Surface Area	4,537 acres	14,010 acres
Elevation	1,162.0 ft-msl	1,197.0 ft-msl
		TWDB Survey July 2005
<b>Somerville</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	147,104 acre-feet	337,700 acre-feet
Surface Area	11,555 acres	24,400 acres
Elevation	238.0 ft-msl	258.0 ft-msl
		TWDB Survey July 2003
<b>Stillhouse Hollow</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	227,825 acre-feet	390,600 acre-feet
Surface Area	6,484 acres	11,830 acres
Elevation	622.0 ft-msl	666.0 ft-msl
		TWDB Survey May 2005
<b>Waco</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	199,227 acre-feet	553,300 acre-feet
Surface Area	8,437 acres	19,440 acres
Elevation	462.0 ft-msl	500.0 ft-msl
		TWDB Survey March 1995
<b>Whitney</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	554,203 acre-feet	1,372,400 acre-feet
Surface Area	23,220 acres	49,820 acres
Elevation	533.0 ft-msl	571.0 ft-msl
		TWDB Survey June 2005

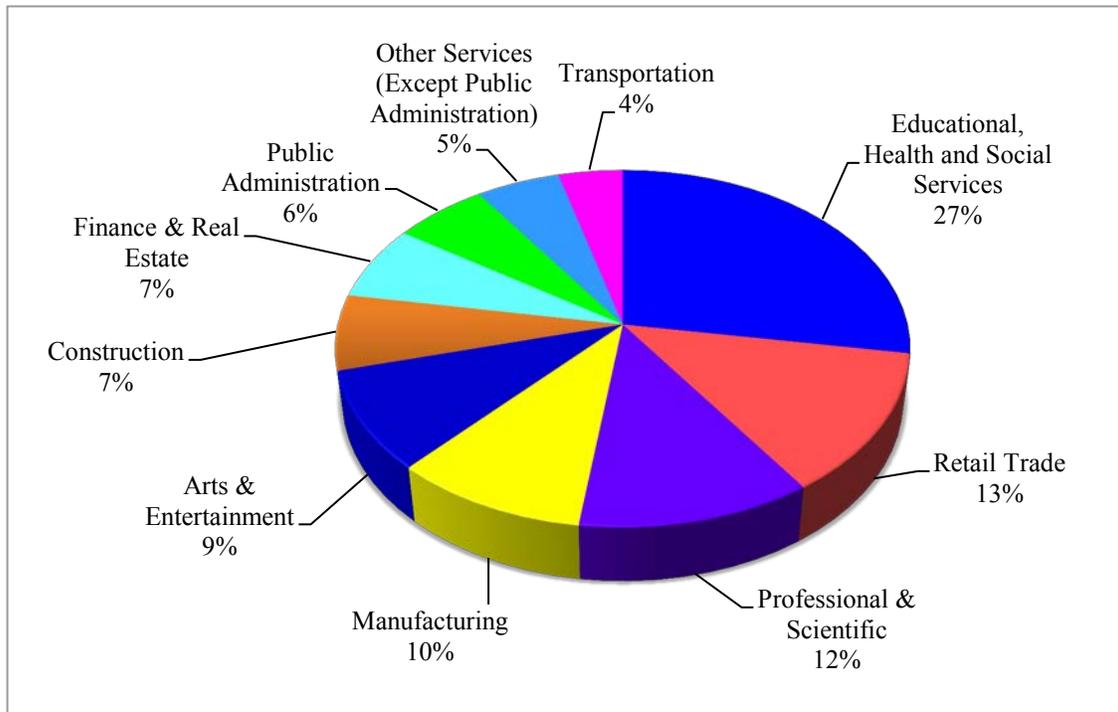
Source: Brazos River Authority Water Services Department

**BRAZOS RIVER AUTHORITY  
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
AUGUST 31, 2013 (unaudited)**

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**Brazos Basin Geographic Area  
Ten Largest Industries**

Industry	Number of Entities in Category
Educational, Health and Social Services	279,093
Retail Trade	130,391
Professional & Scientific	118,291
Manufacturing	98,201
Arts & Entertainment	91,482
Construction	69,137
Finance & Real Estate	68,356
Public Administration	61,043
Other Services (Except Public Administration)	54,248
Transportation	41,842



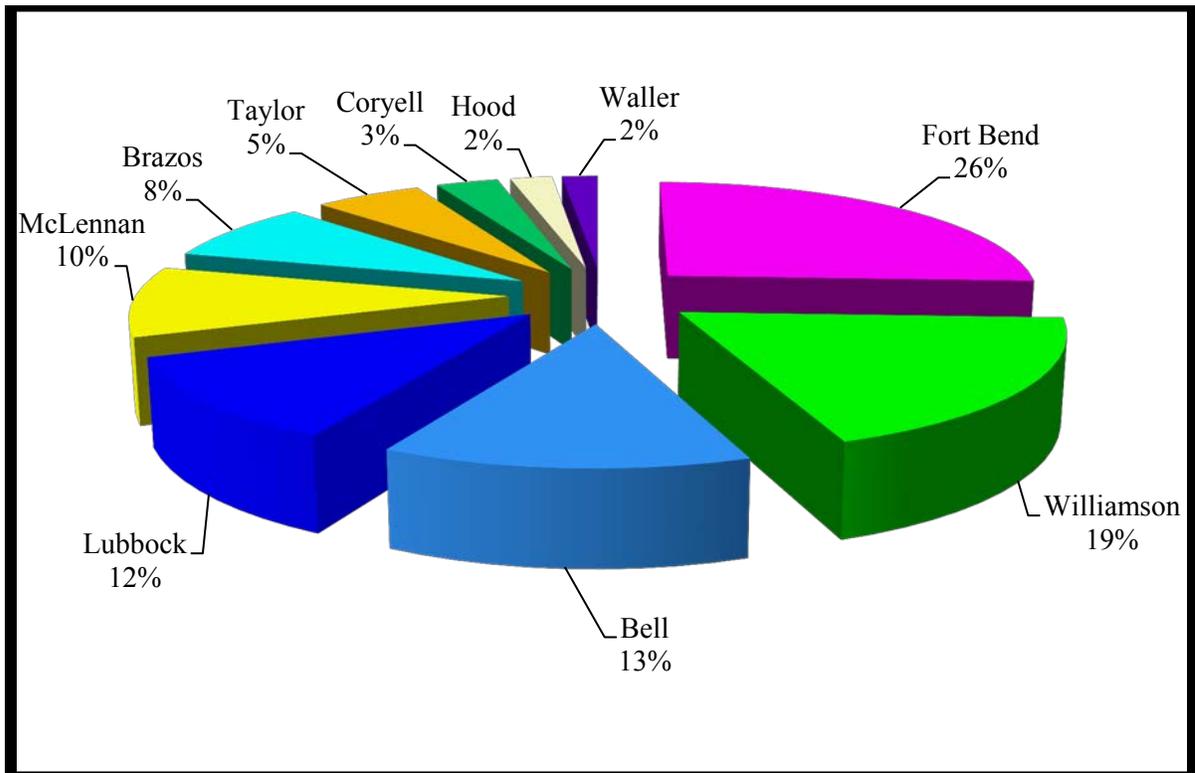
Source: U.S. Census Bureau, Census 2010

**BRAZOS RIVER AUTHORITY  
 MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
 AUGUST 31, 2013 (unaudited)**

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

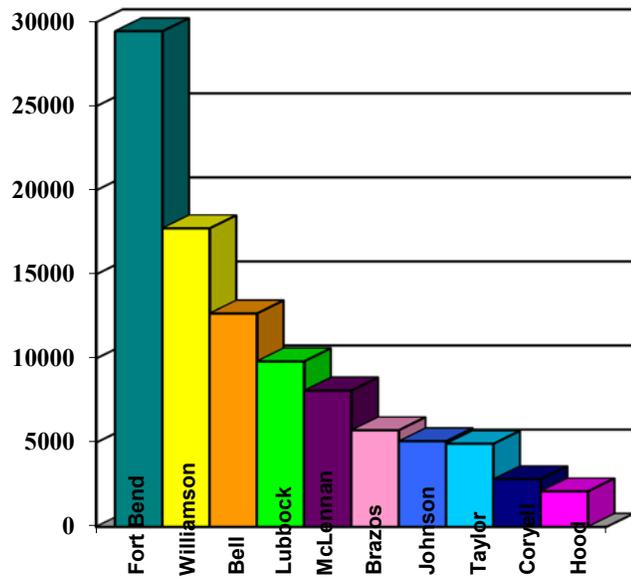
County	Population
Fort Bend	627,293
Williamson	456,232
Bell	323,037
Lubbock	285,760
McLennan	238,707
Brazos	200,665
Taylor	133,473
Coryell	77,231
Hood	52,044
Waller	44,357



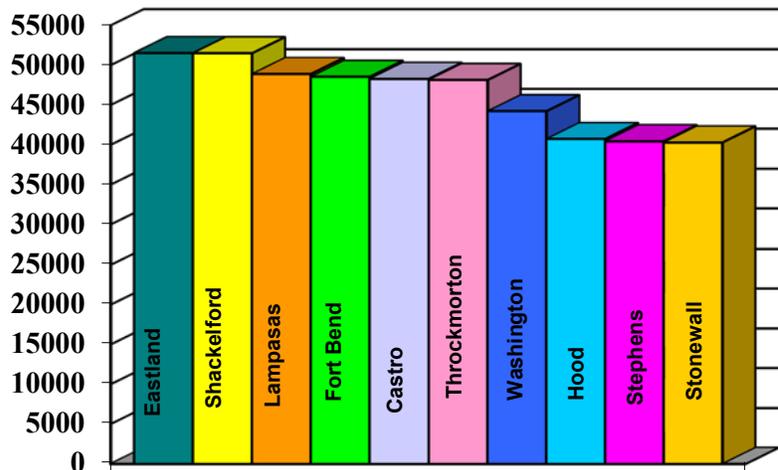
**Source:** U.S. Census Bureau, Annual Estimate of the Resident Population as of July 1, 2012

**BRAZOS RIVER AUTHORITY  
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
AUGUST 31, 2013 (unaudited)**

<b>County (Top Ten)</b>	<b>Total Personal Income (in millions)</b>
Fort Bend	29,465
Williamson	17,741
Bell	12,678
Lubbock	9,836
McLennan	8,098
Brazos	5,740
Johnson	5,081
Taylor	4,929
Coryell	2,826
Hood	2,105



<b>County (Top Ten)</b>	<b>Total Per Capita Income (in thousands)</b>
Eastland	51,520
Shackelford	51,496
Lampasas	48,898
Fort Bend	48,545
Castro	48,285
Throckmorton	48,144
Washington	44,229
Hood	40,740
Stephens	40,449
Stonewall	40,298



Source: Bureau of Economic Analysis, Updated November 2012

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**BRAZOS RIVER AUTHORITY**  
**SCHEDULE OF CAPITAL ASSETS - NET ADDITIONS/(DELETIONS) BY OPERATIONS**  
**AUGUST 31, 2013 (unaudited) (in thousands)**  
 (accrual basis of accounting)

Year	Last Ten Fiscal Years													Total
	Water Supply	Lake Alan Henry	WMARSS	SLRSS	SWATS	WCRRWL	TBRSS	BCRWS	Hutto	Sandy Creek	Clute-Richwood	Dime Box		
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)	1	(11)	(27,460)	
2006	1,487	-	-	(14,383)	(277)	1,433	5	43	-	-	-	-	(11,692)	
2007	1,140	-	-	-	1,625	8	94	(16)	5	-	-	-	2,856	
2008	32,962	-	-	-	362	-	(13)	25	-	-	16	-	33,352	
2009	11,895	-	-	-	8,454	-	124	33	7	-	1	-	20,514	
2010	1,452	-	-	-	196	-	26	22	-	38	-	-	1,734	
2011	(1,504)	-	-	-	272	6,693	13	(287)	(18)	(15)	(152)	-	5,002	
2012	(3,547)	-	-	-	(28,126)	(1,101)	307	(8)	-	(8)	(3)	-	(32,486)	
2013	28,901	-	-	-	-	1,040	383	(43)	-	2	-	-	30,283	
	\$ 79,282	\$ (64,569)	\$ (60,375)	\$ (12,010)	\$ (16,951)	\$ 43,686	\$ 848	\$ (264)	\$ (3)	\$ 11	\$ (119)	\$ (11)	\$ (30,475)	

**BRAZOS RIVER AUTHORITY**  
**SCHEDULE OF CAPITAL ASSETS - NET ADDITIONS/(DELETIONS) BY CLASSIFICATION**  
**AUGUST 31, 2013 (unaudited) (in thousands)**  
 (accrual basis of accounting)

	Last Ten Fiscal Years										Total	
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		
Land, storage and water rights	\$ (228)	\$ 396	\$ 350	\$ 591	\$ -	\$ -	\$ -	\$ -	\$ (73)	\$ (630)	\$ (550)	\$ (144)
Reservoirs, water treatment and sewerage facilities	(48,770)	(63,005)	(13,999)	-	7,835	1,911	-	6,652	(18,490)	4,532	\$ (123,334)	
Building, structures and improvements	(3,708)	36,225	1,432	1,693	24,450	17,386	1,150	(278)	(12,594)	24,490	\$ 90,246	
Vehicles, furniture and equipment	128	(1,076)	525	572	1,067	1,217	584	(1,299)	(772)	1,811	\$ 2,757	
Total	\$ (52,578)	\$ (27,460)	\$ (11,692)	\$ 2,856	\$ 33,352	\$ 20,514	\$ 1,734	\$ 5,002	\$ (32,486)	\$ 30,283	\$ (30,475)	

Source: Fixed Asset general ledger accounts and previous CAFRs.

**BRAZOS RIVER AUTHORITY  
SCHEDULE OF INSURANCE  
AS OF AUGUST 31, 2013 (unaudited)**

<b>Policy</b>	<b>Name of Company</b>	<b>Policy Number</b>	<b>Summary of Coverage</b>	<b>Limits of Liability</b>	<b>Coverage Period</b>
Aircraft Liability	Texas Municipal League	1970-11	Non-owned Aircraft Liability Deductible - None	\$10,000,000 each occurrence	10/1/2012 10/1/2013
Airport Liability	Texas Municipal League	1970-11	Airport Liability Premises (BI&PD) Airport Liability Premises (PI&AI) Products & Completed Operations Max. of all Coverages Combined Deductible - None	\$10,000,000 \$10,000,000 \$10,000,000 \$10,000,000	10/1/2012 10/1/2013
Automobile Liability & Physical Damage	Texas Municipal League	1970-11	Automobile Liability Uninsured Motorist Collision Comprehensive Deductible - None Hired Auto Comp/Coll Deductible: \$ 250/Scheduled Vehicles	\$5,000,000 \$1,000,000 Actual Cash Value Actual Cash Value Actual Cash Value	10/1/2012 10/1/2013
Commercial Crime	Texas Municipal League	1970-11	Public Employee Dishonesty Forgery or Alteration Computer Fraud Deductible: \$10,000 Theft, Disappearance & Destruction Deductible - None	\$2,000,000 \$1,000,000 \$1,000,000 \$10,000 \$10,000	10/1/2012 10/1/2013
Fiduciary and Employee Benefits	Wells Fargo Ins. Services/ Federal Insurance Co.	82095688	Annual Aggregate Per Occurrence Deductible: \$10,000	\$5,000,000 \$5,000,000	10/1/2011 12/31/2012
Fiduciary and Employee Benefits	Wells Fargo Ins. Services/ Federal Insurance Co.	82095688	Annual Aggregate Per Occurrence Deductible: \$10,000	\$5,000,000 \$5,000,000	12/31/2012 12/31/2013
General Liability	Texas Municipal League	1970-11	General Aggregate Products/Completed Operation Each Occurrence (BI, PI, AI) Fire Damage Deductible - None	\$5,000,000 \$5,000,000 \$5,000,000 \$5,000,000	10/1/2012 10/1/2013
Marine and Hull/ Mobile Equipment	Texas Municipal League	1970-11	Coverage for Boats, Motors and Mobile Equipment Deductible: \$10,000	\$6,375,278	10/1/2012 10/1/2013
Law Enforcement Liability	Texas Municipal League	1970-11	Each Occurrence Annual Aggregate Deductible: \$2,500	\$5,000,000 \$10,000,000	10/1/2012 10/1/2013

**BRAZOS RIVER AUTHORITY  
SCHEDULE OF INSURANCE  
AS OF AUGUST 31, 2013 (unaudited)**

<b>Policy</b>	<b>Name of Company</b>	<b>Policy Number</b>	<b>Summary of Coverage</b>	<b>Limits of Liability</b>	<b>Coverage Period</b>
Property/Boiler & Machinery	Texas Municipal League	1970-11	Blanket Real & Personal Property, EDP, & Boiler & Machinery Deductible: \$50,000 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	\$130,891,075  \$10,000,000 \$25,000,000 \$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000 Blanket Limit Blanket Limit Blanket Limit Blanket Limit \$20,000 \$10,000,000	10/1/2012 10/1/2013
Public Officials and Employees Practices Liability	Texas Municipal League	1970-11	Each Wrongful Act Annual Aggregate Deductible: \$25,000	\$5,000,000 \$10,000,000	10/1/2012 10/1/2013
Public Officials Bond	Insurors of Texas	CMB-06-0005836	Treasurer's Bond Deductible - None	\$100,000	4/18/2013 4/18/2014
Public Officials Bond	Insurors of Texas	71252612	Board of Director's Bond Deductible - None	\$105,000	5/10/2013 5/10/2014
Peace Officer Bond	Insurors of Texas	46BSBAE6365	Peace Officer Bond Deductible - None	\$15,000	2/1/2013 2/1/2014
Travel Accident	Insurors of Texas/ Hartford Life	ETB-4333	Aggregate for Hazard Excludes Personal Aircraft Deductible - None	\$5,000,000	11/1/2012 11/1/2013
Workers' Compensation	Texas Municipal League	1970	Self-insured for first 50,000 per occurrence	Aggregate Deduct \$150,000	10/1/2012 10/1/2013
Reinsurance	Texas Municipal League HM Life Insurance	402823-B	Medical expense claims self-insured for first 80,000 per employee	Minimum Attachment Point Benefit \$1,933,774	1/1/2012
Reinsurance	Texas Municipal League HM Life Insurance	402823-C	Medical expense claims self-insured for first 80,000 per employee	Minimum Attachment Point Benefit \$2,321,080	1/1/2013

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

Full-Time Equivalent Employees Per Annual Operating Plan										
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Upper Basin</b>										
Management	4	4	4	4	4	4	4	5	5	5
Lake Alan Henry	0	0	0	0	0	0	0	2	2	1
Possum Kingdom	51	51	53	54	57	57	60	58	55	56
SWATS (a)	0	18	18	18	17	15	15	15	15	15
Lake Granbury	15	14	12	12	12	12	10	10	9	9
<b>Central Basin</b>										
Management & Lab	24	25	23	21	23	20	19	14	12	5
WMARSS (a)	0	0	0	0	0	0	0	0	0	25
Temple-Belton RSS	10	10	10	11	10	10	10	10	10	15
Brushy Creek RWS	17	17	17	17	16	13	13	13	11	12
Georgetown WWTP	8	8	8	9	8	7	7	7	7	0
Sandy Creek WTP	5	5	5	5	6	6	4	4	3	3
Hutto WWS	0	0	0	0	0	1	1	1	0	0
East Williamson RWS	6	5	5	5	5	4	3	3	3	0
<b>Lower Basin</b>										
Management	0	0	4	4	4	4	4	4	5	5
Lake Limestone	9	9	9	9	9	9	9	9	9	8
SLRSS	10	10	10	11	11	11	11	12	11	12
Clute	4	4	4	4	4	4	4	4	4	4
Liberty Hill	1	1	1	1	1	1	0	0	0	0
<b>Central Office</b>										
General Administration	3	4	4	4	4	4	4	4	3	3
Legal Services	4	4	4	4	4	4	4	3	3	4
Financial Services	17	17	17	17	17	17	17	17	16	15
Human Resources	4	4	4	4	4	4	4	4	4	4
Gov. Cus. Relations	7	7	7	7	7	6	6	5	6	6
Information Technology	13	12	12	12	12	12	11	10	10	10
Planning & Development	1	1	1	1	1	1	2	2	2	3
Strategic Planning	2	2	2	2	3	2	1	4	4	5
Technical Analysis	0	0	0	0	0	0	0	1	2	0
Technical Services	40	40	42	37	40	37	35	33	35	35
	<u>255</u>	<u>272</u>	<u>276</u>	<u>273</u>	<u>279</u>	<u>265</u>	<u>258</u>	<u>254</u>	<u>246</u>	<u>260</u>

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

Source: Brazos River Authority Annual Operating Plan

***Independent Auditor's Report  
In Accordance With  
Government Auditing Standards***

Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards*

The Board of Directors  
Brazos River Authority  
Waco, Texas

We have audited, 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, the financial statements of the business-type activities and the aggregate remaining fund information of Brazos River Authority (the "BRA") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the BRA's basic financial statements, and have issued our report thereon dated December 13, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the BRA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the BRA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the BRA's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**SAN ANTONIO**

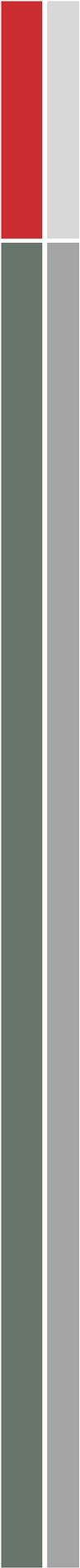
100 N.E. LOOP 410, SUITE 1100  
SAN ANTONIO, TEXAS 78216  
210 828 6281

**AUSTIN**

811 BARTON SPRINGS ROAD, SUITE 550  
AUSTIN, TEXAS 78704  
512 476 0717

TOLL FREE: 800 879 4966

WEB: PADGETT-CPA.COM



***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the BRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and the Public Funds Investment Act, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Public Funds Investment Act.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BRA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Certified Public Accountants  
Austin, Texas  
December 13, 2013

## **Back Cover**

**McLennan County** was established by the Texas Legislature on January 22, 1850. It was named for Neil McLennan, one of the early settlers. The County government was organized in August 1850 with Waco as its county seat.

McLennan County has had four courthouses. The first in 1850, was a two story log building. In 1856, a larger courthouse was needed and a brick building was constructed. Because of problems with the structure including two fatalities due to faulty second floor doors, a third courthouse and jail was built in the 1877 and designed by architect, Wesley Clark Dodson..

By 1900, a larger courthouse was needed. Dodson recommended the County accept James Riely Gordon's plans. The plans were originally for the state capitol building in Mississippi but were not used and he adapted them for the McLennan County courthouse. Gordon also designed Waco's first Cotton Palace pavilion. The construction was awarded to Tom Lovell of Denton, Texas. The building was finished in 1902. The Beaux Arts classical architecture has a dome topped with Themis, the Greek symbol of Justice and a flock of eagles spaced around the base of the dome. The main entrance corners are topped with Justitia, Liberty and an eagle. It was built at the cost of \$210,000. It has Georgia marble inside, Texas pink granite and limestone outside and stained-glass skylights in the rotunda. A \$2.6 million restoration to the courthouse roof was completed in the Spring of 2013.

Photo courtesy of Terry Jeanson



**Brazos River Authority**

**4600 Cobbs Drive**

**Waco, TX 76710**

**254.761.3100**

**[www.brazos.org](http://www.brazos.org)**

**(See page 110 for photo credit and narrative)**