

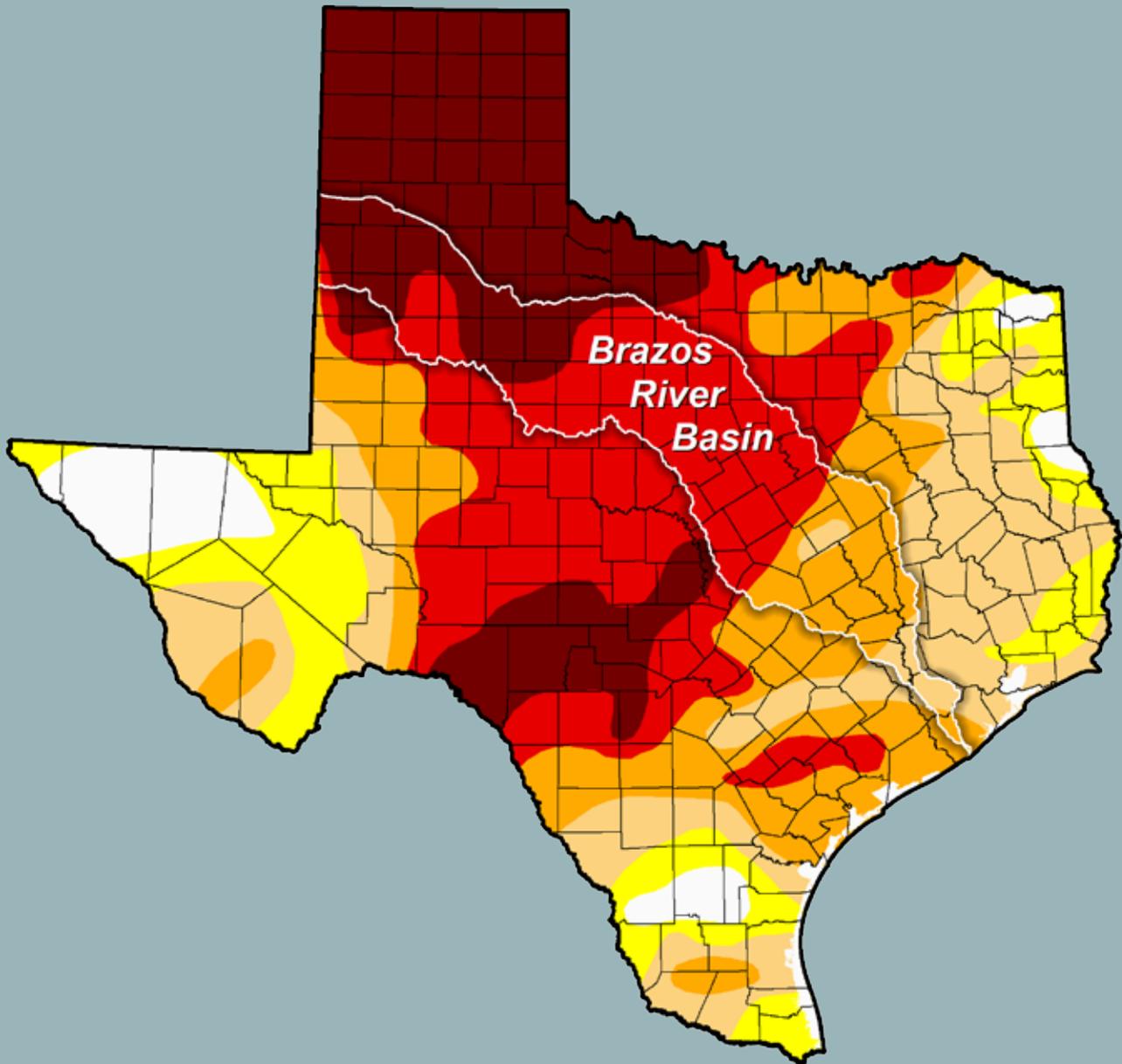
*Brazos
River
Authority*



*Comprehensive Annual Financial Report
For Periods Ended August 31, 2014 and 2013
Waco, Texas*

The Brazos River Authority

An Agency of the State of Texas



Comprehensive Annual Financial Report
For the Fiscal Years Ended August 31, 2014 and 2013
Prepared by the Finance and Administration Department

**BRAZOS RIVER AUTHORITY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEARS ENDED AUGUST 31, 2014 AND 2013**

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STATE OF TEXAS
OFFICE OF THE GOVERNOR

RICK PERRY
GOVERNOR

October 25, 2014

The Honorable Nandita Berry
Secretary of State
State Capitol Room 1E.8
Austin, Texas 78701

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
3pm O'CLOCK

OCT 25 2014
NANDITA BERRY
Secretary of State

Dear Madam Secretary:

Pursuant to his powers as Governor of the State of Texas, Rick Perry has issued the following proclamation:

A proclamation renewing the certification that exceptional drought conditions pose a threat of imminent disaster in a specified number of counties in the State of Texas.

The original proclamation is attached to this letter of transmittal.

Respectfully submitted,

A handwritten signature in blue ink that reads "G Davidson".

Gregory S. Davidson
Executive Clerk to the Governor

GSD/gsd

Attachment

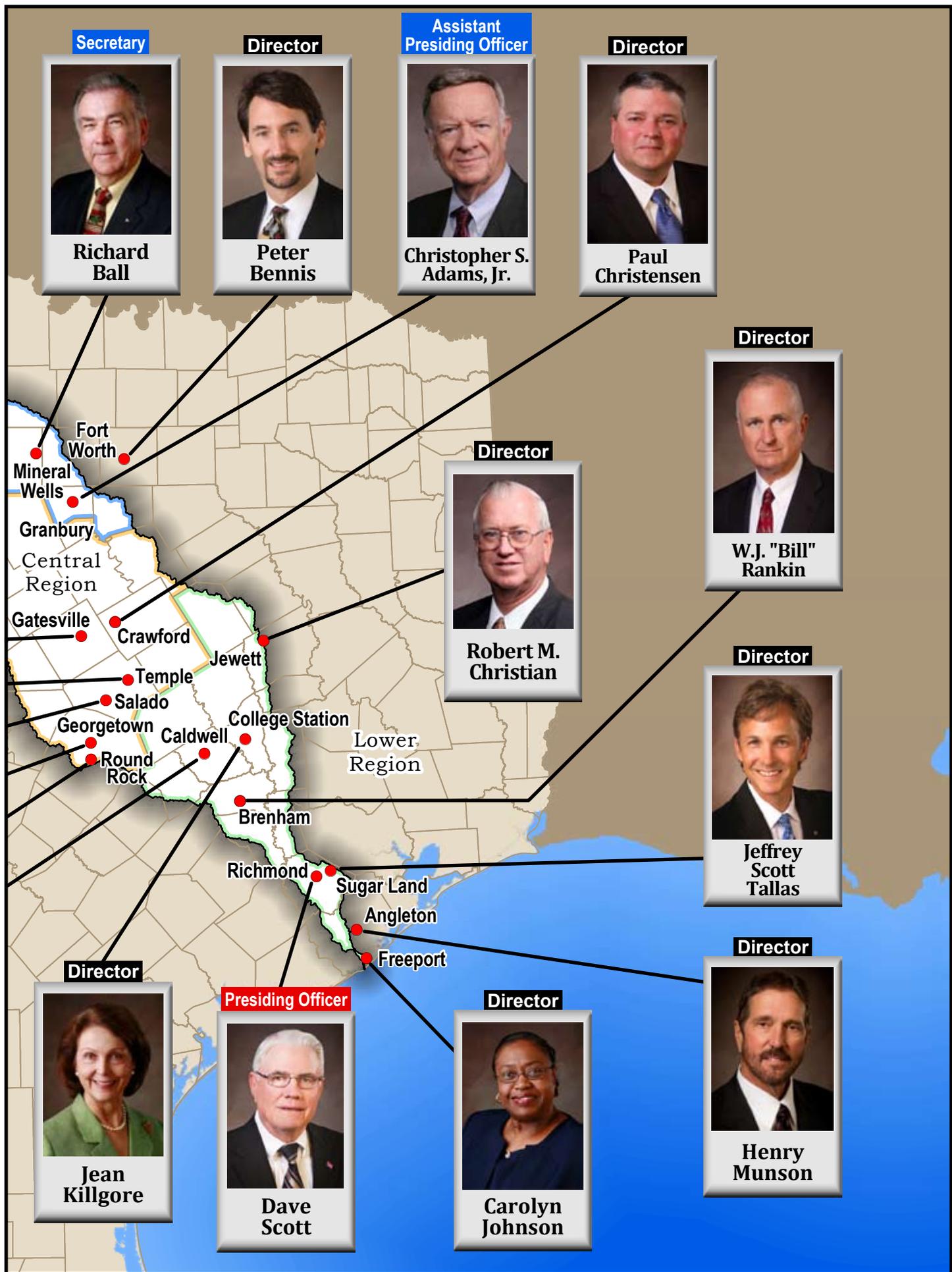
NOTE: The original Proclamation was issued on July 5, 2011.

Introductory Section

The image features a map of Texas with a blue outline of the Brazos River. A section of the river is labeled "Upper Region". Four red dots on the map indicate specific locations: Wolfforth, Guthrie, Olney, and Tuscola. Lines connect these locations to portrait boxes of directors. Each portrait box is labeled "Director" and contains a name. The directors are: F. LeRoy Bell (connected to Wolfforth), Michel Todd Brashears (connected to Guthrie), William Masterson (connected to Guthrie), Chet Creel (connected to Olney), Kari Belt (connected to Tuscola), Raleigh White IV (connected to Wolfforth), Sara Mackie Shull (connected to Guthrie), Robert Tesch (connected to Guthrie), Cynthia Olson Bourland (connected to Guthrie), and Salvatore A. Zaccagnino (connected to Olney).



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



David Collinworth
Central and Lower
Basin Manager



Terry Lopas
Technical Services
Manager



Michael McClendon
Upper Basin
Manager



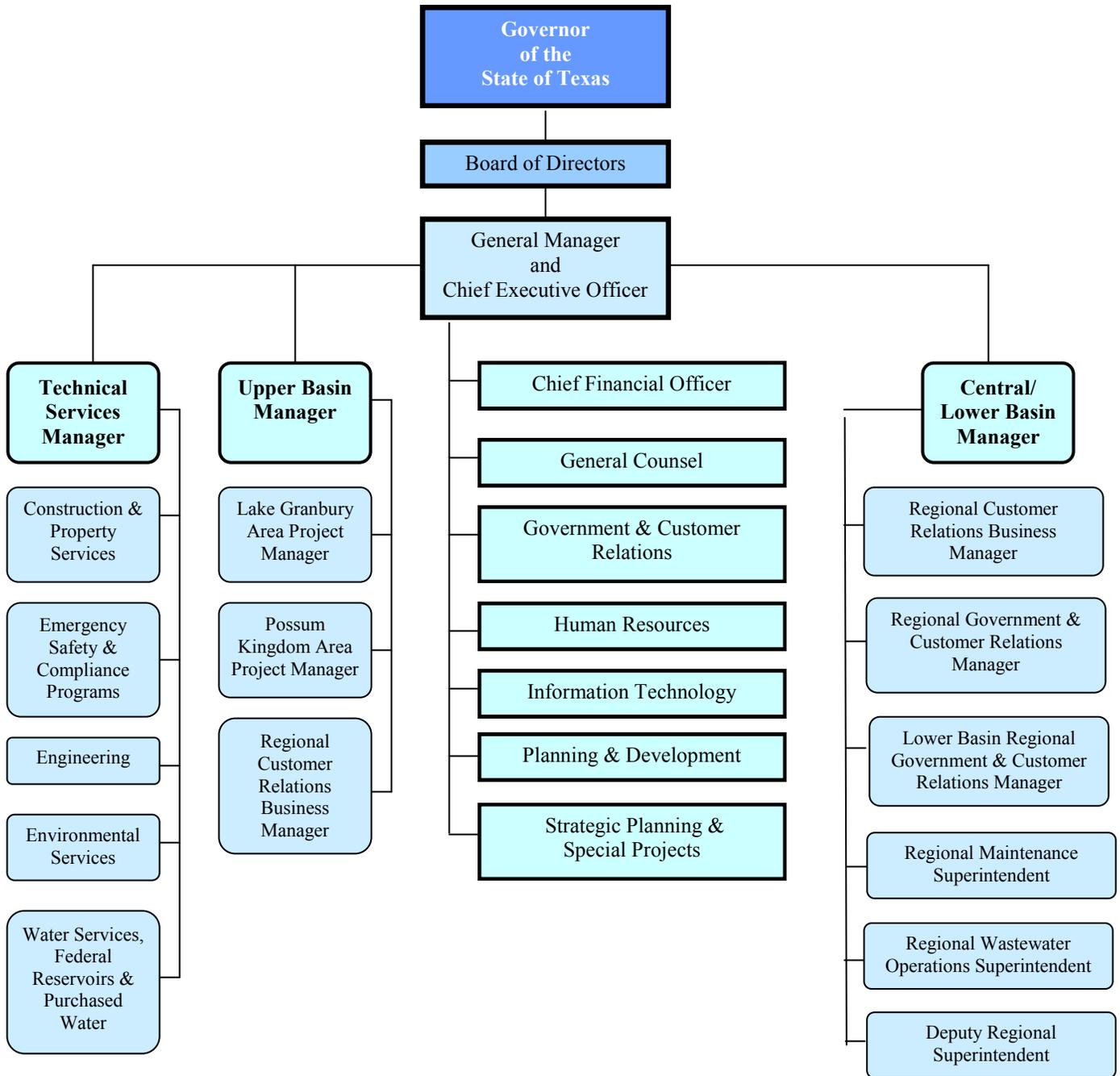
Matt Phillips
Government &
Customer Relations
Manager



Monica Wheelis
Human Resources
Manager



Brazos River Authority Organizational Chart



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



Brazos River Authority



January 26, 2015

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, 2014. 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, 2014 and 2013 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, 2014 and 2013 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, 2014 and 2013 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

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

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

4600 Cobbs Drive • P.O. Box 7555 • Waco, Texas 76714-7555
254-761-3100 • FAX 254-761-3215

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.

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

The more than 42,000 square miles that comprise the Brazos River basin are divided into 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 11 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 a potable (drinking) water treatment system for the City of Leander, and also owns and operates the East Williamson County Regional Water System (EWCRRS) at Lake Granger.

Wastewater treated and released by the BRA at the five sewerage systems it operates (Temple-Belton, Sugar Land, Brushy Creek (in Williamson County), Clute, Hutto) 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 16 planning areas lie within the basin including: Region O (High Plains), Region H (Houston-area), and Brazos G (Central Texas). The BRA serves as the administrative agency for Brazos G (Central Texas).

ECONOMIC CONDITION AND OUTLOOK

For the fiscal year ended August 31, 2014, the economy has traveled a roller coaster ride that began with a U.S. Government shutdown for two weeks in October 2013 due to the failure of the Executive and Legislative branches to reach consensus on the annual budget. Just as things began to recover following the Washington showdown and resolution of the impasse, the weather threw a curve and covered much of the nation with snow and ice during January/February. Production and consumption dropped dramatically during this period and resulted in a negative first quarter 2014. Then in the early spring, tensions arose between Russia and the Ukraine as Russia confiscated a critical port region in the Ukraine and threatened to take more. International sanctions were placed upon Russia in response, and Russia threatened their own sanctions to withdraw their fuel spigot from Europe. This brought more economic stress to the European Union, which was already in a weakened economic condition. All of these events have brought volatility into the U.S. economic markets.

The Federal Open Market Committee (FOMC) remained accommodative throughout the year to provide the markets with liquidity, but began signaling their intent to slowly withdraw. There was a leadership change as Chairman Ben Bernanke reached the end of his term and Janet Yellen took over at the helm. Ms. Yellen is a long-term member of the Committee and appears to be in agreement with the direction that the FOMC has taken throughout the economic crisis. In January, the Committee began to taper the amount of security purchases under the quantitative easing three (QE3) program and kept with a trajectory of removal of the program by October 2014. These actions signal that the FOMC feels that the economy is strengthening and nearing the target mandates relative to improved employment and inflation. As of the end of the fiscal year, markets are anticipating that the FOMC will begin to consider raising the Federal Funds Rate in mid-2015. This step will be the removal of the final stimulus program.

The housing market slowed a bit during 2014 after an extremely robust 2013. Higher home prices and mortgage rates put pressure upon prospective homebuyers. Investors scooped up many of the distressed units, which helped repair the deterioration in values that homeowners had suffered. The housing sector appears to have reached solid ground upon which to build in 2015. The employment situation is still on a slow pace of growth. Although some gains in job creations were experienced late in the fiscal year, the economy has yet to experience growth in the earnings rate. This fact has been a major concern for the FOMC and will continue to inhibit growth momentum in the overall economy. The stock market was strong during the fiscal year and has reached new 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 6.4 percent in August 2013 to 5.3 percent by August 2014, compared to the current national average rate of 6.1 percent. Since August 2013, Texas has added over 413,000 jobs, representing an increase of 3.7 percent over this time last year. By comparison, California has experienced an increase of 1.9 percent, New York has increased 1.3 percent, Florida has increased 2.7 percent and Illinois has grown 1.2 percent. Texas sales tax revenues increased 7.9 percent this year as compared to 5.4 percent last year. Texas is still enjoying a healthy rebound in the housing sector. Texas single-family housing permits were up 17.9 percent from this time last year, about the same as the 18 percent increase last year.

The outlook for fiscal year 2014/2015 is for continued moderate growth. Given the progress that has been made on several economic fronts, it is likely that the FOMC will begin to raise the Federal Funds Rate during 2015 which will lead to improved earnings for BRA investments.

Interest rates for investments allowed by the BRA's Investment Policy and State Law have remained very low during the year. Investment Pool rates were 0.03 percent at the end of August 2014, or much lower than the 0.05 percent yield at the end of August 2013. Rates for Certificates of Deposit (CD) were improved. At the end of August 2014, a one-year CD yielded approximately 0.35 percent as compared to 0.28 percent at the end of August 2013. CDs and other financial institution deposits still remain significantly more attractive than alternative Treasury and Agency positions.

LONG-TERM FINANCIAL PLANNING

In July 2014, the BRA's Board reviewed the Fiscal Year 2015 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 ranging 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 Board 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 12, of the Notes to the Basic Financial Statements.

RELEVANT FINANCIAL POLICIES

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

MAJOR INITIATIVES

During Fiscal Year 2014 (FY2014), 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 Allens Creek Reservoir. The following is a synopsis of select programs and projects managed by the BRA in FY2014:

WATER SUPPLY

Drought Management and Response Initiatives

As historic drought conditions moved into a fourth year within the Brazos River basin, water supply management continued as a top priority throughout FY2014. FY2014 saw the BRA further implement its Drought Contingency Plan by moving the Brazos River main stem reservoirs into Stage 2 Drought Warning as the collective levels of Lakes Possum Kingdom, Granbury and Whitney continued to fall. Lake Proctor moved into Stage 3 Drought Emergency and was approaching its Stage 4 Pro Rata Curtailment level by the end of the fiscal year.

Throughout the fiscal 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 managing construction projects or repair of water delivery systems.

To communicate drought status, a special drought section within the established BRA website continued as a feature of the BRA website home page throughout the fiscal year. The special section, originally created in 2011, provides current drought conditions and projected lake levels to customers, the general public and elected officials.

The BRA's Board voted to limit the sale of Interruptible Water in FY2014 as a result of dwindling water supply, and no new Interruptible Water contracts were authorized. As the drought progressed further into FY2014, the Board voted to authorize the General Manager/ CEO to utilize the remaining reserve firm water supply set aside for emergency use only.

Water Conservation

Along with drought management efforts, the BRA continued on-going efforts to develop and encourage water conservation practices by all BRA contract holders in FY2014. In line with requirements of the TCEQ, the BRA also updated its water conservation plans in FY2014.

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 FY2014, progress on approval of the permit was slowed by the implementation of the Senate Bill 3 environmental flow rules. The resulting ruling from the Administrative Law Judges that the BRA be required to rework the Water Management Plan to reflect the rules delayed a final hearing on the permit until February 2015. It is now anticipated that approval of the permit by the Commissioners of the TCEQ could occur in late calendar 2015.

Reallocation of Flood Storage – Lake Aquilla Pool Rise Update

In 2008, the BRA Board authorized a detailed feasibility study to evaluate the potential for water supply storage reallocation or “pool rise” at three USACE reservoirs with Lake Aquilla slated for an initial evaluation. In FY2014, the BRA continued coordination with the USACE, the agency conducting the study work, and the BRA is awaiting a report documenting the feasibility study efforts for Lake Aquilla.

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 Texas Water Development Board (TWDB), the BRA purchased the site and acquired the permit originally held by Houston Lighting and Power.

In FY2014, the BRA notified the City of Houston of the intent to move forward with the federal 404 Permitting process including an extensive evaluation of the project’s impacts and required mitigation. The BRA expects to go public with a Request for Proposal for engineering firms to complete required studies in FY2015.

Williamson County Water Supply Plan & Groundwater Acquisition

The BRA has been actively engaged in groundwater acquisition efforts near Williamson County. In 2013, the BRA initiated a groundwater demonstration project on the grounds of the EWCRWS property to evaluate whether Trinity groundwater, conjunctively used with the Granger Lake surface water, will provide an additional source of water for the rapidly growing communities along the I-35 and SH-130 corridors in Williamson County. Initial testing was completed in FY2014 and engineering of a production well has begun. Plans will be submitted to the TCEQ and TWDB for approval in FY2015.

Lower Basin Flood Protection Planning Study

In FY2014, the BRA received a grant from the TWDB to conduct a flood protection planning study for the lower Brazos River basin. The study utilizes Light Detection and Ranging (LIDAR) topography to develop comprehensive hydrologic and hydraulic models of the lower Brazos River watershed. These models will be used to analyze the feasibility of various flood reduction alternatives for communities and entities in the lower basin and to update flood hazard maps. The TWDB grant funding will be matched by entities in the lower basin, and the study is expected to continue through FY2016.

WATER TREATMENT

Expanding and Continuing Treatment Operations

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

East Williamson County Regional Water System

Formerly owned and operated by the City of Taylor, the 5.5 million gallons per day (mgd) plant was purchased by the BRA in 2004 and expanded in 2008 to 12.8 mgd. The upgrades included the refurbishment of the existing

plant and replacement of computer and water testing systems to compliment the new facility. Construction of a new deep-water intake facility and pipeline from Lake Granger is expected to be completed at the beginning of FY2015.

WATER DELIVERY

Williamson County Regional Raw Water Line

During FY2014, the BRA worked with the project contractor to successfully evaluate and remediate manufacturing defects in two additional large-sized pumps to increase pumping capacity to approximately 43,000 acre-feet per year. The Williamson County Regional Raw Water Line (WCRRWL) is a water transportation pipeline operated by the BRA for three municipal customers in Williamson County. The line delivers water from Lake Stillhouse Hollow in Bell County to Lake Georgetown in Williamson County.

West Central Brazos Water Distribution System

Acquired by the BRA in 2002, the West Central Brazos Water Distribution System (WCBWDS) supplies water to an area southwest of Possum Kingdom Lake. The infrastructure and right-of-way, associated with the WCBWDS acquisition, allows for the BRA to address the municipal, industrial, and agricultural demands of the region and, when possible, actively participate in the water supply needs of other potential Upper Basin customers. The line provides water supply to three oil and gas operations, Stephens Regional Special Utility District (SRSUD), Fort Griffin Special Utility District (FGSUD), and several minor customers (agriculture and well drilling).

MAINTENANCE

Dam Rehabilitation Projects

As part of proactively addressing the safety, preventive maintenance and ongoing operational efficiency of the BRA-owned dams, during FY2014 the BRA continued modifications to low-flow gates and safety lighting at Lake Granbury's DeCordova Bend Dam. The low flow gate modification project has taken significantly longer than anticipated due to equipment and construction flaws discovered during start-up and testing. The BRA expects resolution of the issues and completion of the project in FY2015. These delays have, in turn, temporarily delayed the stop log trolley replacement and the walkway and lighting improvements project.

Internal Engineering Design and Project Oversight

Internal engineering efforts in FY2014 included the design and construction oversight of the bulkhead improvements at Lake Granbury's Hunter Park, internal design of the bulkhead improvements at Lake Granbury's Rough Creek Park, the replacement of the VFD pump controls at the West Central Brazos Intake Pump Station, the internal design and construction oversight of the relocation of the WCRRWL pipeline at State Hwy 195, the internal design of the relocation of the WCRRWL pipeline at I-35 and the Bud Stockton Loop, and replacement of the stand-by generator at the DeCordova Bend Dam.

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 completed construction, testing, evaluation and associated repairs of a Controlled Outlet Conduit as part of this process. FERC acknowledged successful completion of the decommissioning process in FY2014.

Central Office Remediation

In September 2012, the BRA identified mold contamination at various locations within its Central Office facility in Waco. The HVAC system was determined to be a contributing factor to the high numbers of mold spores found in the building. The first and second phases of the HVAC remediation project were completed in FY2013. Phase III, the complete replacement of the existing HVAC system was placed on hold during FY2014, prior to construction contract award, due to errors and omissions found in the construction plans and documents. Design of the replacement of the HVAC system is anticipated to begin in FY2015, with construction of the new HVAC system contemplated in FY2016 and FY2017.

PROPERTY MANAGEMENT

Possum Kingdom Lake Property Divestiture

During FY2014, in accordance with legislative mandates, the BRA continued negotiations with SET Ranch and the current lessees of Costello Island regarding divestiture of specific tracts of property. In addition, the BRA has pursued a legislatively directed sale of approximately 510 acres of residential and commercial leasehold properties, through a sealed bid process.

Salt Creek, Graham, Texas Floodplain Project

In partnership with the USACE, the BRA serves as the non-federal sponsor on a project to minimize the flood risk to homeowners and commercial businesses located within the 10-year floodplain in the City of Graham. In FY2014, the BRA continued negotiations with the USACE to ultimately transfer the 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 in streams and reservoirs throughout the Brazos River basin as part of the Texas Clean Rivers Program. During FY2014, the BRA submitted 21,757 water quality and environmental data points to the Texas Clean Rivers Program.

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

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

BRA 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.

Instream Flows

Environmental Services staff assisted the Brazos Basin and Bay Stakeholder Committee with developing a scope of work for studies to verify instream flow standards adopted by TCEQ in the lower Brazos and associated estuary. Environmental Services staff completed twelve instream flow assessments in five different river segments to contribute to the verification of adopted instream flow standards.

Lake Granbury Watershed Protection Plan

In FY2014, the BRA continued implementation of management measures identified by the Lake Granbury Watershed Protection Plan (WPP). The 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.

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. The boat ramp improvements projects were completed in FY2014. The EWCRWS/groundwater project was completed in FY2014 with the successful demonstration that the Trinity Aquifer is a viable source of water for both water supply purposes as well as flow augmentation for Granger Lake. A production well to be located on the EWCRWS site is anticipated to be designed in FY2015 and constructed in FY2016 and 2017.

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, 2013. This was the twenty-eighth consecutive year that the BRA has received this prestigious award. In order to be awarded a Certificate of Achievement, the BRA published an easily readable and efficiently organized CAFR. The report must satisfy both GAAP and applicable legal requirements.

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

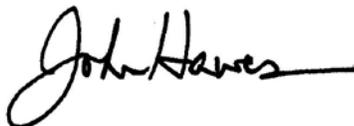
The preparation of this CAFR would not have been possible without the efficient and dedicated endeavors of the entire staff of the Finance and Administration Department. We would like to express our sincere appreciation to Matt Wheelis, Melissa Anthony, Judy Wallace, Michele Giroir, Lupe Diaz, Cheryl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

Our appreciation is also extended to the members of the Board for their support in planning and conducting the financial operations of the BRA in a responsible and professional manner and for providing 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**

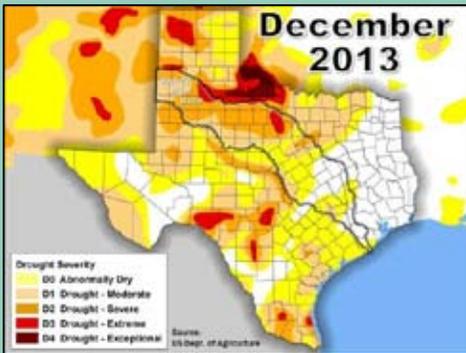
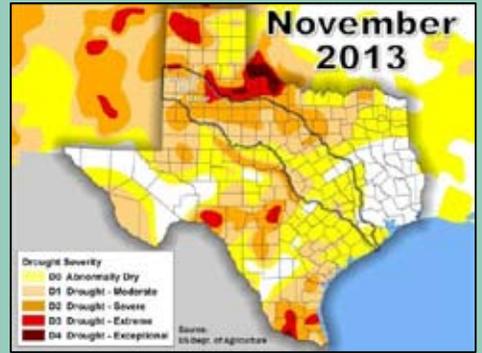
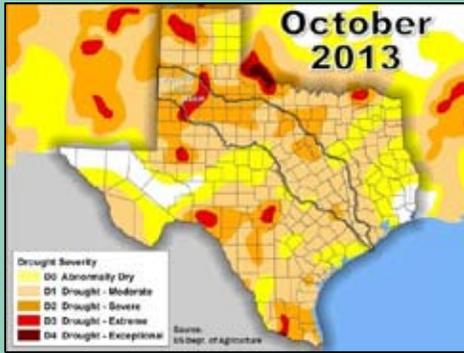
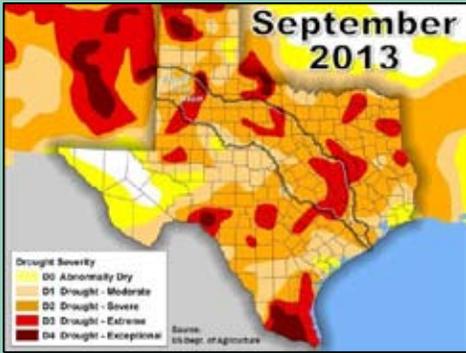
Presented to

**Brazos River Authority
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

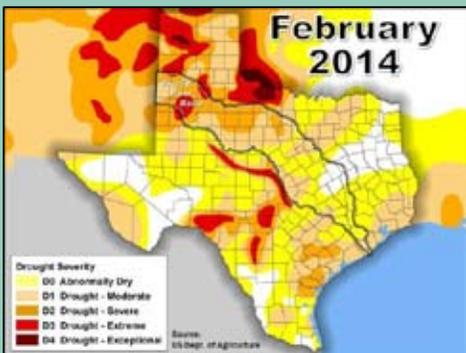
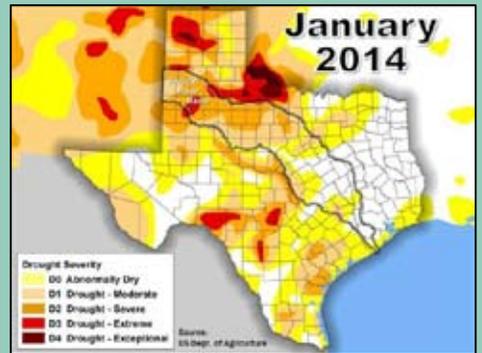
August 31, 2013

Executive Director/CEO

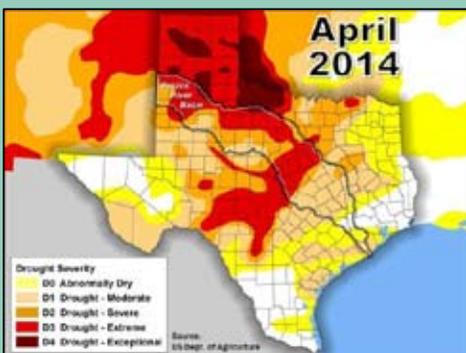
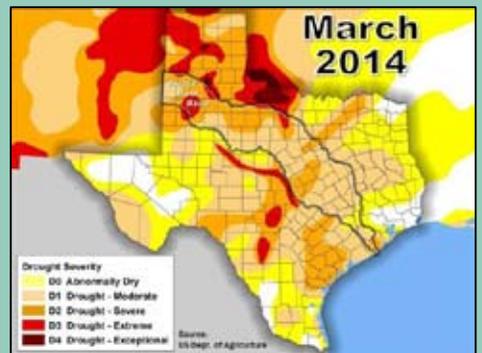


WHEREAS, prolonged dry conditions continue to increase the threat of wildfire across many portions of the state; and

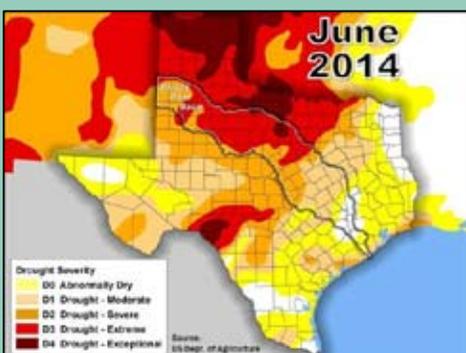
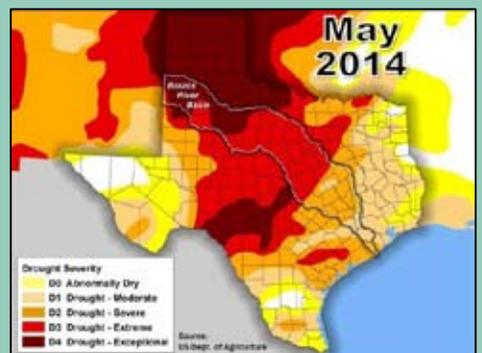
WHEREAS, these drought conditions have reached historic levels and continue to pose an imminent threat to public health, property and the economy; and



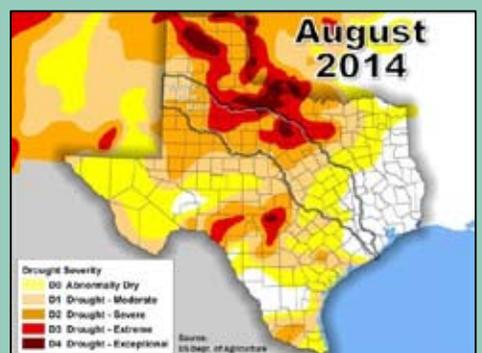
WHEREAS, this state of disaster includes the counties of **Archer, Armstrong, Bandera, Baylor, Bexar, Blanco, Bosque, Briscoe, Burnet, Callahan, Carson, Childress, Clay, Collin, Collingsworth, Colorado, Comal, Comanche, Cooke, Cottle, Crosby, Dallam, Dallas, Denton, DeWitt, Dickens, Donley, Eastland, Edwards, Ellis, El Paso, Erath, Fisher, Floyd, Foard, Frio, Garza, Gillespie, Gray, Grayson, Hall, Hansford, Hardemann, Hartley, Haskell, Hemphill, Hidalgo, Hood, Hudspeth, Hutchinson, Irion, Jack, Johnson, Jones, Kendall, Kerr, King, Knox, Lamb, Lipscomb, Llano, Matagorda, McLennan, Medina, Montague, Moore, Motley, Nolan, Palo Pinto, Parker, Parmer, Potter, Randall, Real, Shackelford, Sherman, Somervell, Stephens, Stonewall, Swisher, Tarrant, Taylor, Throckmorton, Tom Green, Travis, Uvalde, Val Verde, Victoria, Walker, Wharton, Wheeler, Wichita, Wilbarger, Willacy, Williamson, Wise, Young and Zavala.**



-Taken from the Proclamation by the Governor of the State of Texas dated July 5, 2011.



NOTE: Counties in "red" are within the Brazos River Basin





Lake Granbury Hunter Park 2011 & 2014 - Photos by Kyle Lewis



Possum Kingdom Lake North D & D 2011 & 2015 - Photos by Kent Edwards



Possum Kingdom Bonnitaville Marina 2011 & 2015 - Photos by Kent Edwards

Financial Section



Padgett Stratemann

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, 2014 and 2013, 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.

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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, 2014 and 2013, 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 13 to the financial statements, effective September 1, 2013, the BRA adopted the new accounting guidance contained in Governmental Accounting Standards Board (“GASB”) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and the 2013 financial statements were retroactively restated as required by GASB Statement No. 65. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BRA’s basic financial statements. The accompanying supplemental information – the Schedule of Changes in Assets and Liabilities (Agency Funds) and the Comparison of Budgeted Revenues and Expenditures to Actual (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 15, 2014 on our consideration of the BRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BRA's internal control over financial reporting and compliance.

Padgett, Stratemann + Co., L.L.P.
Austin, Texas
December 15, 2014

*Management's
Discussion and
Analysis*

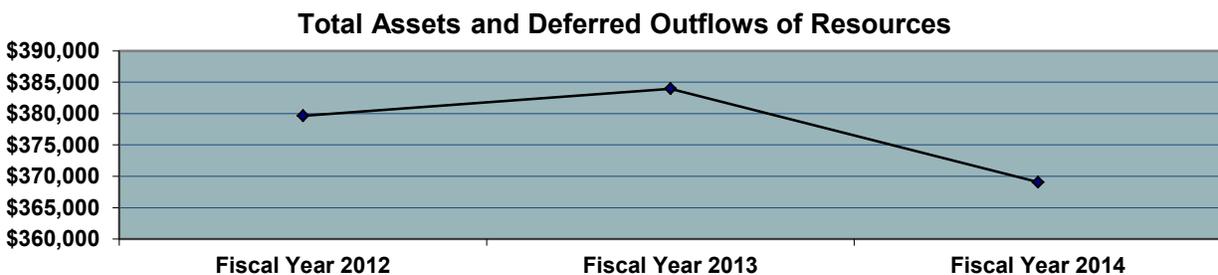
**BRAZOS RIVER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
AUGUST 31, 2014, 2013 AND 2012 (in thousands)**

As Management of the Brazos River Authority (BRA), we offer readers of the BRA’s financial statements this narrative overview and analysis of the financial activities of the BRA for the fiscal year ended August 31, 2014 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 13 of the Introductory Section of this report.

Financial Highlights

Total Assets and Deferred Outflows of Resources

- Total assets and deferred outflows of resources at the end of Fiscal Year 2014, 2013 and 2012 were \$369,066, \$383,969 and \$379,660, respectively. Total assets and deferred outflows of resources exceeded liabilities at the end of Fiscal Year 2014, 2013 and 2012 by \$244,990, \$242,722 and \$238,187, respectively.
- Total assets and deferred outflows of resources for Fiscal Year 2014 decreased by \$14,903 over prior year, primarily as a result of normal allocation of depreciation, the early retirement of the Water Supply System Revenue Bonds, Series 2005B, which can be found on Page 51, and the execution of the transfer agreement with the contracting parties of the Temple Belton Wastewater Treatment Plant. The agreement allowed for the transfer of ownership to the contracting parties. As a result of that agreement, the BRA removed all assets, totaling \$1,496, related to the Temple Belton Wastewater Treatment Plant operations from the Statement of Net Position. See page 67 for additional information on the transfer agreement.
- Total assets and deferred outflows for Fiscal Year 2013 increased by \$4,309 over prior year, primarily as a net result of continued income from operations.
- Total assets and deferred outflows for Fiscal Year 2012 decreased by \$61,451 over prior year, primarily as a net result of continued income from operations, early retirement of the Series 2005A (AMT), Series 2002 (AMT), 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). See Page 67 for additional information on the transfer agreement.



**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014, 2013 AND 2012 (in thousands)**

Capital Assets

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net (deletions)/additions to land storage and water rights	\$ (542)	\$ 6,729	\$ (630)
Additions to construction-in-progress (CIP)	4,680	18,083	23,913
Transfers from CIP to capital assets being depreciated	(9,495)	(30,589)	(2,860)
Additions and transfers to capital assets being depreciated	9,772	31,677	2,971
Net deletions and transfers	(1,627)	(490)	(26,080)
Normal annual depreciation and amortization	<u>(7,274)</u>	<u>(9,296)</u>	<u>(8,747)</u>
TOTAL	<u>\$ (4,486)</u>	<u>\$ 16,114</u>	<u>\$ (11,433)</u>

- During Fiscal Year 2014, the BRA completed the controlled outlet conduit (COC) at Possum Kingdom Lake and transferred the total amount of \$7,633 to capital assets being depreciated. In addition, the BRA's capital assets decrease as a result of the transfer of ownership and operation of the Temple Belton Wastewater Treatment Plant which further detail on the transfer can be found on page 67.
- 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 Nose Baffles & Pier 8 on 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 (USACE) for four of the BRA's conservation storage space reservoirs. The USACE 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 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. 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, 2014, 2013 AND 2012 (in thousands)**

Long-Term Debt

- For Fiscal Year 2014, total outstanding debt decreased by \$11,482. This net decrease is a result of the early retirement of the Series 2005B (AMT) in the amount of \$8,535, and annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$1,875, \$1,146 and \$74, respectively.
- For Fiscal Year 2013, total outstanding debt increased by \$2,479. This net increase is a result of the aforementioned USACE 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.

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 deferred outflows as well as BRA's liabilities and deferred inflows 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
AUGUST 31, 2014, 2013 AND 2012 (in thousands)**

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

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

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

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

Financial Analysis

Schedule of Net Position - As noted earlier, net position may serve over time as a useful indicator of the BRA's financial position. In the case of the BRA, assets and deferred outflows exceeded liabilities for Fiscal Year 2014, 2013 and 2012 by \$244,990, \$242,722 and \$238,187, respectively.

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

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014, 2013 AND 2012 (in thousands)**

For Fiscal Year 2014, current assets decreased as a result of the BRA's decision to redeem the \$8,535 it had outstanding in the Water Supply System Revenue Bonds, Series 2005B

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 \$26,246. 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.

**Condensed Schedule of Net Position
August 31, 2014, 2013 and 2012**

	2014	Restated 2013	Restated 2012
ASSETS			
Current assets - unrestricted	\$ 66,129	\$ 73,618	\$ 79,917
Current assets - restricted	5,831	8,391	13,536
Noncurrent assets-restricted	6,946	6,938	6,946
Capital assets, net	287,355	291,841	275,727
Noncurrent assets	2,489	2,846	3,180
TOTAL ASSETS	368,750	383,634	379,306
DEFERRED OUTFLOWS OF RESOURCES			
	316	335	354
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 369,066	\$ 383,969	\$ 379,660
LIABILITIES			
Current liabilities (payable from current assets)	\$ 19,775	\$ 22,016	\$ 21,470
Current liabilities (payable from restricted assets)	5,378	6,743	8,707
Noncurrent liabilities	98,923	112,488	111,296
TOTAL LIABILITIES	\$ 124,076	\$ 141,247	\$ 141,473
NET POSITION			
Net Investment in capital assets	\$ 187,305	\$ 180,670	\$ 173,492
Restricted	8,800	9,627	6,490
Unrestricted	48,885	52,425	58,205
TOTAL NET POSITION	\$ 244,990	\$ 242,722	\$ 238,187

For Fiscal Year 2014, about 80% (\$196,105) of the BRA's net position represent resources that are restricted. The remaining balance of *unrestricted net assets* (\$48,885) may be used to meet the BRA's ongoing obligations.

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014, 2013 AND 2012 (in thousands)**

**Condensed Schedule of Revenues, Expenses and Changes in Net Position
Fiscal Years Ended August 31, 2014, 2013 and 2012**

	2014	Restated 2013	Restated 2012
OPERATING REVENUES			
Water supply system	\$ 38,157	\$ 40,393	\$ 42,028
Cost reimbursable operations	12,871	12,443	18,509
TOTAL OPERATING REVENUES	51,028	52,836	60,537
OPERATING EXPENSES			
Operating and Maintenance	36,579	34,593	36,263
Depreciation and amortization	7,274	9,297	8,745
TOTAL OPERATING EXPENSES	43,853	43,890	45,008
OPERATING INCOME	7,175	8,946	15,529
Total net non-operating revenues (expenses)	(5,386)	(5,303)	(18,130)
INCOME BEFORE CONTRIBUTIONS & SPECIAL ITEMS	1,789	3,643	(2,601)
Capital contributions	479	892	1
Special items	-	-	(2,400)
CHANGE IN NET POSITION	2,268	4,535	(5,000)
NET POSITION, BEGINNING	242,722	238,187	243,187
NET POSITION, ENDING	\$ 244,990	\$ 242,722	\$ 238,187

Operating Income

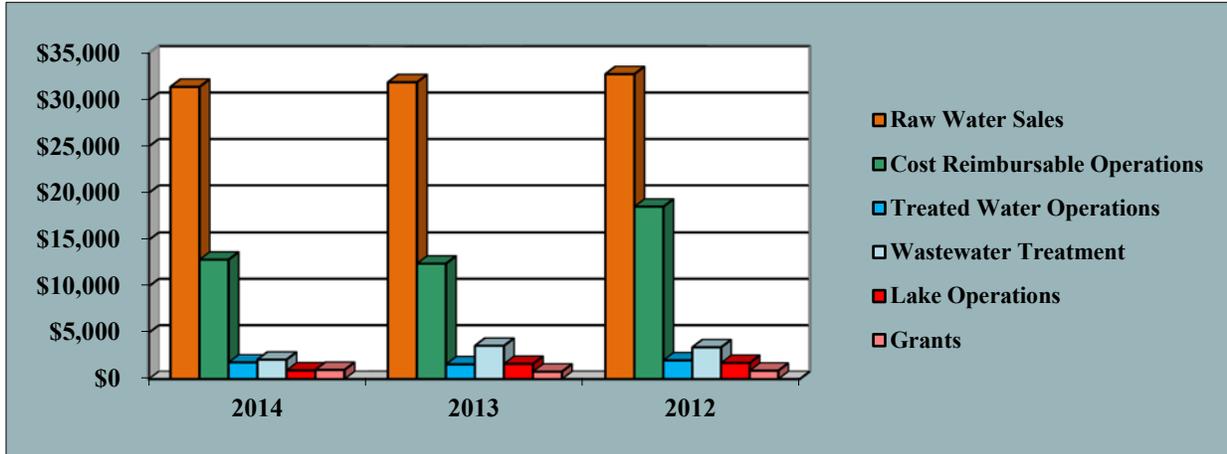
For Fiscal Year 2014, operating income decreased, when compared to prior year, by \$1,771. This decrease is a result of the reduction in raw water sales.

For Fiscal Year 2013, operating income decreased, when compared to prior year, by \$6,537. This decrease was a result of the sale of one of the BRA's water treatment operations. Detail on this sale can be found on Page 67 of this report.

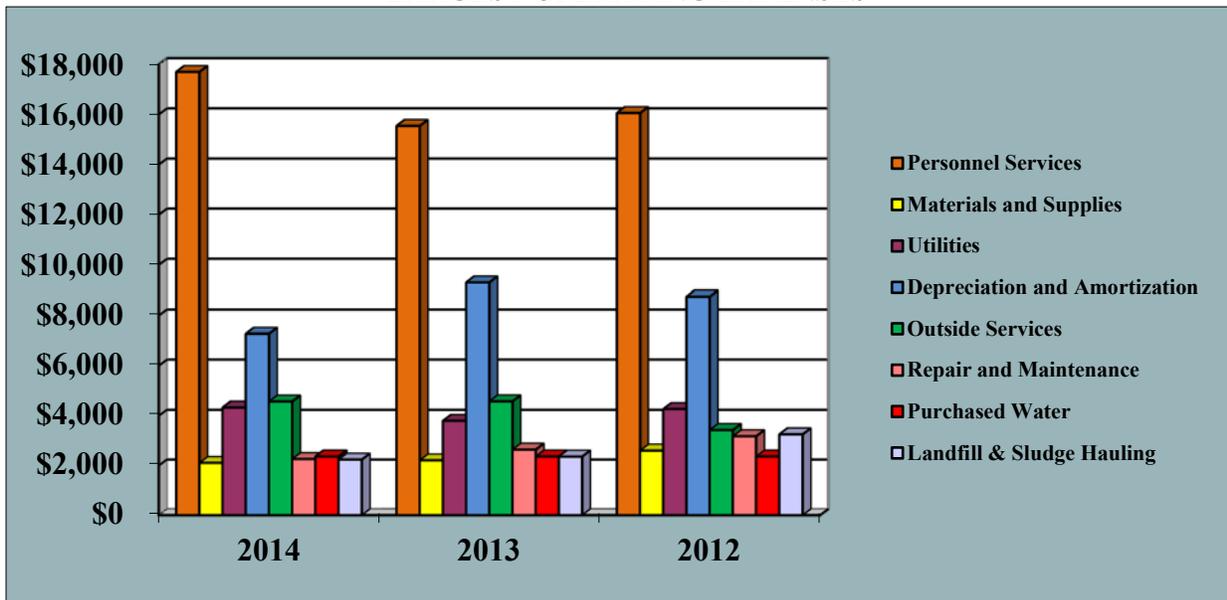
For Fiscal Year 2012, operating income decreased by \$982 or 6% after increasing in the prior year by 38%. This decrease was a result of a decrease in raw water sales. In the prior year the State of Texas was in the midst of a historic drought that resulted in an increase in short term water sales.

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014, 2013 AND 2012 (in thousands)**

LARGEST OPERATING REVENUES



LARGEST OPERATING EXPENSES



Total net non-operating revenues (expenses)

For Fiscal year 2014 and 2013, the amount recorded as net non-operating expense is within an expectable range. The 2012 net expense of \$18,130 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.

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2014, 2013 AND 2012 (in thousands)**

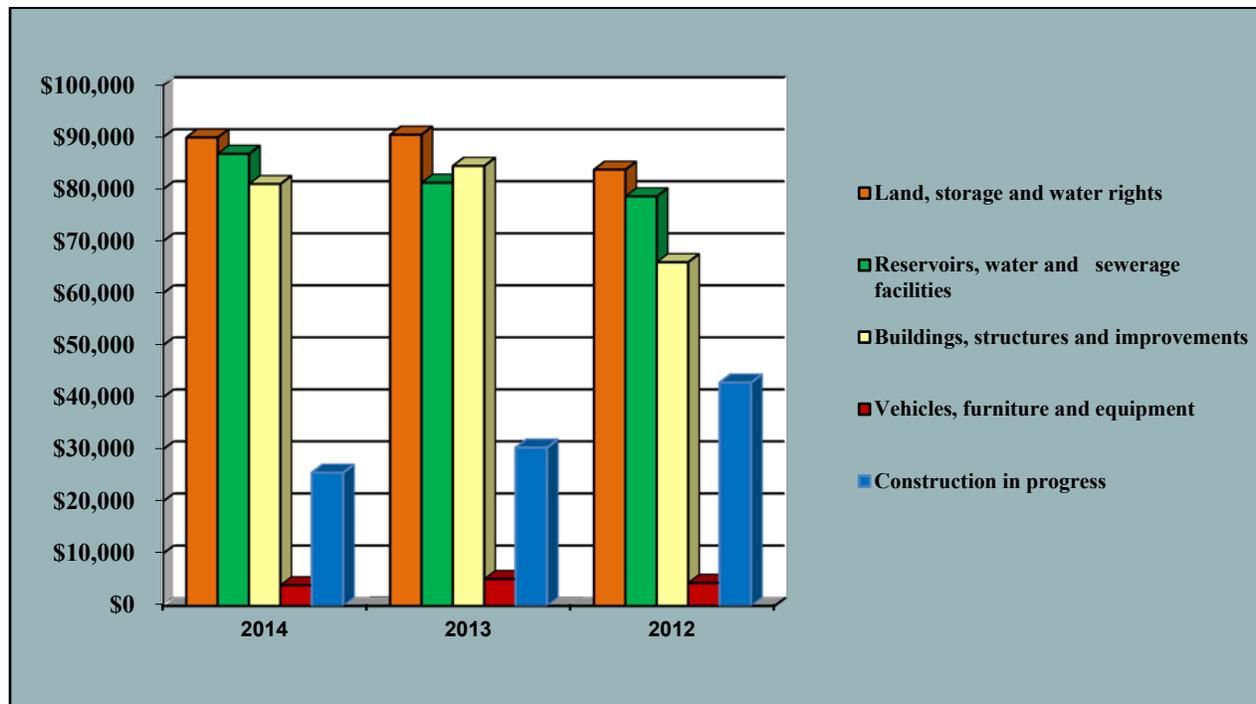
Capital Assets and Outstanding Debt

Capital Assets - The BRA's capital assets, as of August 31, 2014, 2013 and 2012, amounted to \$287,355, \$291,841 and \$275,727, respectively, (net of accumulated depreciation and amortization). For Fiscal year 2013 and 2014, the BRA continued its commitment to our customers and stakeholders to ensure the longevity of our capital assets. During the Fiscal year 2014 and 2013, the BRA invested over five million dollars and twelve million dollars, respectively, on over 35 capital improvement projects.

**Capital Assets
(net of accumulated depreciation and amortization)
August 31, 2014, 2013 and 2012**

	2014	2013	2012
Land, storage and water rights	\$ 89,984	\$ 90,526	\$ 83,797
Reservoirs, water and sewerage facilities	86,847	81,291	78,657
Buildings, structures and improvements	80,970	84,512	66,010
Vehicles, furniture and equipment	4,006	5,149	4,394
Construction in progress	25,548	30,363	42,869
TOTAL	\$ 287,355	\$ 291,841	\$ 275,727

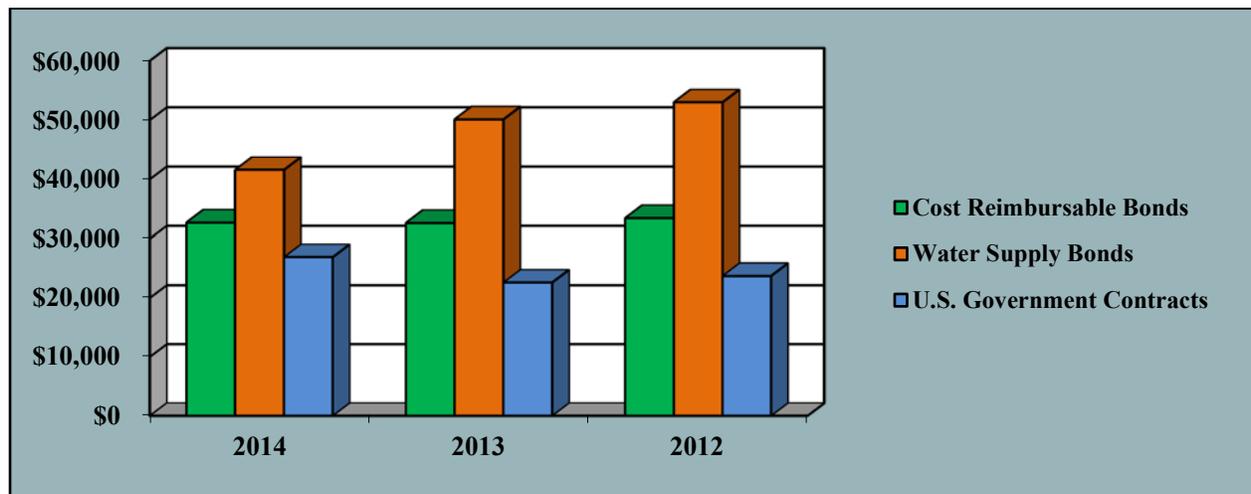
Additional information on the BRA's capital assets can be found in Notes 4 and 10, of this report.



**BRAZOS RIVER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
AUGUST 31, 2014, 2013 AND 2012 (in thousands)**

Outstanding Debt – At the end of Fiscal Year 2014, 2013 and 2012, the BRA had total outstanding debt of \$101,130, \$112,612 and \$110,133, respectively. Of the 2014 amount, 68% and 32% 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 the State of Tennessee during a time when demand is increasing rapidly from both municipalities and electric power generators. In addition, on November 21, 2006 Moody’s investor service, 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 2014, 2013 and 2012 are shown in the following table:

	2014	2013	2012
Accretion of interest on capital appreciation bonds	\$ 74	\$ 86	\$ 81
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 2005B	(8,535)	-	-
Lake Belton Improvements from USACE funding	-	5,439	-
Principal payments made during each year	(3,021)	(3,046)	(8,076)
INCREASE/(DECREASE) IN DEBT	<u>\$ (11,482)</u>	<u>\$ 2,479</u>	<u>\$ (57,871)</u>

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, 2014, 2013 AND 2012 (in thousands)**

Requests for Information

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

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*Basic
Financial
Information*

BRAZOS RIVER AUTHORITY
STATEMENTS OF NET POSITION
AUGUST 31, 2014 AND 2013 RESTATED (in thousands)

	2014	2013
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
UNRESTRICTED:		
Cash and cash equivalents	\$ 11,987	\$ 20,962
Investments	49,261	48,613
Receivables:		
Accounts	3,359	2,571
Accrued interest	29	41
Current portion of contracts receivables	598	179
Other current assets	895	1,252
TOTAL UNRESTRICTED	<u>66,129</u>	<u>73,618</u>
RESTRICTED:		
Cash and cash equivalents	5,831	8,391
TOTAL RESTRICTED	<u>5,831</u>	<u>8,391</u>
TOTAL CURRENT ASSETS	<u>71,960</u>	<u>82,009</u>
NONCURRENT ASSETS :		
RESTRICTED:		
Cash and cash equivalents	807	2,545
Investments	6,135	4,387
Interest	4	6
TOTAL RESTRICTED	<u>6,946</u>	<u>6,938</u>
CAPITAL ASSETS:		
Land, storage and water rights	89,984	90,526
Reservoirs, water treatment and sewerage facilities	125,912	130,087
Building, structures and improvements	118,713	121,171
Vehicles, furniture and equipment	16,517	18,361
Construction in progress	25,548	30,363
TOTAL CAPITAL ASSETS	<u>376,674</u>	<u>390,508</u>
Less accumulated depreciation	(89,319)	(98,667)
NET CAPITAL ASSETS	<u>287,355</u>	<u>291,841</u>
OTHER NONCURRENT ASSETS:		
Contract receivable, net of current portion	-	184
Bond related costs	563	651
Other assets	1,926	2,011
TOTAL OTHER NONCURRENT ASSETS	<u>2,489</u>	<u>2,846</u>
TOTAL NONCURRENT ASSETS	<u>296,790</u>	<u>301,625</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>316</u>	<u>335</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 369,066</u>	<u>\$ 383,969</u>

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF NET POSITION
AUGUST 31, 2014 AND 2013 RESTATED (in thousands)

	2014	2013
LIABILITIES		
CURRENT LIABILITIES:		
PAYABLE FROM CURRENT ASSETS:		
Accounts payable	\$ 7,435	\$ 9,738
Contracts payable	1,489	1,457
Accrued interest	400	418
Unearned revenues	10,451	10,403
TOTAL PAYABLE FROM CURRENT ASSETS	19,775	22,016
PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest	1,507	1,513
Construction contracts payable	1,364	2,335
Revenue bonds payable	2,025	1,875
Unearned revenues	313	345
Other	169	675
TOTAL PAYABLE FROM RESTRICTED ASSETS	5,378	6,743
TOTAL CURRENT LIABILITIES	25,153	28,759
NONCURRENT LIABILITIES:		
Revenue bonds payable, net of current portion	72,227	82,651
Contracts payable, net of current portion	25,412	26,590
Unearned revenues	451	2,416
Other liabilities	833	831
TOTAL NONCURRENT LIABILITIES	98,923	112,488
TOTAL LIABILITIES	\$ 124,076	\$ 141,247
NET POSITION:		
Net Investment in capital assets	\$ 187,305	\$ 180,670
Restricted for construction and debt service	8,800	9,627
Unrestricted	48,885	52,425
TOTAL NET POSITION	\$ 244,990	\$ 242,722

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, 2014 AND 2013 RESTATED (in thousands)

	2014	2013
OPERATING REVENUES:		
Water Supply System:		
Raw water sales	\$ 31,420	\$ 31,915
Treated water	1,790	1,588
Wastewater treatment	2,095	3,585
Lake operations	934	1,638
Grants	988	800
Other	930	867
Cost Reimbursable Operations:		
Water conveyance/supply	3,453	3,557
Water treatment	1,102	994
Wastewater treatment	8,316	7,892
TOTAL OPERATING REVENUES	51,028	52,836
OPERATING EXPENSES:		
Personnel services	17,693	15,540
Materials and supplies	2,101	2,206
Utilities	4,329	3,792
Depreciation and amortization	7,274	9,297
Outside services	4,572	4,578
Repair and maintenance	2,260	2,638
Landfill and sludge hauling	2,236	2,355
Purchased water	2,360	2,361
Other	1,028	1,123
TOTAL OPERATING EXPENSES	43,853	43,890
OPERATING INCOME	7,175	8,946
NON-OPERATING REVENUES (EXPENSES):		
Investment income	470	592
Interest expense	(4,283)	(4,183)
Other expenses	(107)	(1,165)
Net loss on sale of capital assets	(1,466)	(547)
TOTAL NET NON-OPERATING REVENUES (EXPENSES)	(5,386)	(5,303)
INCOME BEFORE CONTRIBUTIONS	1,789	3,643
Capital contributions	479	892
CHANGE IN NET POSITION	2,268	4,535
NET POSITION, BEGINNING	242,722	238,187
NET POSITION, ENDING	\$ 244,990	\$ 242,722

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED AUGUST 31, 2014 AND 2013 RESTATED (in thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 50,254	\$ 55,409
Cash paid to suppliers for goods and services	(25,573)	(28,491)
Cash paid to employees for services	(12,065)	(11,313)
Net cash provided by operating activities	<u>12,616</u>	<u>15,605</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid for capital assets	(8,527)	(20,607)
Interest paid	(4,283)	(4,224)
Principal payments on long-term debt	(11,426)	(2,960)
Proceeds from disposal of capital assets	79	40
Capital contributions	180	892
Net cash used in capital and related financing activities	<u>(23,977)</u>	<u>(26,859)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	37,571	53,582
Purchases of investments	(39,966)	(33,600)
Interest received	483	598
Net cash provided by in investing activities	<u>(1,912)</u>	<u>20,580</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(13,273)</u>	<u>9,326</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
(including \$10,936 and \$13,857, respectively, reported in restricted accounts)	<u>31,898</u>	<u>22,572</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		
(including \$6,638 and \$10,936, respectively, reported in restricted accounts)	<u>\$ 18,625</u>	<u>\$ 31,898</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	<u>\$ 7,175</u>	<u>\$ 8,946</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,253	9,289
Amortization	21	8
Change in current assets and liabilities:		
(Increase) decrease in accounts receivable	(415)	631
(Increase) decrease in other current assets	(53)	769
Increase (decrease) in accounts payable	473	(3,114)
Decrease in unearned revenue and other liabilities	(1,838)	(924)
Total adjustments	<u>5,441</u>	<u>6,659</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 12,616</u>	<u>\$ 15,605</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:		
Write off of Capital Assets	\$ (1,955)	\$ (899)
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	\$ 74	\$ 86

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION
AUGUST 31, 2014 AND 2013 (in thousands)

	2014	2013
ASSETS		
Cash	\$ 77	\$ 2,098
Investments	830	630
Accrued Interest	1	-
TOTAL ASSETS	<u>\$ 908</u>	<u>\$ 2,728</u>
LIABILITIES		
Held for future debt service	\$ 908	\$ 909
Held for future construction cost	-	1,819
TOTAL LIABILITIES	<u>\$ 908</u>	<u>\$ 2,728</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, 2014 AND 2013 (in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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.

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, 2014 AND 2013 (in thousands)

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, 2014 AND 2013 (in thousands)

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, 2014 and 2013, the BRA had \$0 and \$316 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 capitalized bond and loan issuance costs and amortized such costs over the term of the related bonds and loan using the straight-line method. During Fiscal Year 2014, the BRA adopted the provisions of GASB 65 *Items Previously Reported as Assets and Liabilities*. GASB 65 requires debt issuance cost, except any portion related to prepaid insurance cost, be recognized as an expense in the period incurred. The BRA has applied the provisions of this Statement retroactively by restating the financial statements ending August 31, 2013. See footnote 13 for additional information on the elements of the restatement.

By agreement in 1988, the BRA amended a water contract with a utility company which provided for the sale of 162,000 acre feet of water per year through the year 2030. The amendment reduced the utility company's right to purchase water to 83,000 acre feet per year beginning January 1, 1989. As consideration for the 79,000 acre-feet reduction, the BRA (1) paid the utility company \$3,823 in 1988 and (2) reduced charges to the utility company by approximately \$350 per year beginning January 1, 1989. The BRA has sold the 79,000 acre-feet to various third parties under long-term water contracts. The balance of \$1,926 and \$2,011 at August 31, 2014 and 2013, respectively, is included in other noncurrent assets and will be amortized against related revenues from such contracts over the contract lives.

Compensated Absences – Prior to May 1, 2002 the BRA's employees were granted vacation and sick leave in specified amounts. Effective May 1, 2002 vacation and sick leave were superseded by Personal Time Off (PTO). The BRA's current policy states that upon termination an employee will be paid for 100% of unused vacation time and 50% of their PTO balance up to a maximum of 160 hours (20 days) combined. In addition, for employees eligible to retire only, unused sick leave is paid out at a rate of 50% of their balance or 144 hours (18 days) whichever is less. The total recorded liability for compensated absences, as of August 31, 2014 and 2013, was \$722 and \$652, 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, 2014 AND 2013 (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.

Reclassification – During Fiscal Year 2014, the BRA adopted the provisions of GASB 65 *Items Previously Reported as Assets and Liabilities*. GASB 65 requires for current refunding and advance refunding resulting in defeasance of debt reported by business-type activities, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as deferred outflow of resources or a deferred inflow of resources. As a result of the adoption of the provision, certain prior year balances have been reclassified to conform with the current year presentation.

2. DEPOSITS AND INVESTMENTS

As of August 31, 2014 and 2013, the BRA had the following investments:

Investment Type	2014		2013	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	\$ 54,894	1.21	\$ 51,990	0.83
Municipal Bonds	502	0.45	1,010	0.94
Total Value	\$ 55,396		\$ 53,000	

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

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013 (in thousands)

agencies and instrumentalities including mortgage backed securities which pass the bank test or obligations of municipal entities of any state rated as to investment quality by a nationally recognized rating agency as "A" or its equivalent or by Letter of Credit issued or guaranteed by the US Government, its agencies and instrumentalities. The bank party is held contractually liable for maintaining the margin daily. All pledged collateral is held by an independent custodian in the BRA's account. All certificates of deposit are restricted to a maximum of thirty-six (36) months to its stated maturity.

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

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, 2014

- Certificates of deposits represented 74.16% of the total portfolio,
- Fully collateralized demand deposits represented 25.16 % of the total portfolio,
- The remainder of the portfolio (.68%) was in municipal bonds, and
- The BRA had two certificates of deposits with a maturity greater than two years.

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, 2014 AND 2013 (in thousands)

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, 2014 and August 31, 2013:

- 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, 2014 and August 31, 2013:

- The dollar weighted average maturity of the total portfolio was 330 days in 2014 and 190 days in 2013
- The portfolio contained no structured securities and no mortgage backed securities

Custodial Credit Risk

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

Portfolio disclosure as of August 31, 2014 and August 31, 2013:

- The portfolio contained 30 certificates of deposit in 2014 and 18 certificates of deposit in 2013
- 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.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013 (in thousands)

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* – Miscellaneous contractual obligations.

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

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013 (in thousands)

The cash and cash equivalents, investments, and accrued interest components of each fund represented by restricted assets at August 31, 2014 and 2013 were as follows:

	2014			2013		
	Cash and Cash Equivalents	Invest- ments	Accrued Interest	Cash and Cash Equivalents	Invest- ments	Accrued Interest
CURRENT RESTRICTED:						
Water Supply System:						
Debt Service	\$ 800	\$ -	\$ -	\$ 729	\$ -	\$ -
Bond proceeds funds	2,627	-	-	4,687	-	-
Other funds	65	-	-	529	-	-
Water Supply System Total	3,492	-	-	5,945	-	-
Cost Reimbursable Operations:						
Bond proceeds funds	437	-	-	510	-	-
Debt service funds	1,902	-	-	1,936	-	-
Cost Reimbursable Operations Total	2,339	-	-	2,446	-	-
TOTAL CURRENT RESTRICTED	\$ 5,831	\$ -	\$ -	\$ 8,391	\$ -	\$ -
NONCURRENT RESTRICTED:						
Water Supply System:						
Bond reserve funds	\$ -	\$ 1,411	\$ 3	\$ -	\$ 1,430	\$ 5
Repair and replacement funds	477	4,025	1	1,542	2,957	1
Other funds	326	203	-	503	-	-
Water Supply System Total	803	5,639	4	2,045	4,387	6
Cost Reimbursable Operations:						
Repair and replacement funds	4	496	-	500	-	-
Cost Reimbursable Operations Total	4	496	-	500	-	-
TOTAL NONCURRENT RESTRICTED	\$ 807	\$ 6,135	\$ 4	\$ 2,545	\$ 4,387	\$ 6

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013 (in thousands)

4. CAPITAL ASSETS

A summary of changes in capital assets for August 31, 2014 follows:

Classification	Balance at August 31, 2013	Additions and Transfers	Deletions and Transfers	Balance at August 31, 2014
Capital assets, not being depreciated/amortized:				
Land, storage and water rights	\$ 90,526	\$ -	\$ (542)	\$ 89,984
Construction in progress	<u>30,363</u>	<u>4,680</u>	<u>(9,495)</u>	<u>25,548</u>
Total capital assets, not being depreciated/amortized	<u>120,889</u>	<u>4,680</u>	<u>(10,037)</u>	<u>115,532</u>
Capital assets, being depreciated/amortized:				
Reservoirs, water treatment and sewerage facilities	130,087	7,615	(11,790)	125,912
Buildings, structures and improvements	121,171	1,219	(3,677)	118,713
Vehicles	2,823	147	(153)	2,817
Furniture	769	-	(16)	753
Computers	4,198	197	(26)	4,369
Tools and heavy equipment	<u>10,571</u>	<u>594</u>	<u>(2,587)</u>	<u>8,578</u>
Total capital assets, being depreciated/amortized	<u>269,619</u>	<u>9,772</u>	<u>(18,249)</u>	<u>261,142</u>
TOTAL CAPITAL ASSETS	<u>\$ 390,508</u>	<u>\$ 14,452</u>	<u>\$ (28,286)</u>	<u>\$ 376,674</u>
Less accumulated depreciation/amortization:				
Reservoirs, water treatment and sewerage facilities	\$ 48,796	\$ 2,042	\$ (11,773)	\$ 39,065
Buildings, structures and improvements	36,658	4,352	(3,267)	37,743
Vehicles	2,269	228	(153)	2,344
Furniture	767	2	(16)	753
Computers	3,340	191	(26)	3,505
Tools and heavy equipment	<u>6,837</u>	<u>459</u>	<u>(1,387)</u>	<u>5,909</u>
Total accumulated depreciation/amortization	<u>\$ 98,667</u>	<u>\$ 7,274</u>	<u>\$ (16,622)</u>	<u>\$ 89,319</u>
NET CAPITAL ASSETS	<u>\$ 291,841</u>	<u>\$ 7,178</u>	<u>\$ (11,664)</u>	<u>\$ 287,355</u>

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

Classification	Balance at August 31, 2012	Additions and Transfers	Deletions and Transfers	Balance at August 31, 2013
Capital assets, not being depreciated/amortized:				
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	126,666	25,362	(31,139)	120,889
Capital assets, being depreciated/amortized:				
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	238,787	31,677	(845)	269,619
TOTAL CAPITAL ASSETS	\$ 365,453	\$ 57,039	\$ (31,984)	\$ 390,508
Less accumulated depreciation/amortization:				
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	\$ 89,726	\$ 9,296	\$ (355)	\$ 98,667
NET CAPITAL ASSETS	\$ 275,727	\$ 47,743	\$ (31,629)	\$ 291,841

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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, 2014 and 2013 were as follows:

	2014		2013	
	Current Unearned Revenues	Noncurrent Unearned Revenues	Current Unearned Revenues	Noncurrent Unearned Revenues
Unrestricted				
Water Supply System:				
Lake Granbury	\$ 332	\$ -	\$ 1,249	\$ -
Lake Limestone	4,054	-	1,561	1,920
Possum Kingdom Lake	779	-	309	-
Federal Reservoirs	3,960	-	5,703	-
Other Water Supply System	144	-	250	-
Total Water Supply	9,269	-	9,072	1,920
Cost Reimbursable Operations:				
Williamson County RRWL	73	451	60	496
Temple-Belton RSS	523	-	457	-
Clute-Richwood RSS	145	-	183	-
Hutto WWS	159	-	218	-
Brushy Creek RWS	282	-	413	-
Total Cost Reimbursable Operations	1,182	451	1,331	496
Total Unrestricted	\$ 10,451	\$ 451	\$ 10,403	\$ 2,416
Restricted				
Cost Reimbursable Operations:				
Williamson County RRWL	\$ 313	\$ -	\$ 345	\$ -
Total Restricted	\$ 313	\$ -	\$ 345	\$ -

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6. NONCURRENT LIABILITIES

Revenue Bonds Payable

Revenue bonds payable consists of the following at August 31, 2014:

	Balance at August 31, 2013	Additions	Retired	Balance at August 31, 2014	Amount Due Within One Year
<i>Water Supply System:</i>					
Series 2002 State Participation Loan	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ -
Series 2005B (AMT) Revenue Bonds	8,925	-	(1) 8,925	\$ -	-
Series 2006 Revenue Bonds	17,805	-	-	\$ 17,805	535
Series 2009 Revenue Bonds	18,820	-	1,060	\$ 17,760	1,065
Total Water Supply System	\$ 51,550	\$ -	\$ 9,985	\$ 41,565	\$ 1,600
<i>Cost Reimbursable Operations:</i>					
Series 1999 State Participation Loan	\$ 14,955	\$ -	\$ -	\$ 14,955	\$ -
Series 2000 Capital Appreciation Bonds	1,585	74	310	1,349	305
Series 2011 Revenue Bonds	16,475	-	115	16,360	120
Total Cost Reimbursable Operations	\$ 33,015	\$ 74	\$ 425	\$ 32,664	\$ 425
<i>Net (Premium)/Discount on revenue bonds payable</i>	\$ (39)	\$ -	\$ (62)	\$ 23	\$ -
<i>Total Net Revenue Bonds Payable</i>	\$ 84,526	\$ 74	\$ 10,348	\$ 74,252	\$ 2,025

1) On March 13, 2014 the BRA redeemed the \$10,335 Water Supply System Revenue Bonds 2005B. As a result of the early retirement of the bonds, there was a loss on early retirement of \$65.

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

	Balance at August 31, 2012	Additions	Retired	Balance at August 31, 2013	Amount Due Within One Year
<i>Water Supply System:</i>					
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
Total Water Supply System	\$ 52,985	\$ -	\$ 1,435	\$ 51,550	\$ 1,450
<i>Cost Reimbursable Operations:</i>					
Series 1999 State Participation Loan	14,955	-	-	14,955	-
Series 2000 Capital Appreciation Bonds	1,874	86	375	1,585	310
Series 2011 Revenue Bonds	16,595	-	120	16,475	115
Total Cost Reimbursable Operations	\$ 33,424	\$ 86	\$ 495	\$ 33,015	\$ 425
<i>Net (Premium)/Discount on revenue bonds payable</i>	\$ (43)	\$ -	\$ (4)	\$ (39)	\$ -
Total Revenue Bonds Payable	\$ 86,366	\$ 86	\$ 1,926	\$ 84,526	\$ 1,875

Revenue bonds payable at August 31, 2014, is further detailed as follows:

Water Supply System:

- *Series 2002 (\$6,000) Brazos River Authority State Participation Loan (Allens Creek Project)* – for purchase of land for Allens Creek Reservoir site; due in installments of \$260 to \$580 beginning from 2022 through 2036; interest at 5.776% to 5.876%
- *Series 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% **(redeemed \$8,535 on 3/13/2014)**
- *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 .174% to 2.815%

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Cost Reimbursable Operation:

- *Series 1999 (\$14,955) Brazos River Authority Texas Water Development Board State Participation Loan for Williamson County Regional Raw Water Line* – due in annual installments of \$860 to \$1,630 beginning from 2021 through 2033; Interest at 4.35% to 5.50%
- *Series 2000 (\$2,795) Brazos River Authority* – capital appreciation bonds for Williamson County Regional Raw Water Line; due in annual installments of \$300 to \$605 through 2019;
- *Series 2011 (\$17,190) Brazos River Authority Contract Revenue and Refunding Bonds, (Williamson County Regional Raw Water Line Project)* - to refund the serial portion of the Contract Revenue Bonds series 2000 for Williamson County Regional Raw Water Line. In addition, proceeds from the sale of the bonds 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, 2014 and 2013, the BRA’s coverage rates were 2.91 and 3.90, 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, as amended, “Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities.” The Statement requires that the difference between the reacquisition price and the net carrying amount of the refunded old debt be deferred and amortized as a component of interest expense in a systematic and rational manner over the shorter of the life of the old debt or the life of the new debt. GASB 65 further requires the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources. For the years ended August 31, 2014 and 2013 the cumulative unamortized deferred outflows of resources amounted to \$316 and \$335, respectively. The deferred amount resulted from refunding of debt in 2011.

Annual requirements to retire revenue bonds outstanding including interest are:

	Water Supply System		Cost Reimbursable Operations	
	Principal	Interest	Principal	Interest
2015	1,600	1,746	\$ 425	\$ 1,819
2016	1,630	1,718	399	1,831
2017	1,655	1,688	828	1,837
2018	1,690	1,653	833	1,835
2019	1,730	1,615	834	1,830
2020-2024	10,220	6,416	8,765	7,456
2025-2029	12,755	3,834	12,485	4,253
2030-2034	7,885	1,690	8,095	1,406
2035-2036	2,400	310	-	-
Total	\$ 41,565	\$ 20,670	\$ 32,664	\$ 22,267

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Contracts Payable consists of the following at August 31, 2014:

	Balance at August 31, 2013	Retired/ (Additions)	Balance at August 31, 2014	Amts Due Within One Year
\$5,124 to acquire water conservation storage space in the Belton Reservoir; due in annual installments of principal and interest of \$170 through 2006 and \$126 from 2007 through 2024; interest at 2.50% to 2.54%	\$ 1,200	\$ 96	\$ 1,104	\$ 98
\$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%	348	34	314	34
\$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%	1,308	247	1,061	255
\$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%	3,018	183	2,835	188
\$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%	363	179	184	184
\$15,178 to acquire water conservation storage space in the Granger Reservoir; due in annual installments of principal and interest of \$599 through 2041 and \$598 in 2042; interest at 3.25%	11,140	237	10,903	244
\$7,130 to acquire water conservation storage space in the Georgetown (formerly Northfork) Reservoir; due in annual installments of principal and interest ranging from \$285 through 2032 to \$135 in 2042; the interest at 3.25%	4,916	125	4,791	129
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc., due in annual installments of principal only of \$10 to \$45 through 2020	315	45	270	45
\$5,439 to fund the required repair, replacement and rehabilitation of the Belton Reservoir, due in annual installments of principal and interest of \$312 through 2043; interest at 4.25%	5,439		5,439	312
TOTAL	<u>\$ 28,047</u>	<u>\$ 1,146</u>	<u>\$ 26,901</u>	<u>\$ 1,489</u>

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

	Contracts Payable		Total
	Principal	Interest	
2015	\$ 1,489	\$ 659	\$ 2,148
2016	1,107	844	1,951
2017	1,139	812	1,951
2018	1,173	779	1,952
2019	923	745	1,668
2020-2024	4,856	3,290	8,146
2025-2029	4,200	2,534	6,734
2030-2034	4,104	1,848	5,952
2035-2039	4,433	1,106	5,539
2040-2044	3,477	317	3,794
TOTAL	\$ 26,901	\$ 12,934	\$ 39,835

Other Noncurrent Liabilities Other noncurrent liability activity for the year ended August 31, 2014 was as follows:

	Balance at August 31, 2013	Additions	Reductions	Balance at August 31, 2014	Amounts Due Within One Year
Unearned Revenues:					
Lake Limestone	\$ 2,880	\$ -	\$ 960	\$ 1,920	\$ 1,920
WCRRWL	541	-	45	496	45
TOTAL	\$ 3,421	\$ -	\$ 1,005	\$ 2,416	\$ 1,965
Other Liabilities:					
Hydroelectric	\$ 323		\$ -	\$ 323	\$ -
Trans TX Phase II	210	-	-	210	-
Compensated Absences	205	5	5	205	14
Other	109	-	-	109	-
TOTAL	\$ 847	\$ 5	\$ 5	\$ 847	\$ 14

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7. NET POSITION

Details of Net Position of investment in capital assets

	2014	2013
Net capital assets	\$ 287,355	\$ 291,841
Deferred outflows of resources	316	335
Revenue bonds payable - current & noncurrent	(72,641)	(81,814)
Bond related costs	563	651
Discount on revenue bonds payable	(23)	39
Construction contracts payable	(1,364)	(2,335)
Contracts payable, current & noncurrent	<u>(26,901)</u>	<u>(28,047)</u>
Total Net Position of investment in capital assets	<u>\$ 187,305</u>	<u>\$ 180,670</u>

The unspent proceeds of debt issued for capital purposes and the related debt are excluded from the computation of capital assets. At August 31, 2014 and 2013, the balance of unspent bond proceeds for capital purposes was \$1,588 and \$2,751 respectively.

8. RETIREMENT PLANS

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

Plan Description

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

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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, 2012, and March 1, 2011, is composed of the following:

Group	2013	2012
Retirees and beneficiaries currently receiving benefits	105	99
Terminated Plan members entitled to but not yet receiving benefits	117	106
Deferred beneficiaries	2	2
Transferred Canal Division employees*	6	6
Active Plan members	126	147
TOTAL	356	360

*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.

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).

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Annual Pension Cost

For the fiscal year ended August 31, 2014, the BRA's Annual Required Contribution (ARC) was \$750. The BRA's ARC, Annual Pension Cost (APC), the percentage of APC and the Net Pension Obligation (NPO) for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual Required Contribution	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation Balance
August 31, 2012	\$ 302	\$ 302	100%	\$ -
August 31, 2013	\$ 656	\$ 656	100%	\$ -
August 31, 2014	\$ 750	\$ 750	100%	\$ -

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, 2013.

Funding Status and Funding Progress

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

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	*Covered Payroll (c)	*UAAL as % of Covered Payroll (b-a)/(c)
March 1, 2014	\$ 20,626	\$ 27,970	\$ 7,344	74%	\$ 5,634	130.35

*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

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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, 2014, 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.

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 656 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 2014 and 2013 was 7.78% and 7.85% 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.

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Annual Pension Cost

For the year ended August 31, 2014 and August 31, 2013, the actual contributions made by the employees were \$779 and \$773, respectively. For the fiscal year ended August 31, 2014, the BRA's ARC was \$1,012. The BRA's ARC, the percentage of APC and the NPO for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual Required Contribution	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation Balance
August 31, 2012	\$ 1,081	\$ 1,081	100%	\$ -
August 31, 2013	\$ 1,011	\$ 1,011	100%	\$ -
August 31, 2014	\$ 1,012	\$ 1,012	100%	\$ -

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, 2013.

Funding Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 93.13% funded. The actuarial accrued liability for benefits was \$14,557, and the actuarial value of assets was \$13,557, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,000. The covered payroll (annual payroll of active employees covered by the plan) was \$12,920, and the ratio for the UAAL to the covered payroll was 7.74%.

Actuarial Methods and Assumptions:

Actuarial Valuation Information	
2014	
Actuarial valuation date	December 31, 2013
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*	4.9%
Inflation	3.0%

*Includes inflation at the stated rate

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9. 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.

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

Contracting Party	Date of Issue	Original Amount	Date of Maturity	Interest Rate	Balance at August 31, 2014
Jonah Water SUD	2007	\$ 3,170	2009-2028	4.0% to 4.5%	\$ 2,465
Jonah Water SUD	2008	\$ 2,630	2010-2029	3.0% to 5.0%	2,165
Jonah Water SUD	2012	\$ 5,090	2015-2032	3.0% to 5.0%	5,090
TOTAL					\$ 9,720

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

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

Year Issued	Original Amount	Year of Maturity	Interest Rate %	Balance at August 31, 2014
1997	50,000	2018	5.050	50,000
1998A	100,000	2019	Variable	100,000
1998B	90,000	2020	Variable	90,000
1998C	100,000	2019	Variable	100,000
1998D	68,700	2015	4.900	68,700
1999A	100,000	2026	Variable	100,000
1999B	100,000	2018	Variable	100,000
Subtotal for CenterPoint				\$ 608,700

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013 (in thousands)

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

Year Issued	Original Amount	Year of Maturity	Interest Rate %	Balance at August 31, 2014
1994A	39,170	2029	5.40	\$ 39,170
1994B	39,170	2029	Variable	39,170
1995A	50,670	2030	Variable	49,770
1995B	118,355	2030	Variable	113,895
1999A	110,545	2033	7.70	110,545
1999B	15,955	2034	15.00	15,955
1999C	50,000	2032	7.70	50,000
2001A	120,750	2030	8.25	70,750
2001B	19,180	2029	Variable	19,180
2001C	273,985	2036	15.00	217,180
2001D-1	170,895	2033	8.25	170,895
2001D-2	97,410	2033	Variable	97,410
2001 I	62,920	2036	Variable	61,790
2002A	60,650	2037	Variable	44,630
2003A	43,685	2038	15.00	43,685
2003B	39,025	2032	6.30	39,025
2003C	72,335	2038	6.75	51,825
2003D	30,820	2029	5.40	30,820
2006	100,000	2041	5.00	100,000
Subtotal for Texas Competitive Electric Holdings Company LLC				<u>\$ 1,365,695</u>
TOTAL POLLUTION CONTROL FINANCING ARRANGEMENTS				<u><u>\$ 1,974,395</u></u>

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013 (in thousands)

10. COMMITMENTS & CONTINGENCIES

Deferred Compensation Plans

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

All regular full-time and part-time employees who contribute to the 457 Deferred Compensation Plan are eligible for employer contributions to the 401 (a) plan. The employer contribution is based on 50% of the employee's 457 semi-monthly deferral (maximum employer contribution is 3% of the employee's semi-monthly gross compensation). Employees are vested in the employer contribution and related investment earnings (losses) after completing five or more years of continuous BRA service. Non-vested employer contributions are deposited into the ICMA Traditional Growth Fund until vesting occurs. Total deposits into the non-vested account for the twelve months ended August 31, 2014 and August 31, 2013 were \$25 and \$23, 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 2014, the BRA made progress on the following projects:

Name	Construction In Progress at August 31, 2014	Total Project Budgeted Cost	Estimated Project Comp. Date
System Permit Application	\$ 13,800	\$ 21,794	2020+
Graham Flood Control	5,191	6,840	2016
DeCordova Bend Dam Low Flow Facility	3,694	4,344	2015
PK Dam Improvement Projects	920	3,860	various
West Central Brazos Pipeline Improvements	757	1,020	2016
Allens Creek Reservoir	239	67,298	2020+
Other	947	-	various
TOTAL	\$ 25,548		

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013 (in thousands)

Other

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

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

11. RISK MANAGEMENT

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

The BRA maintains a partially self-insured plan for medical and dental. The purpose of the partially self-insured plan is to reduce total medical cost for both employees and the BRA. Medical claims exceeding \$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 has been depleted.

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

Fiscal Year Ended	Beginning Balance	Additions	Deletions	Ending Balance
August 31, 2012	\$ 2,013	\$ 2,399	\$ (3,176)	\$ 1,236
August 31, 2013	\$ 1,236	\$ 2,042	\$ (2,747)	\$ 531
August 31, 2014	\$ 531	\$ 3,524	\$ (3,611)	\$ 444

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 98 and 99 of this report.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013 (in thousands)

12. BOARD DESIGNATED RESERVES

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

The balances of those reserves at August 31, 2014 are represented as follows:

Working Capital Reserve	\$	6,372
Contingency Reserve Fund		5,000
Self Insurance Fund		500
Rate Stabilization Reserve Fund		34,482
TOTAL	\$	<u>46,354</u>

13. RESTATEMENT

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, of the GASB was effective for periods beginning after December 15, 2012.

The BRA implemented GASB 65 effective September 1, 2013 and has restated the accompanying 2013 financial statements to reflect a change in accounting principle for the required implementation of GASB 65. The statement requires that for all current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, or proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Prior to this provision, the BRA had recorded all differences between the reacquisition price and the net carrying amount of the old debt as a noncurrent liability on the Statements of Net Position. The effect on the August 31, 2013 Statements of Net Position was to reclassify \$335 in noncurrent liabilities to deferred outflows of resources on the Statement of Net Position.

In addition, GASB 65 requires that all debt issuance cost, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prior to this provision, the BRA had capitalized all debt issuance cost as reflected on the Statement of Net Position as other noncurrent assets. GASB 65 requires all periods presented in the financial statements to be restated to conform to the new requirements. The following summarizes the adjustments made to the 2013 Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets:

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013 (in thousands)

STATEMENT OF NET POSITION

	2013 Restated	2013 As Previously Reported
OTHER NONCURRENT ASSETS:		
Contract receivable, net of current portion	\$ 184	\$ 184
Bond related costs	651	1,510
Other assets	2,011	2,011
TOTAL OTHER NONCURRENT ASSETS	2,846	3,705
DEFERRED OUTFLOWS OF RESOURCES	335	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 383,969	\$ 384,493
NONCURRENT LIABILITIES:		
Revenue bonds payable, net of current portion	\$ 82,651	\$ 82,316
Contracts payable, net of current portion	26,590	26,590
Unearned revenues	2,416	2,416
Other liabilities	831	831
TOTAL NONCURRENT LIABILITIES	\$ 112,488	\$ 112,153
TOTAL LIABILITES	\$ 141,247	\$ 140,912
NET POSITION		
Net Investment in capital assets	\$ 180,670	\$ 181,529
Restricted for construction and debt service	9,627	9,627
Unrestricted	52,425	52,425
TOTAL NET POSITION	\$ 242,722	\$ 243,581

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

OPERATING EXPENSES:		
Personnel services	\$ 15,540	\$ 15,540
Materials and supplies	2,206	2,206
Utilities	3,792	3,792
Depreciation and amortization	9,297	9,343
Outside services	4,578	4,578
Repair and maintenance	2,638	2,638
Land fill & sludge hauling	2,355	2,355
Purchased water	2,361	2,361
Other	1,123	1,123
TOTAL OPERATING EXPENSES	\$ 43,890	\$ 43,936
NET POSITION, ENDING	\$ 242,722	\$ 243,581

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013 (in thousands)

14. AGREEMENT TO TRANSFER OWNERSHIP

During Fiscal Year 2014, the contracting parties of the Temple Belton Wastewater Treatment Plant and the BRA signed a transfer agreement to transfer ownership to the contracting parties. On October 1, 2013, the transfer agreement was signed by all parties and all assets and liabilities were removed from the books and records of the BRA resulting in a loss on disposal of an asset of \$1,496.

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 were removed from the books and records resulting in a loss on sale of operations of \$11,762.

15. RECENTLY ISSUED GASB STATEMENTS

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 define 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.

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.

In January 2013, the GASB issued Statement No 69, *Government Combinations and Disposals of Government Operations*. The primary objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. As used in the Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for financial statements for periods beginning after December 15, 2013.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2014 AND 2013 (in thousands)

In April 2013, the GASB issued Statement No 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. This Statement is effective for financial statements for periods beginning after June 15, 2013.

In November 2013, the GASB issued Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. This Statement is effective simultaneously with the provisions of Statement 68.

16. SUBSEQUENT EVENTS

On October 27, 2014, the Board of Directors of the BRA authorized the General Manager/CEO to execute an agreement to issue bonds, in one or more series, in the aggregate principal amount not to exceed \$17,500, for the purpose of providing funds to refund the Brazos River Authority Water Supply System Revenue Bonds Series 2006.

***Required
Supplemental
Information***

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

Retirement Plan for Employees of Brazos River Authority:

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
March 1, 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
March 1, 2014	\$ 20,626	\$ 27,970	\$ 7,344	74%	\$ 5,634	130.35

Brazos River Authority TCDRS:

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
December 31, 2011	\$ 8,656	\$ 10,396	\$ 1,740	83.26%	\$ 13,232	13.15
December 30, 2012	\$ 10,905	\$ 12,418	\$ 1,513	87.82%	\$ 12,987	11.65
December 30, 2013	\$ 13,557	\$ 14,557	\$ 1,000	93.13%	\$ 12,920	7.74

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.

*Supplemental
Information*

**BRAZOS RIVER AUTHORITY
SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (AGENCY FUNDS)
YEAR ENDED AUGUST 31, 2014 (in thousands)**

	Balance August 31, 2013	Additions	Deletions	Balance August 31, 2014
Jonah Water SUD Agency Fund				
ASSETS				
Cash	\$ 2,098	\$ 1,259	\$ (3,280)	\$ 77
Investments	630	834	(634)	830
Accrued interest	-	5	(4)	1
TOTAL ASSETS	\$ 2,728	\$ 2,098	\$ (3,918)	\$ 908
LIABILITIES				
Held for future debt service	\$ 909	\$ 623	\$ (624)	\$ 908
Held for future construction cost	1,819	2	(1,821)	-
TOTAL LIABILITIES	\$ 2,728	\$ 625	\$ (2,445)	\$ 908

**BRAZOS RIVER AUTHORITY
SUPPLEMENTAL INFORMATION
COMPARISON OF BUDGETED REVENUES AND EXPENSES TO ACTUAL
YEAR ENDED AUGUST 31, 2014 (in thousands)**

	2014 Budget	2014 Actual	Variance	
OPERATING REVENUES:				
Water Supply System:				
Raw water sales	\$ 28,948	\$ 31,420	\$ 2,472	1
Treated water	1,604	1,790	186	
Wastewater treatment	3,524	2,095	(1,429)	2
Lake operations	1,038	934	(104)	
Grants	888	988	100	
Other	471	930	459	
Cost Reimbursable Operations:				
Water conveyance	3,379	3,453	74	
Water treatment	977	1,102	125	
Wastewater treatment	9,766	8,316	(1,450)	3
TOTAL OPERATING REVENUES	50,595	51,028	433	
OPERATING EXPENSES:				
Personnel services	19,196	17,693	1,503	4
Materials and supplies	2,686	2,101	585	
Utilities	4,137	4,329	(192)	
Depreciation and amortization	-	7,274	(7,274)	5
Outside services	5,375	4,572	803	
Repair and maintenance	2,857	2,260	597	
Land fill & sludge hauling	2,270	2,236	34	
Purchased water	2,360	2,360	-	
Other	2,181	1,028	1,153	6
TOTAL OPERATING EXPENSES	41,062	43,853	(2,791)	
NON-OPERATING REVENUES (EXPENSES):				
Investment income	385	470	85	
Interest expense	(4,635)	(4,283)	352	
Other expenses	-	(107)	(107)	7
Loss on sale of capital assets	-	(1,466)	(1,466)	
Capital contributions	-	479	479	
Debt service - principal	(3,177)	-	3,177	8
TOTAL NET NON-OPERATING REVENUES	(7,427)	(4,907)	2,520	
CHANGE IN NET ASSETS	\$ 2,106	\$ 2,268	\$ 162	

1 Higher than expected water sales

2 BRA ceased operation of the Georgetown Wastewater System on 9/30/2013

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

4 Normal attrition in the replacement of personnel and the cessation of operations at Georgetown

5 Depreciation and amortization are not budgeted expenditures

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

7 Budget column does not include the write off of capital projects that were removed from the projects list

8 Debt service principal payments are not GAAP expenditures

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Statistical Section

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**BRAZOS RIVER AUTHORITY
STATISTICAL SECTION**

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

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain information to assist the reader in obtaining a better understanding of how the BRA's financial performance and well-being have changed over time.	78 - 80
Revenue Capacity These schedules contain information to assist the reader in obtaining a better understanding of the BRA's significant revenue sources, water sales and cost reimbursable operations.	81 - 85
Debt Capacity These schedules present information to help the reader assess the affordability of the BRA's current levels of outstanding debt, the BRA's ability to issue additional debt in the future, and to provide information to comply with the continuing disclosure requirements of SEC Rule 15c2-12.	86 - 89
Demographic and Economic information These schedules offer demographic and economic indicators to help the reader understand the environment within which the BRA operates and the geographic regions the BRA manages, each with distinctive climate, topography and water needs.	90 - 96
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the BRA's financial report relates to the services the BRA provides and the activities it performs.	97 - 100

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			
	2014	Restated 2013	Restated 2012	Restated 2011
OPERATING REVENUES:				
Water Supply System:				
Raw water	\$ 31,420	\$ 31,915	\$ 32,795	\$ 33,672
Treated water	1,790	1,588	2,019	1,623
Wastewater treatment	2,095	3,585	3,424	3,335
Lake operations	934	1,638	1,739	2,095
Hydroelectric	-	-	-	-
Grants	988	800	902	778
Pollution control financing fees	-	-	-	-
Other	930	867	1,149	1,103
Cost Reimbursable Operations:				
Water conveyance (a)	3,453	3,557	3,826	3,037
Water treatment	1,102	994	7,052	8,938
Wastewater treatment (b)	8,316	7,892	7,631	7,860
TOTAL OPERATING REVENUES	51,028	52,836	60,537	62,441
OPERATING EXPENSES:				
Personnel services	17,693	15,540	16,054	15,740
Materials and supplies	2,101	2,206	2,598	2,990
Utilities	4,329	3,792	4,267	4,981
Depreciation and amortization	7,274	9,297	8,745	9,376
Outside services	4,572	4,578	3,426	4,372
Repair and maintenance	2,260	2,638	3,175	2,655
Landfill and sludge hauling	2,236	2,355	3,251	2,529
Purchased water	2,360	2,361	2,360	2,291
Other	1,028	1,123	1,132	1,088
TOTAL OPERATING EXPENSES	43,853	43,890	45,008	46,022
OPERATING INCOME	7,175	8,946	15,529	16,419
NON-OPERATING REVENUES (EXPENSES):				
Investment income	470	592	1,074	1,223
Interest expense	(4,283)	(4,183)	(5,801)	(7,166)
Other income (d)	-	-	-	-
Other expenses	(107)	(1,165)	(2,286)	(147)
Gain/(Loss) on sale of capital assets (a),(b),(c),(e),(f)	(1,466)	(547)	(11,117)	48,865
TOTAL NET NON-OPERATING REVENUES (EXPENSES)	(5,386)	(5,303)	(18,130)	42,775
INCOME (LOSS) BEFORE CONTRIBUTIONS & SPECIAL ITEMS:	1,789	3,643	(2,601)	59,194
CAPITAL CONTRIBUTIONS	479	892	1	636
SPECIAL ITEMS (g)	-	-	(2,400)	-
CHANGE IN NET POSITION	\$ 2,268	\$ 4,535	\$ (5,000)	\$ 59,830

- (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						
2010	2009	2008	2007	2006	2005	
\$ 28,640	\$ 29,529	\$ 26,093	\$ 23,010	\$ 19,460	\$ 18,653	
1,571	1,232	1,022	1,062	1,115	886	
3,285	3,012	2,989	2,572	2,301	1,021	
4,492	3,243	3,181	3,121	2,875	2,508	
-	514	631	603	677	750	
1,552	1,578	1,264	1,101	1,615	2,863	
-	-	-	-	750	-	
927	1,466	1,356	1,229	1,259	1,251	
1,853	3,235	2,346	2,247	1,801	5,954	
8,221	8,953	8,174	7,880	8,038	6,877	
8,045	7,733	7,827	7,321	7,186	7,520	
58,586	60,495	54,883	50,146	47,077	48,283	
16,615	16,355	15,271	14,744	14,670	14,195	
2,769	3,011	2,613	2,501	2,792	2,389	
4,506	5,121	4,836	4,545	4,355	3,087	
9,789	9,905	8,804	9,819	9,965	11,478	
5,422	4,525	4,993	4,959	4,551	7,358	
2,122	2,035	1,896	1,882	1,946	1,651	
2,289	2,140	2,355	2,030	1,995	513	
2,156	2,094	1,969	1,911	1,797	1,804	
1,012	1,048	805	832	939	1,017	
46,680	46,234	43,542	43,223	43,010	43,492	
11,906	14,261	11,341	6,923	4,067	4,791	
891	1,329	2,187	2,832	1,941	1,253	
(7,341)	(7,419)	(5,848)	(5,928)	(5,963)	(8,797)	
-	-	4,125	-	-	-	
(735)	(303)	(292)	(765)	(1,352)	(197)	
38	(107)	(391)	33	(5,674)	(9,418)	
(7,147)	(6,500)	(219)	(3,828)	(11,048)	(17,159)	
4,759	7,761	11,122	3,095	(6,981)	(12,368)	
1,203	1,035	661	1,933	1,126	4,177	
-	-	-	-	-	-	
\$ 5,962	\$ 8,796	\$ 11,783	\$ 5,028	\$ (5,855)	\$ (8,191)	

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

Fiscal Year	Net Invested in Capital Assets	Restricted For Construction and Debt Service	Unrestricted	Total Net Position
8/31/2005	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	143,435	9,393	90,359	243,187
8/31/2012	173,492	6,490	58,205	238,187
8/31/2013	180,670	9,627	52,425	242,722
8/31/2014	187,305	8,800	48,885	244,990

- During Fiscal Year 2006, the customer, City of Sugar Land, and the BRA entered into negotiations for early termination of their contract. Negotiations were completed and the ownership/operation was transferred to the City of Sugar Land on October 25, 2005 and all existing contracts, assets and related debt were transferred to the City of Sugar Land.
- During Fiscal Year 2008, the BRA spent the majority of the bond proceeds and completed the expansion project at its East Williamson County Regional Water System.
- During Fiscal Year 2009, the BRA issued \$22,000 in new debt for the construction of the deep water intake structure on Granger Lake.
- During Fiscal Year 2011, the BRA sold most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Land Partnership, Ltd.
- During Fiscal Year 2012, the BRA disposed of all assets and liabilities related to the SWATS operation as a result of the transfer agreement with the contracting parties of the SWATS operation. In addition, during the Fiscal Year 2012, the BRA redeemed the Series 2002 Water Supply bonds, the Series 2005A Water Supply bonds, and the Contracts Payable for the Aquilla Reservoir storage space.
- During Fiscal Year 2014, the BRA disposed of all assets related to the Temple Belton Wastewater Treatment Plant operation as a result of the transfer agreement with the contracting parties. In addition, during the Fiscal Year 2014 the BRA redeemed the Series 2005 Water Supply bonds.

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

Year	System Rate			Agriculture			Two-Tier			Other Fixed			Colorado Basin Water			Utilities			Total	
	Acres	Feet	Avg Price	Acres	Feet	Avg Price	Acres	Feet	Avg Price	Acres	Feet	Avg Price	Acres	Feet	Avg Price	Acres	Feet	Avg Price	Acres	Feet
2005	206,184		45.75	11,344		39.75	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		39.75	105,503		16.30	56,300		21.10	22,460		54.08	205,447		16.24	606,871	
2007	224,537		52.50	9,940		39.75	105,503		16.36	56,916		20.00	20,984		62.07	205,447		16.85	623,327	
2008	243,481		54.50	9,990		39.75	103,838		16.59	33,583	a	17.52	21,528		67.73	205,447		18.18	617,867	
2009	289,414		57.00	9,990		39.75	100,238		16.51	33,583		17.71	25,000		72.86	205,447		16.10	663,672	
2010	294,741		60.50	10,190		42.35	100,238		16.54	33,633		17.87	21,528		74.19	205,447		16.42	665,777	
2011	296,773		62.50	10,190		43.75	100,238		16.54	33,633		18.14	25,000		83.07	205,447		16.10	671,281	
2012	296,891		62.50	10,160		43.75	100,238		16.72	33,583		18.30	21,528		81.49	205,447		15.46	667,847	
2013	296,546		62.50	10,160		43.75	100,238		16.72	33,878		18.36	21,528		81.19	205,447		18.36	667,797	
2014	294,506		65.65	10,160		45.95	100,238		17.04	33,878		18.47	25,000		83.02	205,447		12.30	669,229	

Source: Brazos River Authority Annual Operating Plan.

a - Twenty three thousand three hundred acre feet, consisting of an Other Fixed Price Contract, expired and was contracted under a System Rate 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 2014			Fiscal Year 2013		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
City of Round Rock	\$ 8,464	16.59	City of Round Rock	\$ 8,313	15.73
City of Georgetown	3,529	6.92	Gulf Coast Water Authority	5,059	9.57
Gulf Coast Water Authority	3,405	6.67	City of Georgetown	4,831	9.14
NRG Texas Power, L.L.C. **	2,595	5.09	NRG Texas Power, L.L.C. **	2,618	4.95
City of Sugar Land	2,376	4.66	City of Sugar Land	2,425	4.59
City of Temple	2,278	4.46	Dow Chemical Company	2,375	4.49
Dow Chemical Company	1,900	3.72	City of Temple	2,077	3.93
Bell County Water C.I.D. #1	1,882	3.69	Bell County Water C.I.D. #1	1,836	3.48
TXU Electric / Oakgrove	1,514	2.97	TXU Electric / Oakgrove	1,607	3.04
Chisholm Trail S.U.D.	1,305	2.56	City of Taylor	1,266	2.40
	<u>\$ 29,248</u>	<u>57.33</u>		<u>\$ 32,407</u>	<u>61.32</u>

Fiscal Year 2012			Fiscal Year 2011		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
City of Round Rock	\$ 8,450	13.96	City of Round Rock	\$ 7,167	11.48
Johnson County S.U.D.*	5,673	9.37	Gulf Coast Water Authority	6,821	10.93
City of Georgetown	4,470	7.38	Johnson County S.U.D.*	5,611	8.99
Gulf Coast Water Authority	4,412	7.29	City of Georgetown	4,968	7.96
NRG Texas Power, L.L.C. **	2,593	4.28	NRG Texas Power, L.L.C. **	2,594	4.16
City of Sugar Land	2,121	3.50	City of Temple	2,350	3.77
City of Temple	2,241	3.70	City of Sugar Land	1,994	3.19
Bell County Water C.I.D. #1	1,828	3.02	Dow Chemical Company	1,928	3.09
Dow Chemical Company	1,820	3.01	Bell County Water C.I.D. #1	1,813	2.90
TXU Electric / Oakgrove	1,648	2.72	TXU Electric / Oakgrove	1,450	2.32
	<u>\$ 35,256</u>	<u>58.23</u>		<u>\$ 36,696</u> (1)	<u>58.79</u>

Fiscal Year 2010			Fiscal Year 2009		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
Johnson County S.U.D.*	\$ 6,551	11.18	Johnson County S.U.D.*	\$ 7,593	12.55
City of Round Rock	6,357	10.85	Lower Colorado River Authority	6,779	11.21
City of Georgetown	4,472	7.63	City of Georgetown	4,129	6.83
Lower Colorado River Authority	3,414 (2)	5.83	City of Round Rock	4,040	6.68
NRG Texas Power, L.L.C.**	2,629	4.49	Gulf Coast Water Authority	3,266	5.40
City of Temple	2,579	4.40	City of Temple	2,550	4.22
Gulf Coast Water Authority	2,513	4.29	NRG Texas Power, L.L.C.**	2,525	4.17
Bell County W.C.I.D. #1	1,782	3.04	City of Sugar Land	1,846	3.05
City of Sugar Land	1,743	2.98	Dow Chemical Company	1,810	2.99
TXU Electric / Oakgrove	1,545	2.64	Bell County W.C.I.D. #1	1,727	2.85
	<u>\$ 33,585</u>	<u>57.33</u>		<u>\$ 36,265</u> (1)	<u>59.95</u>

Fiscal Year 2008			Fiscal Year 2007		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
Johnson County S.U.D.*	\$ 6,845	12.47	Johnson County S.U.D.*	\$ 6,580	13.12
Lower Colorado River Authority	5,791	10.55	Lower Colorado River Authority	5,335	10.64
City of Georgetown	4,100	7.47	City of Round Rock	3,884	7.74
City of Round Rock	3,750	6.83	City of Georgetown	3,597	7.17
NRG Texas Power, L.L.C.**	2,466	4.49	City of Temple	2,550	5.09
Acton Municipal Utility District	2,049	3.73	NRG Texas Power, L.L.C.**	2,148	4.28
City of Temple	2,013	3.67	Bell County W.C.I.D. #1	1,646	3.28
Gulf Coast Water Authority	1,806	3.29	City of Sugar Land	1,579	3.15
Bell County W.C.I.D. #1	1,692	3.08	City of Granbury	1,397	2.79
City of Sugar Land	1,622	2.96	Gulf Coast Water Authority	1,077	2.15
	<u>\$ 32,134</u>	<u>58.54</u>		<u>\$ 29,793</u>	<u>59.41</u>

Fiscal Year 2006			Fiscal Year 2005		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
Lower Colorado River Authority	\$ 5,080	10.79	City of Lubbock	\$ 4,637	9.60
Johnson County S.U.D.*	4,824	10.25	Johnson County S.U.D.*	4,345	9.00
City of Round Rock	3,285	6.98	City of Sugar Land	3,912	8.10
City of Georgetown	2,998	6.37	Lower Colorado River Authority	3,727	7.72
City of Temple	2,413	5.13	City of Georgetown	2,959	6.13
City of Sugar Land	2,155	4.58	City of Round Rock	2,656	5.50
NRG Texas, LP (Texas Genco)**	1,919	4.08	Texas Genco, LP**	2,429	5.03
TXU Electric Company	1,863	3.96	City of Temple	2,410	4.99
City of Taylor	1,160	2.46	TXU Electric Company	2,361	4.89
Bell County W.C.I.D. #1	1,121	2.38			
	<u>\$ 26,818</u>	<u>56.98</u>		<u>\$ 29,436</u>	<u>60.96</u>

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

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

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

Source: Brazos River Authority Billing System

- (1) The increase is due to higher demand for water during the record drought
- (2) The decrease is due to LCRA selling back operations to the contracting parties

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

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

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

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

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

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

Fiscal Year 2009		
Customer	Revenues	% of Total WSS Revenues
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
	\$ 20,914 (1)	51.49

Fiscal Year 2008			Fiscal Year 2007		
Customer	Revenues	% of Total WSS Revenues	Customer	Revenues	% of Total WSS Revenues
City of Round Rock	\$ 2,777	7.60	City of Round Rock	\$ 2,841	8.69
NRG Texas Power, LLC*	2,187	5.99	City of Georgetown	2,817	8.62
Gulf Coast Water Authority	1,789	4.90	Bell County W.C.I.D. #1	1,648	5.04
City of Georgetown	1,753	4.80	City of Sugar Land	1,579	4.83
Bell County W.C.I.D. #1	1,692	4.63	NRG Texas Power, LLC*	1,367	4.18
City of Sugar Land	1,623	4.44	Gulf Coast Water Authority	1,067	3.26
City of Taylor	1,094	2.99	City of Taylor	1,062	3.25
TXU Electric Company	788	2.16	TXU Electric Company	1,027	3.14
Johnson County S.U.D.	734	2.01	North Texas Living Water Resource	934	2.86
City of Cleburne	681	1.86	Johnson County S.U.D.	707	2.16
	\$ 15,118	41.38		\$ 15,047	46.03

Fiscal Year 2006			Fiscal Year 2005		
Customer	Revenues	% of Total WSS Revenues	Customer	Revenues	% of Total WSS Revenues
City of Georgetown	\$ 2,426	8.07	City of Georgetown	\$ 2,438	8.73
NRG Texas, LP (Texas Genco)*	1,919	6.39	City of Round Rock	2,382	8.53
City of Round Rock	1,851	6.16	Texas Genco, L.P.*	2,265	8.11
TXU Electric Company	1,831	6.09	TXU Electric Company	1,754	6.28
City of Taylor	1,160	3.86	Gulf Coast Water Authority	1,057	3.78
Bell County W.C.I.D. #1	1,121	3.73	City of Taylor	952	3.41
Gulf Coast Water Authority	1,093	3.64	Bell County W.C.I.D. #1	947	3.39
City of Sugar Land	1,085	3.61	Brazos Electric Power Cooperative	776	2.78
Brazos Electric Power Cooperative	686	2.28	Johnson County S.U.D.	616	2.21
Johnson County S.U.D.	669	2.23	Wellborn Special Utility District	500	1.79
	\$ 13,843	46.06		\$ 13,687	49.01

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

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

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12
Source: Brazos River Authority Billing System

**BRAZOS RIVER AUTHORITY
WATER SUPPLY REVENUE BOND DEBT
SERIES 2006 AND SERIES 2009 (in thousands)
AMORTIZATION SCHEDULE (unaudited)**

Fiscal Year Ended August 31	Series 2006		Series 2009		Outstanding Bonds		Total Debt Service Requirements	% Of Principal Retired
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		
2015	535	766	1,065	339	1,600	1,105	2,705	
2016	560	744	1,070	333	1,630	1,077	2,707	
2017	580	721	1,075	325	1,655	1,046	2,701	
2018	605	697	1,085	315	1,690	1,012	2,702	
2019	630	672	1,100	301	1,730	973	2,703	23.35
2020	655	646	1,115	285	1,770	931	2,701	
2021	685	618	1,135	264	1,820	882	2,702	
2022	715	589	1,160	241	1,875	830	2,705	
2023	745	557	1,185	215	1,930	772	2,702	
2024	780	524	1,215	187	1,995	711	2,706	49.75
2025	815	489	1,245	157	2,060	646	2,706	
2026	850	453	1,275	125	2,125	578	2,703	
2027	890	414	1,310	92	2,200	506	2,706	
2028	930	373	1,345	56	2,275	429	2,704	
2029	975	331	1,380	19	2,355	350	2,705	80.73
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	
2034	1,220	85			1,220	85	1,305	96.42
2035	1,275	29			1,275	29	1,304	100.00
TOTAL	\$ 17,805	\$ 9,562	\$ 17,760	\$ 3,256	\$ 35,565	\$ 12,818	\$ 48,384	

Source: Combined Bond Resolutions

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

**WATER SUPPLY REVENUE BONDS
SERIES 2006 AND SERIES 2009
COVERAGE AND ACCOUNT BALANCES
AUGUST 31, 2014 (unaudited) (in thousands)**

Average Annual Principal and Interest Requirements, 2015 - 2035	\$ 2,304
Coverage of Average Requirements by August 31, 2014 Net Revenues*	3.76
Maximum Principal and Interest Requirements, 2016	2,707
Coverage of Maximum Requirements by August 31, 2014 Net Revenues*	3.20
System Revenue Bonds Outstanding, August 31, 2014	35,565
Interest and Sinking Account Balance, August 31, 2014	800 ¹
Reserve Account Balance, August 31, 2014 (Series 2009)	\$1,410 ²

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

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

² In lieu of a Reserve Fund, Surety Bonds were purchased from Municipal Bond Insurance Association Insurance Corporation for the Series 2006. At August 31, 2014 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, 2014 (unaudited) (in thousands)

	Fiscal Year Ended August 31				
	2014	2013	2012	2011	2010
Gross Revenues:					
Raw water	\$ 30,460	\$ 30,955	\$ 31,835	\$ 32,712	\$ 27,680
Treated water	1,790	1,588	2,019	1,623	1,571
Wastewater treatment	2,095	3,585	3,424	3,335	3,285
Lease income	934	1,638	1,739	2,095	4,476
Other	574	518	831	779	655
Interest	457	573	1,032	1,173	822
Grants	988	800	902	778	1,552
Less: Existing debt service (1)	-	-	(1,042)	(1,027)	(1,027)
TOTAL GROSS REVENUES	\$ 37,298	\$ 39,657	\$ 40,740	\$ 41,468	\$ 39,014
Operation & Maintenance Expenses:					
Personnel services	\$ 13,825	\$ 12,969	\$ 12,676	\$ 12,110	\$ 12,919
Materials, supplies & services	1,275	1,417	1,427	1,346	1,285
Utilities	1,043	922	877	1,060	1,033
Outside services	2,973	3,937	2,798	3,666	4,549
Repair and maintenance	1,228	1,617	1,572	1,587	1,291
Landfill and sludge hauling	361	717	986	850	761
Purchased water	2,258	2,361	2,360	2,292	2,156
Other	3,348	1,636	415	423	441
Other non-operating	44	32	55	95	44
Program and project expenditures	48	232	730	193	1,432
Other debt service (2)	2,232	2,232	2,650	2,728	2,670
TOTAL OPERATION & MAINTENANCE	\$ 28,635	\$ 28,072	\$ 26,546	\$ 26,350	\$ 28,581
NET REVENUES AVAILABLE TO PAY DEBT SERVICE	\$ 8,663	\$ 11,585	\$ 14,194	\$ 15,118	\$ 10,433
DEBT SERVICE WATER SUPPLY SYSTEM BONDS	\$ 2,974	\$ 2,974	\$ 4,522	\$ 5,608	\$ 4,210
COVERAGE PERCENTAGE	2.91	3.90	3.14	2.70	2.48

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

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

**BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2014 (unaudited)**

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

Year created: 1929
Domicile: Waco, Texas
Last revision of Enabling Act: 2001
Last revision of Bylaws: 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: 253 Full-time, 20 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, 2014 (unaudited)**

Brazos River Authority Operating Statistics: (water/wastewater treated in thousands of gallons)	Years Ended August 31	
	2014	2013
Temple Belton Wastewater Treatment Plant	2,367,680	2,187,500
Sugar Land Regional Sewerage System	2,908,239	3,253,092
Brushy Creek Regional Wastewater System	5,086,530	4,278,420
Hutto Wastewater System	395,316	348,541
Clute/Richwood Regional Sewerage System	597,661	525,605
Sandy Creek Regional Water Treatment Plant	1,468,040	962,445
Lee County Fresh Water District #1	-----	9,439 *
City of Georgetown Wastewater Treatment Plant	122,398 **	1,301,527
East Williamson County Water Treatment System	1,144,977	1,137,680
Liberty Hill Water Treatment System	49,039 ***	58,060

* Flow information through May 2013
 ** Flow information through September 2014
 ***Flow information through April 2014

Brazos River Authority Dams and Reservoirs:	
Possum Kingdom	(TWDB Survey January 2005)
Capacity - 540,340 acre-feet Surface Area - 16,716 acres Elevation - 1,000.0 ft-msl	
Limestone	(TWDB Survey April 2012)
Capacity - 203,780 acre-feet Surface Area - 12,486 acres Elevation - 363.0 ft-msl	
Granbury	(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, 2014 (unaudited)**

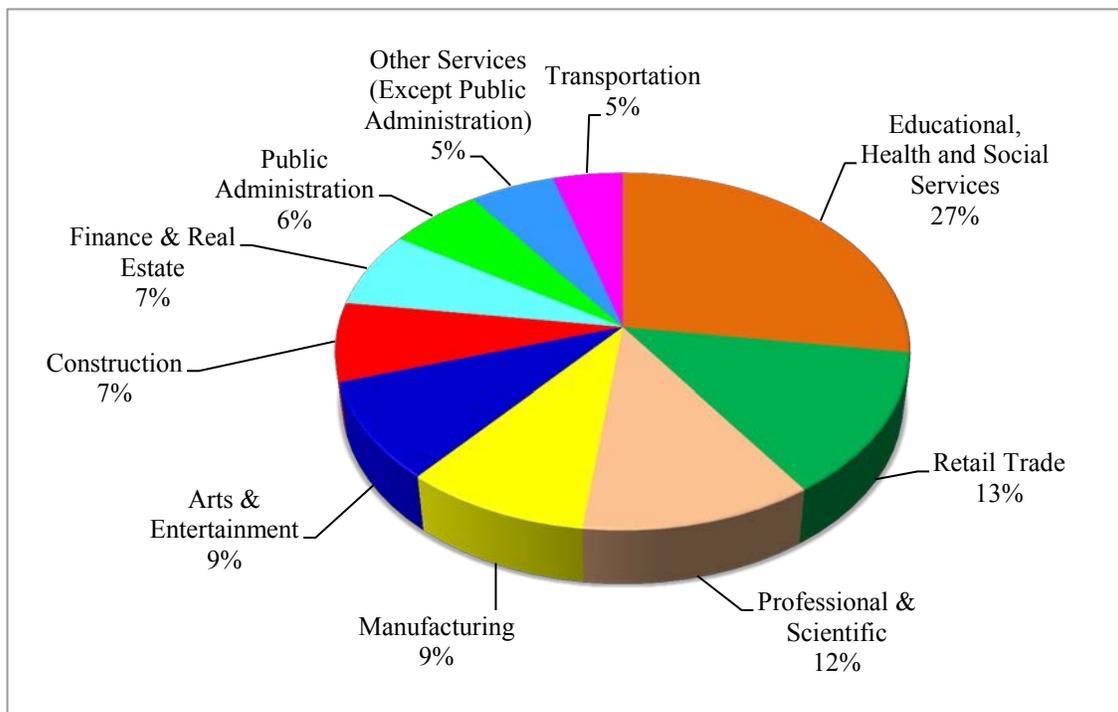
U. S. Army Corps of Engineers Dams and Reservoirs		
Aquilla	Conservation Pool	Flood Control Pool
Capacity	44,566 acre-feet	86,700 acre-feet
Surface Area	3,066 acres	7,000 acres
Elevation	537.5 ft-msl	556.0 ft-msl
TWDB Survey March 2008		
Belton	Conservation Pool	Flood Control Pool
Capacity	435,225 acre-feet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

Source: Brazos River Authority Water Services Department

**BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2014 (unaudited)**

**Brazos Basin Geographic Area
Ten Largest Industries**

Industry	Number of Entities in Category
Educational, Health and Social Services	269,076
Retail Trade	129,509
Professional & Scientific	114,184
Manufacturing	90,931
Arts & Entertainment	87,925
Construction	70,426
Finance & Real Estate	67,686
Public Administration	58,775
Other Services (Except Public Administration)	53,954
Transportation	44,194

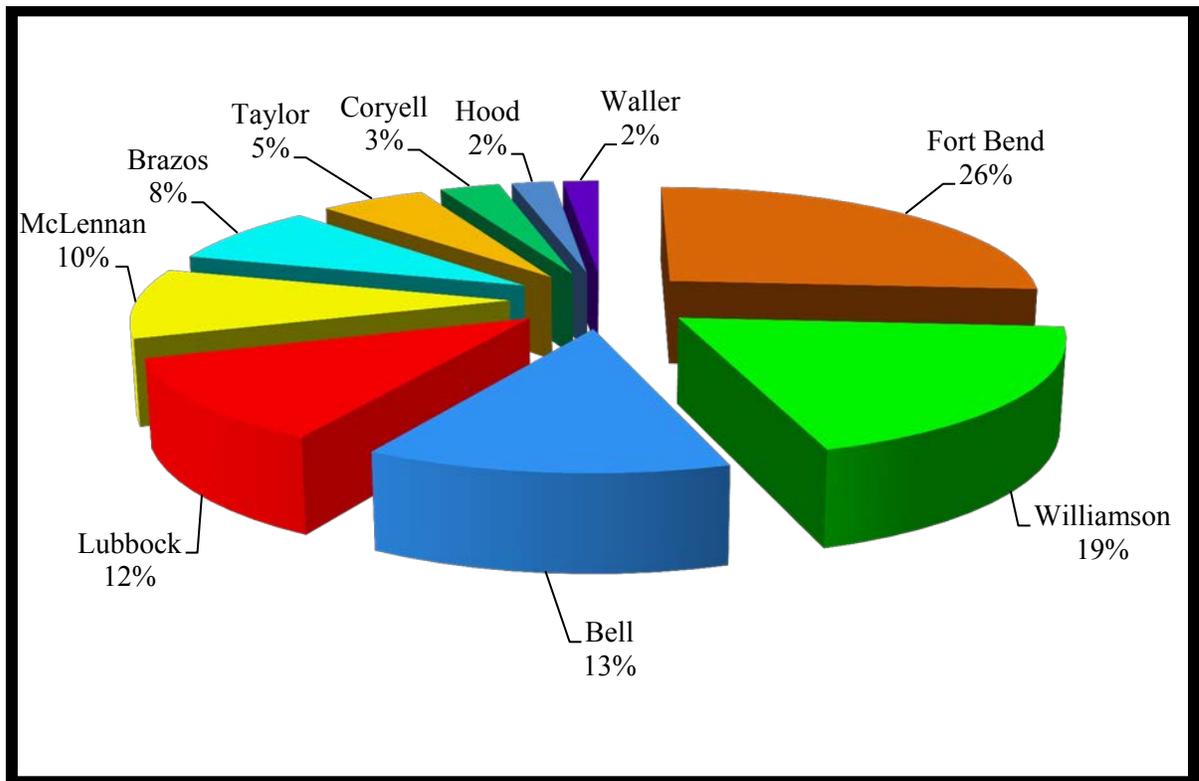


Source: U.S. Census Bureau, Census 2010

**BRAZOS RIVER AUTHORITY
 MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
 AUGUST 31, 2014 (unaudited)**

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

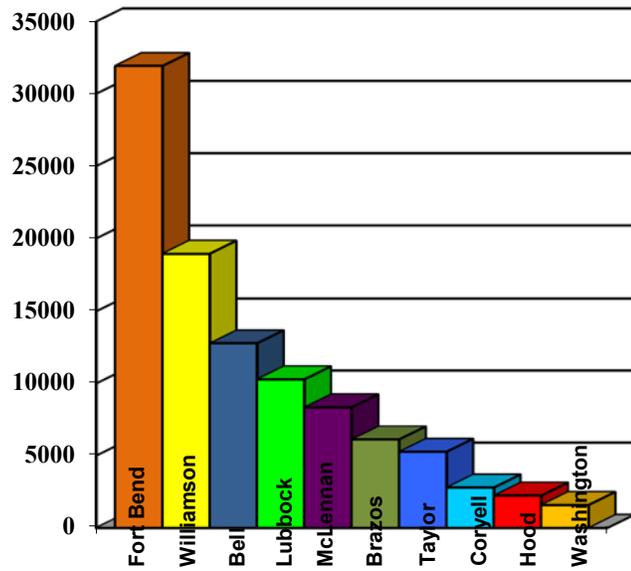
County	Population
Fort Bend	652,365
Williamson	471,014
Bell	326,843
Lubbock	289,324
McLennan	241,481
Brazos	203,164
Taylor	134,117
Coryell	76,192
Hood	52,905
Waller	45,213



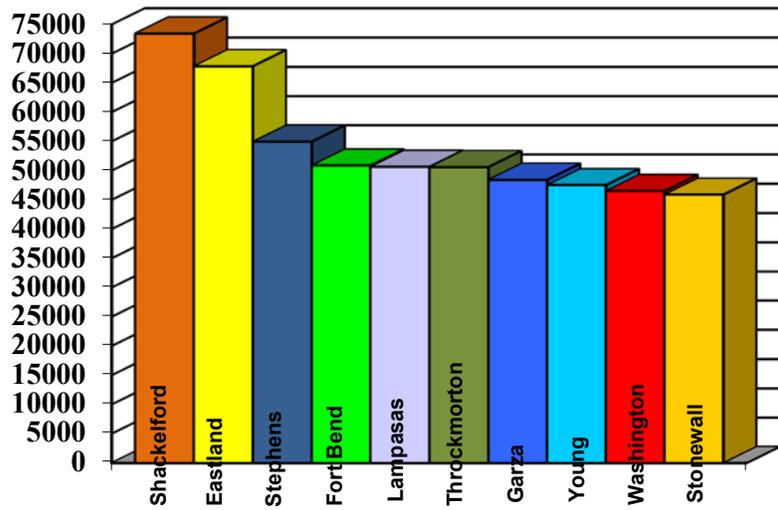
Source: U.S. Census Bureau, Annual Estimate of the Resident Population as of July 1, 2012

**BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2014 (unaudited)**

County (Top Ten)	Total Personal Income (in millions)
Fort Bend	31,921
Williamson	18,946
Bell	12,784
Lubbock	10,290
McLennan	8,350
Brazos	6,126
Taylor	5,268
Coryell	2,790
Hood	2,239
Washington	1,586

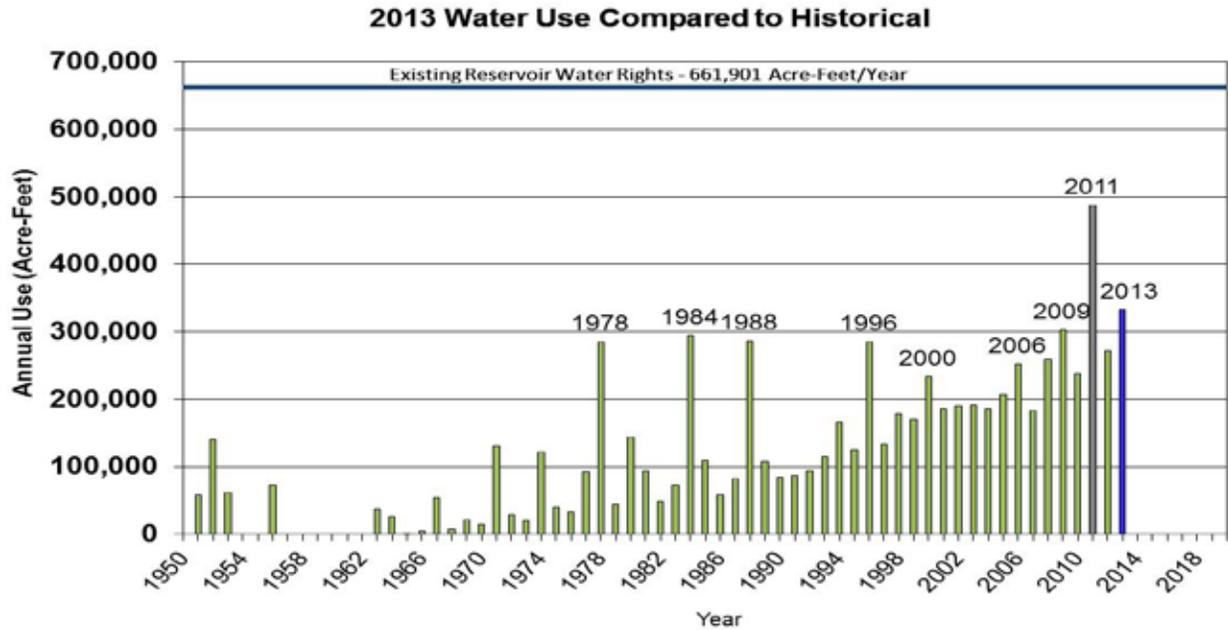


County (Top Ten)	Total Per Capita Income (in thousands)
Shackelford	73,455
Eastland	67,873
Stephens	54,970
Fort Bend	50,886
Lampasas	50,655
Throckmorton	50,616
Garza	48,446
Young	47,532
Washington	46,517
Stonewall	45,905



Source: Bureau of Economic Analysis, Updated March 2013

**BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2014 (unaudited)**



**2011 to 2013 Water Use
by Reservoir or Reservoir Sub-system
(values are acre-feet)**

RESERVOIR OR SUB-SYSTEM	2011	2012	2013
PK / Granbury / Whitney	170,100	88,491	102,391
Belton	75,547	61,060	83,928
Stillhouse / Georgetown	114,583	41,986	39,698
Granger	4,864	3,453	6,899
Limestone	63,878	45,307	42,999
Proctor	8,214	10,726	8,189
Aquilla	6,743	5,451	7,288
Somerville	41,507	7,352	36,389
Excess Flows	2,415	8,344	6,057
Colorado-Brazos Transfer	0	47	0
TOTAL	487,851	272,217	333,838

BRAZOS RIVER AUTHORITY
SCHEDULE OF CAPITAL ASSETS - NET ADDITIONS/(DELETIONS) BY OPERATIONS
AUGUST 31, 2014 (unaudited) (in thousands)
 (accrual basis of accounting)

Year	Water Supply	Lake Alan Henry	Cost Reimbursables										Total
			SLRSS	SWATS	WRRWL	TBRSS	BCRWS	Hutto	Sandy Creek	Clute-Richwood	Dime Box		
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	
2014	4,070	-	-	-	(2,170)	(1,554)	(7)	-	(9)	(1)	-	329	
	\$ 77,185	\$ (64,610)	\$ (13,081)	\$ (17,333)	\$ 41,505	\$ (769)	\$ (315)	\$ (3)	\$ 2	\$ (138)	\$ (11)	\$ 22,432	

BRAZOS RIVER AUTHORITY
SCHEDULE OF CAPITAL ASSETS - NET ADDITIONS/(DELETIONS) BY CLASSIFICATION
AUGUST 31, 2014 (unaudited) (in thousands)
 (accrual basis of accounting)

	Last Ten Fiscal Years										Total	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
Land, storage and water rights	\$ 396	\$ 350	\$ 591	\$ -	\$ -	\$ -	\$ -	\$ (73)	\$ (630)	\$ (550)	\$ (542)	\$ (458)
Reservoirs, water treatment and sewerage facilities	(63,005)	(13,999)	-	7,835	1,911	-	6,652	(18,490)	4,532	5,556	(69,008)	
Building, structures and improvements	36,225	1,432	1,693	24,450	17,386	1,150	(278)	(12,594)	24,490	(3,543)	\$ 90,411	
Vehicles, furniture and equipment	(1,076)	525	572	1,067	1,217	584	(1,299)	(772)	1,811	(1,142)	\$ 1,487	
Total	\$ (27,460)	\$ (11,692)	\$ 2,856	\$ 33,352	\$ 20,514	\$ 1,734	\$ 5,002	\$ (32,486)	\$ 30,283	\$ 329	\$ 22,432	

Source: Fixed Asset general ledger accounts and previous CAFRs.

**BRAZOS RIVER AUTHORITY
SCHEDULE OF INSURANCE
AS OF AUGUST 31, 2014 (unaudited)**

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Aircraft Liability	Texas Municipal League	1970-12	Non-owned Aircraft Liability Deductible - None	\$10,000,000 each occurrence	10/1/2013 10/1/2014
Airport Liability	Texas Municipal League	1970-12	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	10/1/2013 10/1/2014
Automobile Liability & Physical Damage	Texas Municipal League	1970-12	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	10/1/2013 10/1/2014
Commercial Crime	Texas Municipal League	1970-12	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	10/1/2013 10/1/2014
Fiduciary and Employee Benefits	Great American Insurance	MEP4387691	Annual Aggregate Per Occurrence Deductible: \$10,000	\$5,000,000 \$5,000,000	12/31/2013 12/31/2014
General Liability	Texas Municipal League	1970-12	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	10/1/2013 10/1/2014
Marine and Hull/ Mobile Equipment	Texas Municipal League	1970-12	Coverage for Boats, Motors and Mobile Equipment Deductible: \$10,000	\$6,460,397	10/1/2013 10/1/2014
Law Enforcement Liability	Texas Municipal League	1970-12	Each Occurrence Annual Aggregate Deductible: \$2,500	\$5,000,000 \$10,000,000	10/1/2013 10/1/2014

**BRAZOS RIVER AUTHORITY
SCHEDULE OF INSURANCE
AS OF AUGUST 31, 2014 (unaudited)**

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Property/Boiler & Machinery	Texas Municipal League	1970-12	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	\$132,044,434 \$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	10/1/2013 10/1/2014
Public Officials and Employees Practices Liability	Texas Municipal League	1970-12	Each Wrongful Act Annual Aggregate Deductible: \$25,000	\$5,000,000 \$10,000,000	10/1/2013 10/1/2014
Public Officials Bond	Insurors of Texas	CMB-06-0005836	Treasurer's Bond Deductible - None	\$100,000	4/18/2014 4/18/2015
Public Officials Bond	Insurors of Texas	71252612	Board of Director's Bond Deductible - None	\$105,000	5/10/2014 5/10/2015
Peace Officer Bond	Insurors of Texas	46BSBAE6365	Peace Officer Bond Deductible - None	\$15,000	2/1/2014 2/1/2015
Travel Accident	Insurors of Texas/ Hartford Life	ETB-4333	Aggregate for Hazard Excludes Personal Aircraft Deductible - None	\$5,000,000	11/1/2013 11/1/2014
Workers' Compensation	Texas Municipal League	1970	Self-insured for first 50,000 per occurrence	Aggregate Deduct \$150,000	10/1/2013 9/30/2014
Reinsurance	Texas Municipal League HM Life Insurance	402823-C	Medical expense claims self-insured for first 80,000 per employee	Annual Aggregate Attachment Point \$2,177,211	1/1/2013 12/31/2013
Reinsurance	Texas Municipal League Ace American Ins. Co.	N06530047	Medical expense claims self-insured for first 80,000 per employee	Annual Aggregate Attachment Point \$2,384,535	1/1/2014 12/31/2014

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

	Full-Time Equivalent Employees Per Annual Operating Plan									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Upper Basin										
Management	4	4	4	4	4	4	4	4	5	5
Lake Alan Henry	0	0	0	0	0	0	0	0	2	2
Possum Kingdom	48	51	51	53	54	57	57	60	58	55
SWATS (a)	0	0	18	18	18	17	15	15	15	15
Lake Granbury	15	15	14	12	12	12	12	10	10	9
Central Basin										
Management & Lab	25	24	25	23	21	23	20	19	14	12
Temple-Belton RSS	10	10	10	10	11	10	10	10	10	10
Brushy Creek RWS	17	17	17	17	17	16	13	13	13	11
Georgetown WWTP	8	8	8	8	9	8	7	7	7	7
Sandy Creek WTP	5	5	5	5	5	6	6	4	4	3
Hutto WWS	0	0	0	0	0	0	1	1	1	0
East Williamson RWS	6	6	5	5	5	5	4	3	3	3
Lower Basin										
Management	0	0	0	4	4	4	4	4	4	5
Lake Limestone	10	9	9	9	9	9	9	9	9	9
SLRSS	10	10	10	10	11	11	11	11	12	11
Clute	4	4	4	4	4	4	4	4	4	4
Liberty Hill	1	1	1	1	1	1	1	0	0	0
Central Office										
General Administration	3	3	4	4	4	4	4	4	4	3
Legal Services	4	4	4	4	4	4	4	4	3	3
Financial Services	15	17	17	17	17	17	17	17	17	16
Human Resources	4	4	4	4	4	4	4	4	4	4
Gov. Cus. Relations	7	7	7	7	7	7	6	6	5	6
Information Technology	13	13	12	12	12	12	12	11	10	10
Planning & Development	1	1	1	1	1	1	1	2	2	2
Strategic Planning	2	2	2	2	2	3	2	1	4	4
Technical Analysis	0	0	0	0	0	0	0	0	1	2
Technical Services	41	40	40	42	37	40	37	35	33	35
	<u>253</u>	<u>255</u>	<u>272</u>	<u>276</u>	<u>273</u>	<u>279</u>	<u>265</u>	<u>258</u>	<u>254</u>	<u>246</u>

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

Source: Brazos River Authority Annual Operating Plan

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



Padgett Stratemann

Independent Auditor's 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, 2014, 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 15, 2014.

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.

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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.

Austin, Texas

December 15, 2014



Cover photo courtesy of Kyle Lewis
Back cover photo courtesy of Kyle Lewis



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