

The Brazos River Authority
An Agency of the State of Texas



Comprehensive Annual Financial Report
For the Fiscal Years Ended August 31, 2016 and 2015

Prepared by the Finance and Administration Department

BRAZOS RIVER AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED AUGUST 31, 2016 and 2015

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Bluebonnet (Lupinus texensis)

A member of the large lupine genus, all six species of bluebonnets grow in the State of Texas. On March 7, 1901, the twenty-seventh Texas Legislature adopted the bluebonnet as the State flower.

The flower's popular name derives from its resemblance to a sunbonnet. It has also been called buffalo clover, wolf flower and in Spanish, el conejo (the "rabbit").

*On March 8, 1971, the legislation was amended to include *L. texensis* and "any other variety of bluebonnet not heretofore recorded." At least four other species grow in Texas: *L. havardii*, *L. concinnus*, *L. perennis* and *L. plattensis*. Contrary to various folk stories and legends claiming the plant originated outside the state, *L. texensis* and *L. subcarnosus* are native to Texas.*

In 1933, the Legislature adopted a State flower song, "Bluebonnets" written by Julia D. Booth and Lora C. Crockett. Also in the 1930s, the Highway Department began a landscaping and beautification program and extended the flower's range. Due largely to that agency's efforts, bluebonnets now grow along most major highways throughout the State. It usually blooms in late March and early April and is found mostly in limestone outcroppings from North Central Texas to Mexico.

Although early explorers failed to mention the bluebonnet in their descriptions of Texas, Indian lore called the flower a gift from the Great Spirit. (Texas State Historical Association) (Photo by Kyle Lewis, Lake Ranger/Permit Officer, Lake Granbury)

Introductory Section

Director



Appointment Pending

Secretary



F. LeRoy Bell

Assistant Presiding Officer



Richard Ball

Director



Jeanie K. Grant

Director



Paul Christensen

Director



Russel D. Boles

Director



Cynthia A. Flores

Director

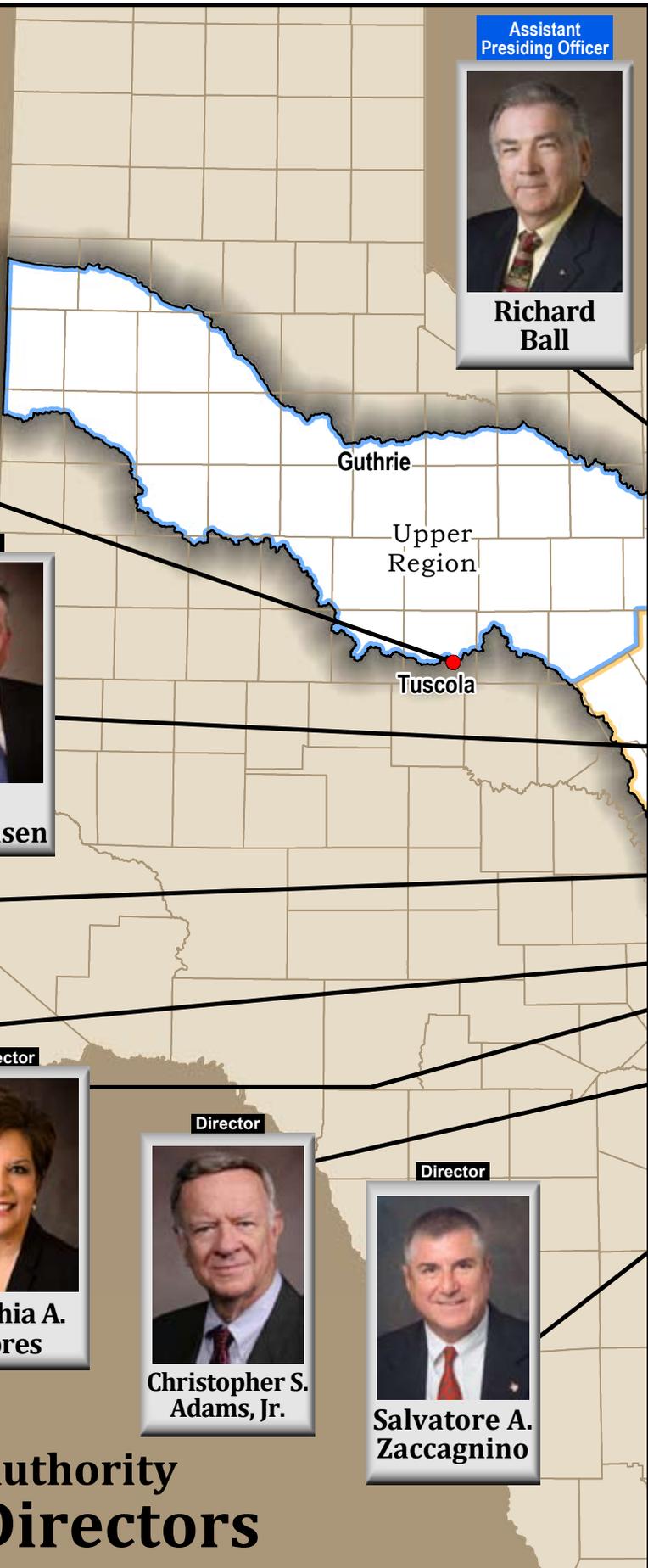


Christopher S. Adams, Jr.

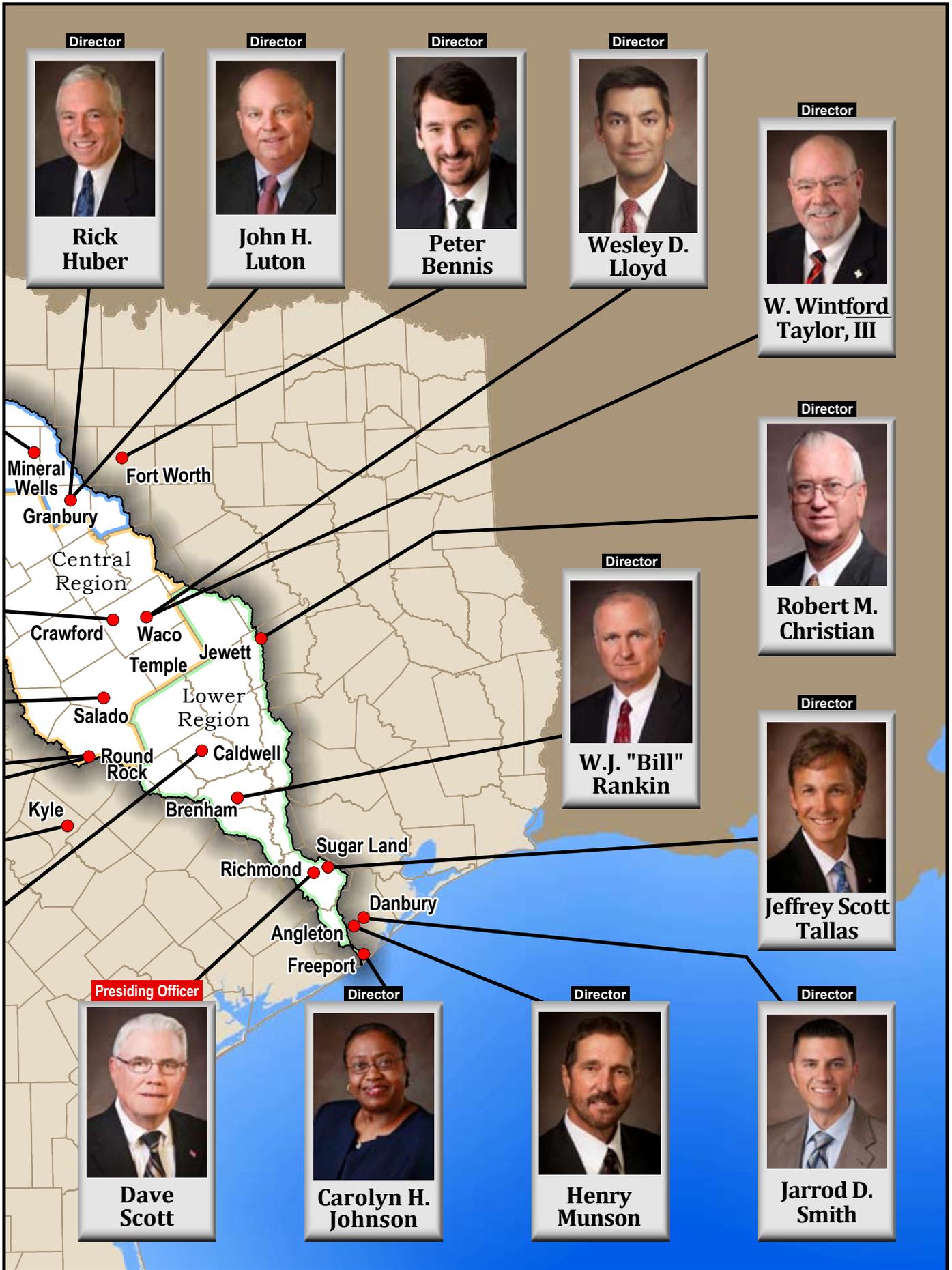
Director



Salvatore A. Zaccagnino



Brazos River Authority Board of Directors





Management Team



David Thompson
Chief Financial Officer



Phillip J. Ford
General Manager/CEO



Lauralee Vallon
General Counsel



Courtney Dobogai
Information Technology
Manager



Jim Forte
Planning &
Development
Manager



David Collinsworth
Central and Lower
Basin Manager



Terry Lopas
Technical Services
Manager



Michael McClendon
Upper Basin
Manager



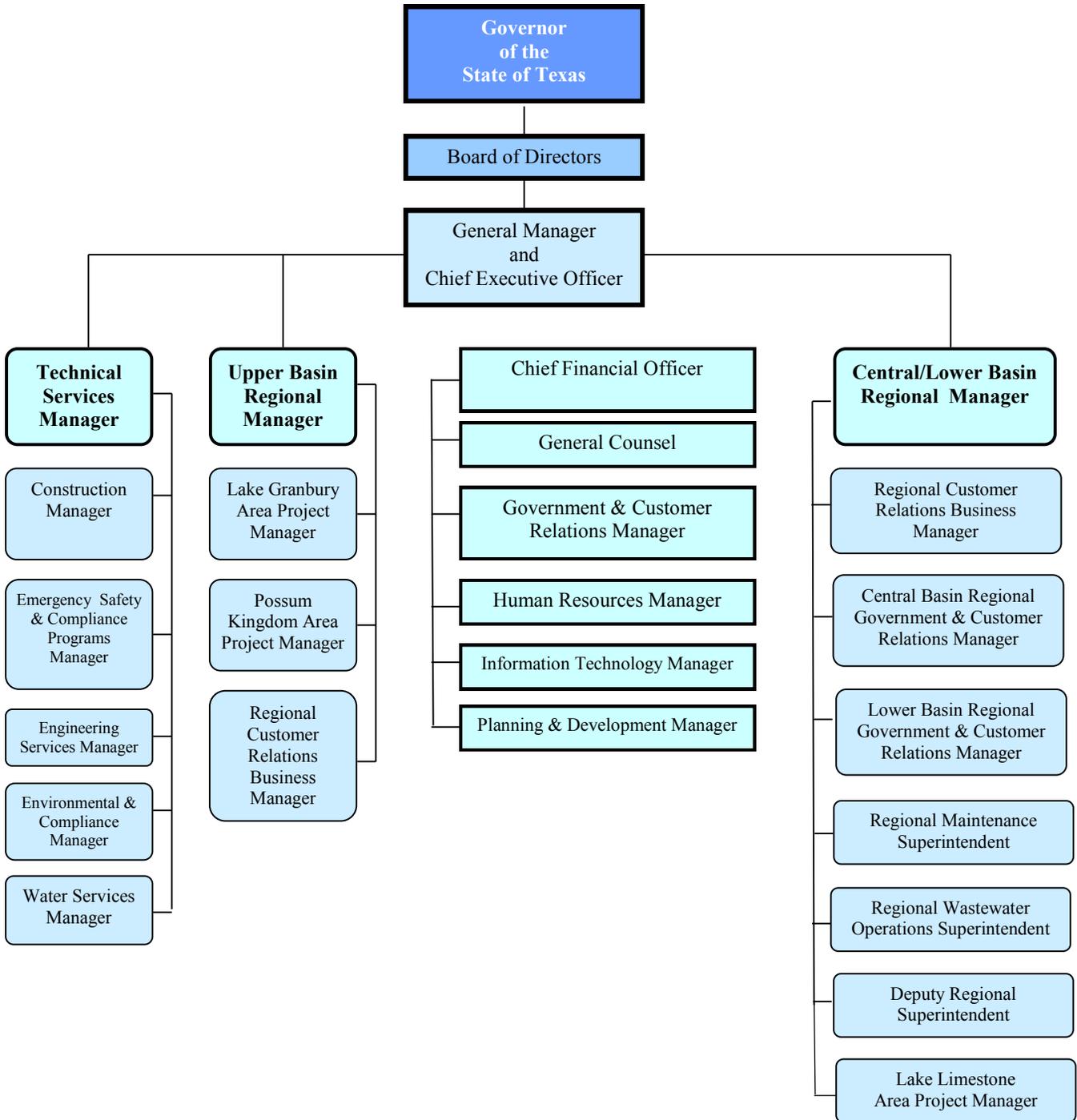
Matt Phillips
Government &
Customer Relations
Manager



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 30, 2017

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, 2016. 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, 2016 and 2015 have been audited by Padgett Stratemann & Co. LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the BRA for the fiscal year ended August 31, 2016 and 2015 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion and that the BRA's financial statements for the fiscal year ended August 31, 2016 and 2015 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

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

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

PROFILE OF THE BRA

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

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

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

Raw Water Supply

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

Together, the eleven reservoirs have conservation storage of more than 2.4 million acre-feet of water when full. The BRA has approximately 660,000 acre-feet of water that is permitted by the State of Texas for it to divert and use from this system of reservoirs each year. 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.

On September 16, 2016, BRA received the Final Order from the Texas Commission on Environmental Quality (TCEQ) on the System Operation Permit (Permit). This comprehensive and complex permit and its supporting Water Management Plan (WMP) will give access to water that is available in the Brazos basin from sources such as previously unappropriated flows downstream of BRA's reservoirs, as well as discharges from wastewater treatment plants. A condition to approval of the Permit is a study to assess the impact of the 2011-2015 drought on water availability. Once this nine-month study is completed and delivered to TCEQ, BRA will be able to determine the amount of additional firm supply that it can make available to its customers.

Water and Wastewater Treatment

The BRA operates a potable (drinking) water treatment system for the City of Leander, and also owns and operates the East Williamson County Regional Water System (EWCWRS) at Lake Granger, which supplies treated water to several municipal providers in the area.

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

Water Quality

Water quality is a high priority for the BRA. Staff charged with environmental responsibilities work to monitor the quality of water resources and the health of aquatic communities in the Brazos River basin through sampling and analysis. Since 1991, the BRA has partnered with the TCEQ to conduct the Clean Rivers Program for the basin. The BRA, working with other agencies and basin residents, identifies and evaluates water quality, the status of instream biological communities, 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 and instream biological data at strategic locations throughout the Brazos River basin.

Environmental Flow Standards

Supporting State environmental goals and standards is very important to the BRA. The BRA is voluntarily performing environmental studies at eight locations in the Brazos River basin to gather data to support and inform future decisions related to the state's Senate Bill 3 environmental flow standards. These studies will provide the State's decision-makers with the data necessary to evaluate the current environmental flow standards, and revise, if warranted.

Regional Water Planning

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

ECONOMIC CONDITION AND OUTLOOK

For the fiscal year ended August 31, 2016, the economy has continued to be choppy, but most of the disruption has been from global events rather than U.S. domestic conditions. Global markets were roiled by oil price volatility, currency upheaval and plunging stock prices in some global markets. The European Union continued to experience stresses among its members that culminated with the United Kingdom voting to remove itself from the union in the historic vote that would come to be known as the "Brexit Vote." As these events have played out, the U.S. Dollar has increased in value and has constrained demand for U.S. exports (as prices for U.S. goods increased abroad). Global turmoil and terrorism battles have strained trading alliances. All of this put pressure on the U.S. economy and kept growth contained throughout the year. U.S. GDP grew 1.4% in the final quarter of calendar year 2015, but had a much weaker growth rate of 0.8% for the first quarter of 2016 before rising 1.4% during the second quarter.

The Federal Open Market Committee (FOMC) remained on the sidelines after raising the Federal Funds Rate in December 2015. The markets are growing increasingly impatient with the FOMC to raise rates again and expectations are that the increase could come in December 2016. The FOMC has stated that their decision will be data dependent, so the markets will continue to be volatile as speculation of an increase changes day-to-day.

The housing market has improved during the year. Home prices have leveled off after rising in 2015, but low supply continues to hamper sales. Rising rents appear to be driving more buyers into the single family market. The employment sector has been mostly strong, with a slight breather during late spring. Overall, the economy added 2.5 million jobs during the BRA's fiscal year. The Unemployment Rate settled in at 4.9% at the end of August as compared to last year's 5.1% level. The stock market was volatile during the fiscal year as it reacted to global economic news.

The Texas economy continues to perform better than the national economy, but growth slowed during 2016 due in large part to declines in oil prices. The unemployment rate in Texas rose from 4.4% in August 2015 to 4.8% in August 2016. This compares to the current national average of 4.9%. Since August 2015, Texas has added over 198,000 jobs, representing an increase of 1.6% over this time last year. By comparison, California has experienced an increase of 2.0%, New York has declined 1.2%, and Florida has increased 1.3%. Texas sales tax revenues were \$2.5 billion this year compared to \$2.6 billion last year. Texas is still enjoying a moderate increase in the housing sector, however some regions are beginning to see declines.

The outlook for fiscal year 2016/2017 is for continued moderate growth. It is likely that the FOMC will begin to raise the Federal Funds Rate late in 2016, which will lead to improved investment rates for BRA positions.

Interest rates for investments allowed by the BRA's Investment Policy and State Law have risen during the year. Investment Pool rates were 0.37% at the end of August 2016, improved from the 0.07% yield at the end of

August 2015. Rates for Certificates of Deposit (CD) were also improved. At the end of August 2016, a one-year CD yielded between 0.80% and 0.90% as compared to 0.50% and 0.70% at the end of August 2015. CDs and other financial institution deposits still remain significantly more attractive than alternative Treasury and Agency positions.

LONG-TERM FINANCIAL AND STRATEGIC PLANNING

In July 2016, the BRA's Board reviewed the FY2017 Long Range Financial Plan. This 50-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 (SWR). The inventory of projects is a mixture of infrastructure repair and replacement, new water source development, operations and maintenance needs, central services projects, security, and water quality initiatives.

The ratemaking process also includes anticipated future income from conversion of legacy contracts to the SWR upon their expiration, as well as new income from sales of water from new sources. Initial indications based on this analysis are that the BRA's SWR 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 (SP), and the vision of our Board and management. Future ratemaking will be based upon a combination of both debt-funded initiatives, as well as those in which a cash infusion will be made, through the use of the Board designated series of reserve funds to balance and stabilize rates. Additional information on the BRA's Board Designated Reserves can be found in Note 12 of the Notes to the Basic Financial Statements.

Also in July 2016, the BRA Board of Directors adopted an updated SP. While the SP was last formally adopted in March 2007, many of the major elements of the 2007 SP remained intact. However, refinements to the SP reflected changes within both BRA and the water industry since 2007.

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 FY2016, 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) pursue groundwater development, and (2) initiate permitting and design of Allens Creek Reservoir. Approval of the Permit in September 2016 represents a major milestone in expanding the water supply available to BRA's customers. The following is a synopsis of select programs and projects managed by the BRA in FY2016:

WATER SUPPLY

• *Water Supply Operations and Flood Management*

FY2016 marked the first full year of operation for the Brazos Basin Watermaster Program. This program was implemented by the TCEQ in June of 2015 to provide more real-time monitoring and enforcement of surface water use by water right holders in the Brazos River basin. The program requires more stringent metering and reporting requirements by all surface water right holders including the BRA and its customers. BRA and its water supply customers have successfully implemented new requirements stipulated under the program.

FY2016 was also a very wet year for the Brazos basin with significant flooding. BRA managed its reservoirs through numerous flood events while coordinating its operations with emergency management officials, the public, and other affected interests downstream. BRA passed over four million acre-feet of water through its three reservoirs during FY2016.

- ***Water Conservation***

BRA continued on-going efforts to develop and encourage water conservation practices in FY2016. These efforts included public education and outreach through BRA's website, Facebook page, newsletters, coordination with other water providers, and evaluation of water conservation information reported to the Texas Water Development Board (TWDB) by BRA's customers.

The BRA also participated in conservation education through the Major Rivers water education program, partnering with the TWDB to provide educational materials to all Brazos basin elementary schools free-of-charge.

- ***Reallocation of Flood Storage – Aquilla Lake Pool Rise Update***

In 2008, the Board authorized a detailed feasibility study to evaluate the potential for water supply storage reallocation, or "pool rise," at Aquilla Lake. In FY2016, the BRA finalized and submitted a draft report to the USACE documenting the study efforts. The project is now undergoing the USACE review and approval process. If approved and implemented, this project would make additional water supply available for diversion and use at Aquilla Lake.

- ***Allens Creek Reservoir***

Allens Creek Reservoir is a planned off-channel water storage reservoir permitted for construction on Allens Creek, a tributary of the Brazos River. An off-channel reservoir impounds water pumped from an adjacent river or stream during high flow events for subsequent use. Along with the City of Houston (City) and the TWDB, the BRA purchased the Allens Creek site and acquired the permit originally held by Houston Lighting and Power.

In FY2015, the BRA notified the City of the intent to move forward with the Federal 404 Permitting process, including an extensive evaluation of the project's impacts and required mitigation. In FY2016, BRA issued a Request for Proposal for engineering firms to complete the required permitting studies and design. BRA anticipates executing a contract with the selected firm in FY2017.

- ***Conjunctive Use at the East Williamson County Regional Water System***

The BRA has been actively engaged in groundwater development efforts near Williamson County. In 2013, the BRA initiated a groundwater demonstration project on the grounds of the 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 Interstate 35 and State Highway 130 corridors in Williamson County. The test well, funded in part with TWDB bond funds remaining from the new Granger Lake Intake project, was completed in FY2014. The results indicated that the Trinity Aquifer is a viable source for water supply purposes. A production well, to be located on the EWCRWS site, was designed in FY2015 and construction is to be completed in 2018.

- ***Lower Basin Flood Protection Planning Study***

The BRA received grant funding from the TWDB in both FY2014 and FY2015 to conduct a flood protection planning study for the lower Brazos River. The study will result in 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 along the Brazos River from near Hempstead to the Gulf. The models will also be a source of information for river forecasts during flood events. The TWDB grant funding is being matched by the BRA and entities in the lower basin. The study work is expected to be completed in FY2018.

WATER TREATMENT

- ***East Williamson County Regional Water System***

Formerly owned and operated by the City of Taylor, the 5.5 million gallons per day (MGD) plant was purchased by the BRA in 2004 and expanded in 2008 to 12.8 MGD. The upgrades included the refurbishment of the existing plant and replacement of computer and water testing systems to compliment the new facility. Construction of a new deep-water intake facility and pipeline from Granger Lake is expected to be completed in FY2017. Additionally, the BRA added another major treated water customer to complement the current contracts with the City of Taylor and Jonah Water Special Utility District.

WATER DELIVERY

- ***Williamson County Regional Raw Water Line***

The Williamson County Regional Raw Water Line is a water transportation pipeline operated by the BRA for three municipal customers in Williamson County. The line delivers water from Stillhouse Hollow Lake in Bell County to Georgetown Lake in Williamson County. BRA determines when to pump water based on lake elevation trigger levels.

- ***West Central Brazos Water Distribution System***

Acquired by the BRA in 2002, the West Central Brazos Water Distribution System (WCBWDS) supplies water to an area southwest of Possum Kingdom Lake. The infrastructure and right-of-way associated with the WCBWDS acquisition allowed the BRA to address immediate and future municipal, industrial, mining, and agricultural demands of the region.

As a direct result of the extended drought that began in 2011, the City of Abilene's water supplies were at near critical levels. Knowing that the pipeline needed substantial improvements in a very short time span, and after months of negotiations, it was determined that the most efficient and effective means to address Abilene's water demands was to sell the pipeline to the West Central Texas Municipal Water District (District). The District, whose Board is comprised of representatives from the City of Abilene, will provide transportation and delivery of the water as originally envisioned when BRA acquired the pipeline. Both the BRA and District passed Resolutions authorizing the sale and transfer. On January 29, 2016 the WCBWDS was successfully conveyed to the District for \$1.2 million.

MAINTENANCE

Dam Rehabilitation Projects

As part of proactively addressing the safety, preventive maintenance and ongoing operational efficiency of the BRA-owned dams during FY2016, the BRA continued modifications to low-flow gates at Lake Granbury's DeCordova Bend Dam. The low flow gate modification project has taken significantly longer than anticipated due to design and contractor inefficiencies discovered during construction. The BRA expects a satisfactory resolution of the issues and completion of the project. BRA staff is currently working with the surety to that end. However, if our efforts result in an impasse, other action may be required. Originally these delays postponed other construction initiatives. We are proceeding, with other dam projects including the stop log trolley replacement and reinforced concrete components project.

Maintenance of the spillway gates and resolution of the ring jet valve shaft and gearbox alignment issue at Possum Kingdom Lake's Morris Sheppard Dam continues. Additionally, selection of a firm to assist in the structural assessment and potential concrete remediation activities is progressing along with other improvements to the Dam.

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

Internal Engineering Design and Project Oversight

The BRA Water Supply System's most critical assets are the three dams which impound our self-owned and operated reservoirs. In the past, BRA has relied heavily on outside consultants to deliver all services related to the maintenance and rehabilitation of these facilities. Recently, an effort has been underway to make BRA employees the technical experts on BRA facilities. Internal Engineering efforts in FY2016 included the following:

- Completed annual Maintenance Inspections and Instrument Reports for three BRA High Hazard dams
- Provided engineering support to the Miscellaneous Improvements construction project at Morris Sheppard Dam
- Completed design of the Spillway Pump and Piping Improvements project at Morris Sheppard Dam
- Completed plans for Controlled Outlet Conduit Access Platforms at Morris Sheppard Dam
- Completed plans and received materials bid for steel needed to replace trash rack at Morris Sheppard Dam. Fabrication and installation to be performed by the BRA Reservoir System Maintenance Unit

- Completed construction documents and secured contracts for the Lake Granbury trolley replacement and related bridge improvements

Regardless of our own expertise, BRA still relies on outside experts to provide services which reach beyond our internal capabilities. Examples of support to these current projects include:

- Negotiated and secured the services of the program manager for the Concrete Assessment and Service Life Extension (CAASLE) project at Morris Sheppard Dam
- Negotiated the scope and fee for the concrete element assessment at DeCordova Bend Dam
- Negotiated engineering agreements for investigation and design of improvements to Sterling C. Robertson Dam including flood gate repairs, coatings and cathodic protection

Central Office Remediation

In FY2013 the BRA began the process of remediation of mold discovered in the Central Office facility. The work completed in FY2013 and FY2014 included thorough cleaning of the HVAC system, reconstruction of the exterior walls, and installation of equipment to clean and temper air used to pressurize the building. The last step of the remediation is the replacement of the heating and cooling system since it was found to contribute to the excessive mold population. Design and bidding for the system replacement should be completed in FY2017 and construction should be completed in FY2018, completing the remediation process for the Central Office.

PROPERTY MANAGEMENT

Possum Kingdom Lake Property Divestiture

The BRA pursued a legislatively-directed sale of approximately 510 acres of residential and commercial leasehold properties through a sealed bid process. After rejection of Patterson PK2 Land Partnership's \$6.5 million offer, BRA re-issued a Request for Bids and aggressively sought additional bidders. In July 2015, the BRA received six bids ranging from \$7.6 million to \$10.1 million. Patterson PK2 Land Partnership's bid of \$10.15 million was the winning bid, representing approximately 74% of the assessed value. A contract was executed with Patterson PK2 Land Partnership in August 2015, pursuant to the legislation. The closing with Patterson PK2 Land Partnership occurred in March 2016.

Salt Creek, Graham, Texas Floodplain Project

In partnership with the USACE, the BRA serves as the non-federal sponsor on a project to minimize the flood risk to homeowners and commercial businesses located within the 10-year floodplain in the City of Graham. In FY2016, the BRA attempted to continue negotiations with the USACE to ultimately transfer the acquired lands to the City of Graham. As it became evident that the USACE would not honor its commitment and, in fact, was attempting to re-negotiate assurances, the BRA elected to pursue Congressional de-authorization of the project. In brief, the BRA would honor the commitments it made in a tripartite agreement between the BRA, City of Graham, and the USACE. However, the USACE would no longer be a party. Congressional House and Senate committees inserted favorable language in the Water Resources and Development Act (WRDA) of 2016 which would accomplish the actions BRA has pursued for years. In December 2016, the President signed the WRDA bill de-authorizing the project. Although the project is de-authorized, the BRA will coordinate a close-out with the USACE and finalize development of a transfer agreement with the City of Graham consistent with prior commitments.

ENVIRONMENTAL

Texas Clean Rivers Program and Other Environmental Assessments

Since the 1990's, the BRA has collected and assessed surface water quality data in streams and reservoirs throughout the Brazos River basin as part of the Texas Clean Rivers Program. During FY2016, the BRA submitted approximately 25,000 water quality and environmental data points to the Texas Clean Rivers Program. Planned aquatic life monitoring on Allens Creek was postponed due to springtime flooding. It is anticipated to be completed in FY2017, stream flows permitting.

Environmental Services provided support to BRA's wastewater and reservoir operations. These services included investigating algal blooms and fish kills, assisting with data collection and analysis for regulatory permitting

and compliance, stream assessments for wastewater permitting, assistance with waste classification, storage and disposal, and providing technical assistance to basin customer relation's staff.

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

Environmental Flow Standard Studies

In support of the System Operation Permit, Water Management Plan, and the State's environmental flow standards program, Environmental Services staff completed five instream flow assessments in five different river segments and channel surveys, riparian assessments, and sediment surveys in three different river segments to contribute to the verification of adopted environmental flow standards. Environmental Services' ability to complete instream flow-related studies was greatly impeded in FY2016 due to the impact of springtime flooding in all of the identified study reaches.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the BRA for its CAFR for the fiscal year ended August 31, 2015. This was the 30th consecutive year that the BRA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the BRA must publish an easily readable and efficiently organized CAFR. The report must satisfy both GAAP and applicable legal requirements.

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

In addition, the BRA also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year beginning September 1, 2015. This was the second consecutive year the BRA has achieved this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the BRA's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communication device.

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

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

Respectfully submitted,



Phillip J. Ford
General Manager/CEO



David Thompson, CPA
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Brazos River Authority
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2015

Executive Director/CEO

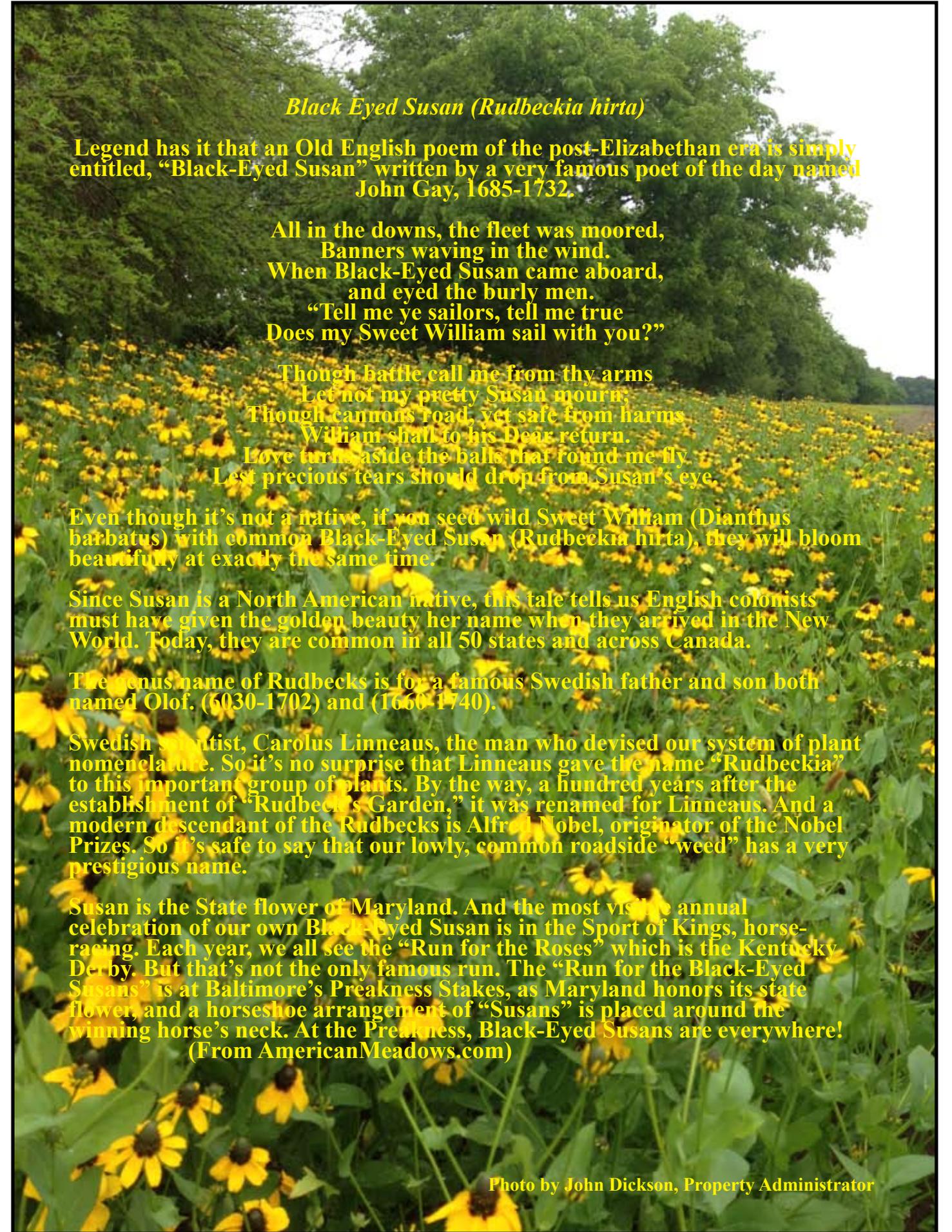
Indian Paintbrush or Prairie-fire (Castilleja spp.)

Colors vary from scarlet to orange, cream, yellow and occasionally purple. The bright tips of the petal like bracts look like they've been dipped in paint.

The genus name honors Spanish botanist Domingo Castillejo (1744-1793). It is native to Texas, Louisiana, Wyoming and Oklahoma.

On January 31, 1917, the Indian Paintbrush was adopted as the State Flower of Wyoming.

Photo by Kyle Lewis, Lake Granbury Lake Ranger/Permit Officer



Black Eyed Susan (Rudbeckia hirta)

Legend has it that an Old English poem of the post-Elizabethan era is simply entitled, “Black-Eyed Susan” written by a very famous poet of the day named John Gay, 1685-1732.

All in the downs, the fleet was moored,
Banners waving in the wind.
When Black-Eyed Susan came aboard,
and eyed the burly men.
“Tell me ye sailors, tell me true
Does my Sweet William sail with you?”

Though battle call me from thy arms
Let not my pretty Susan mourn;
Though cannons roar, yet safe from harms
William shall to his Dear return.
Love turns aside the balls that round me fly
Lest precious tears should drop from Susan’s eye.

Even though it’s not a native, if you seed wild Sweet William (*Dianthus barbatus*) with common Black-Eyed Susan (*Rudbeckia hirta*), they will bloom beautifully at exactly the same time.

Since Susan is a North American native, this tale tells us English colonists must have given the golden beauty her name when they arrived in the New World. Today, they are common in all 50 states and across Canada.

The genus name of Rudbecks is for a famous Swedish father and son both named Olof. (6030-1702) and (1666-1740).

Swedish scientist, Carolus Linneaus, the man who devised our system of plant nomenclature. So it’s no surprise that Linneaus gave the name “Rudbeckia” to this important group of plants. By the way, a hundred years after the establishment of “Rudbeck’s Garden,” it was renamed for Linneaus. And a modern descendant of the Rudbecks is Alfred Nobel, originator of the Nobel Prizes. So it’s safe to say that our lowly, common roadside “weed” has a very prestigious name.

Susan is the State flower of Maryland. And the most visible annual celebration of our own Black-Eyed Susan is in the Sport of Kings, horse-racing. Each year, we all see the “Run for the Roses” which is the Kentucky Derby. But that’s not the only famous run. The “Run for the Black-Eyed Susans” is at Baltimore’s Preakness Stakes, as Maryland honors its state flower, and a horseshoe arrangement of “Susans” is placed around the winning horse’s neck. At the Preakness, Black-Eyed Susans are everywhere!
(From AmericanMeadows.com)

Photo by John Dickson, Property Administrator

Bluebonnets & Indian Paintbrushes at DeCordova Bend Dam



Photo by Jeff Damron, Maintenance Foreman, Lake Granbury

Indian Blanket, sundance or firewheel (Gaillardia pulbella)



When viewed in mass, the brilliant combination of red, orange and yellow resembles brightly woven fabric
Photo by Janie Crowder, Accountant, F&A



Maximilian Sunflower (Heli-anthus maximiliani) and Swamp Sunflower (Helianthus angustifolium) Texas boasts some nineteen varieties of wild sunflowers.
Photo by Janie Crowder, Accountant, F&A

Texas Squaw Weed



Photo by Janie Crowder, Accountant, F&A

White Indian Paintbrushes



Photo by Janie Crowder, Accountant, F&A

Indian Paintbrushes at Lake Limestone

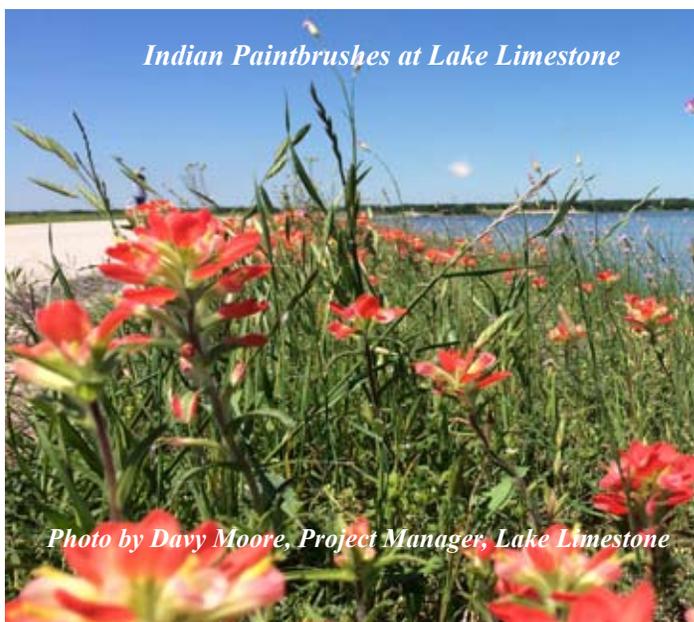
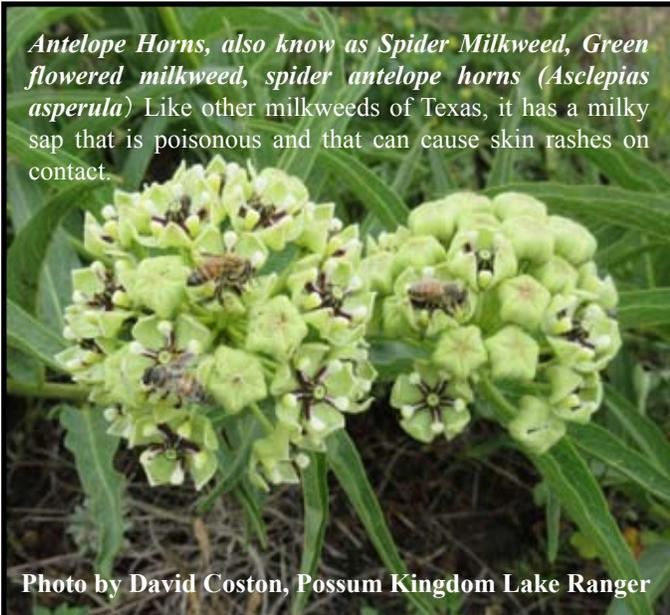
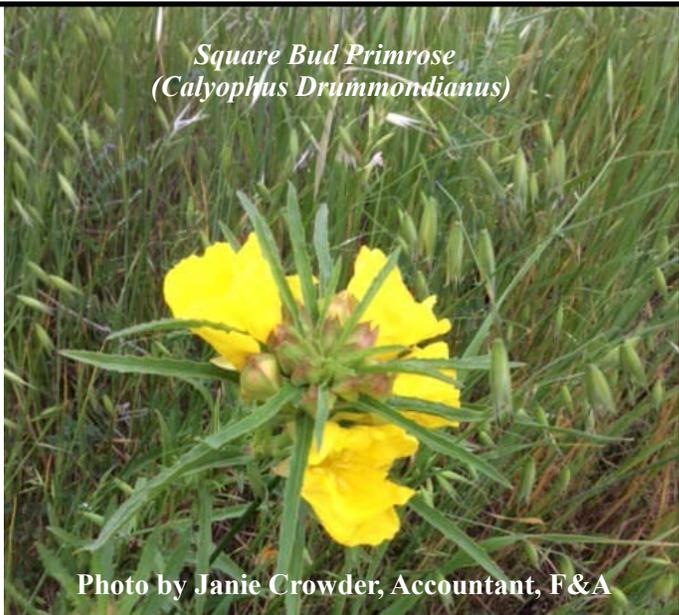


Photo by Davy Moore, Project Manager, Lake Limestone



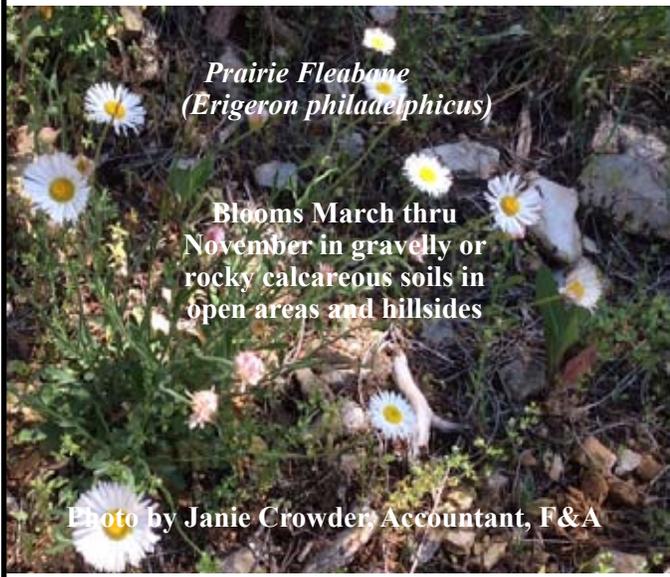
Antelope Horns, also know as Spider Milkweed, Green flowered milkweed, spider antelope horns (Asclepias asperula) Like other milkweeds of Texas, it has a milky sap that is poisonous and that can cause skin rashes on contact.

Photo by David Coston, Possum Kingdom Lake Ranger



Square Bud Primrose (Calyophus Drummondianus)

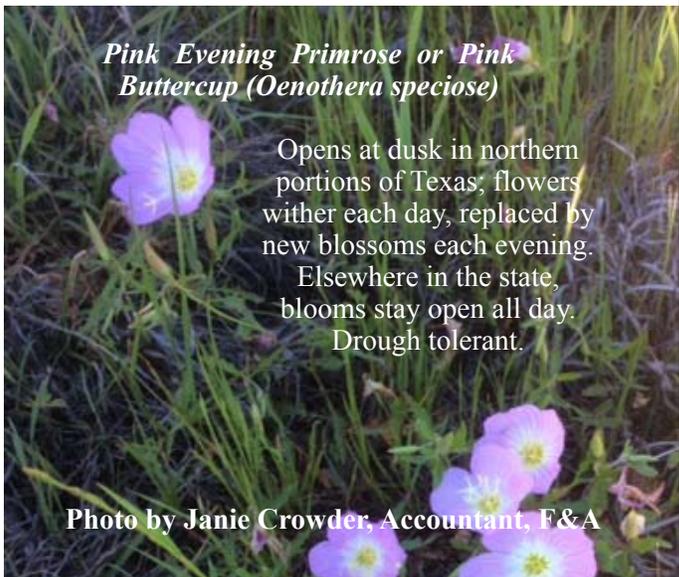
Photo by Janie Crowder, Accountant, F&A



Prairie Fleabane (Erigeron philadelphicus)

Blooms March thru November in gravelly or rocky calcareous soils in open areas and hillsides

Photo by Janie Crowder, Accountant, F&A



Pink Evening Primrose or Pink Buttercup (Oenothera speciose)

Opens at dusk in northern portions of Texas; flowers wither each day, replaced by new blossoms each evening. Elsewhere in the state, blooms stay open all day. Drought tolerant.

Photo by Janie Crowder, Accountant, F&A



Lamiaceae (Labiatae) - Mint family Sagey Skullcap (Scutellaria wrightii)

Photo by Janie Crowder, Accountant, F&A



Purple Prairie Verbena (Glandularia bipinnatifida) (Dakota Vernain, Dakota Mock Vervain, Moradilla, Alfombrilla)

Photo by Janie Crowder, Accountant, F&A

Financial Section



Padgett Stratemann

Independent Auditor's Report

To the Board of Directors
Brazos River Authority
Waco, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Brazos River Authority (the "BRA") as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the BRA's basic financial statements, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the BRA as of August 31, 2016 and 2015 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 14 to the financial statements, effective September 1, 2015, the BRA implemented Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The Schedule of Changes in Assets and Liabilities (Agency Funds) and the Comparison of Budgeted Revenues and Expenses to Actual are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016 on our consideration of the BRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BRA's internal control over financial reporting and compliance.

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

Austin, Texas

December 9, 2016

*Management's Discussion
and Analysis*

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016, 2015 AND 2014 (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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on Pages 6 to 13 of the Introductory Section of this report.
- During Fiscal Year 2015, the BRA implemented Governmental Accounting Standards Board (GASB) Statement No. 68 (Statement). The Statement's primary objective is to improve accounting and financial reporting by state and local government for pensions. For the first time, the net pension liabilities are now reported on the statement of net position, in addition to expanded footnote requirements. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The BRA implemented the Statement by reporting the cumulative effect of applying this Statement as a restatement of beginning net position as of September 1, 2015.

Financial Highlights

Total Assets and Deferred Outflows of Resources

- Total assets and deferred outflows of resources at the end of Fiscal Year 2016, 2015 and 2014 were \$391,441, \$373,998 and \$369,066, respectively. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the end of Fiscal Year 2016, 2015 and 2014 by \$261,936, \$247,307 and \$244,990, respectively.
- Total assets and deferred outflows of resources for Fiscal Year 2016 increased by \$17,443 over prior year, primarily as a net result from operations, the increase in deferred outflows of resources as a result of GASB Statement No. 68, and the sale of the remaining residential and commercial leased properties held in the Federal Energy Regulatory Commission (FERC) project area. The successful sale and disposition of the legislatively mandated properties was completed in March 2016 resulting in additional revenue of \$10,179 from the sale.
- Total assets and deferred outflows of resources for Fiscal Year 2015 increased by \$4,932 over prior year, primarily as a net result of continued income from operations and the increase in deferred outflows of resources as a result of the implementation of GASB Statement No. 68 and the pension plan deferrals recorded.
- 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 of \$8,925, and the execution of the transfer agreement with the contracting parties of the Temple Belton Wastewater Treatment Plant resulting in the BRA removing all assets, totaling \$1,496, related to the Temple Belton Wastewater Treatment Plant operations from the Statement of Net Position.
- The BRA's net position increased by \$14,629 for the Fiscal Year ended August 31, 2016.

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016, 2015 AND 2014 (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:

	2016	2015	2014
Net additions/(deletions) to land storage and water rights	\$ (29)	\$ 278	\$ (542)
Additions to construction-in-progress (CIP)	8,203	4,551	4,680
Transfers from CIP to capital assets being depreciated	(1,389)	(2,209)	(9,495)
Additions and transfers to capital assets being depreciated	2,095	998	9,772
Net deletions and transfers	(1,170)	1,273	(1,627)
Normal annual depreciation and amortization	(8,279)	(7,244)	(7,274)
Total	\$ (569)	\$ (2,353)	\$ (4,486)

- During Fiscal Year 2016, the BRA had over thirty eight capital projects outstanding that were being worked on during the year, with eleven those being completed during the year at a current year capitalization amount of \$1,389. In addition, the BRA invested \$2,095 in capital equipment. With those additions, the sale of various capital assets, and the recording of depreciation on all depreciable assets, capital assets decreased by \$569 during the year.
- During Fiscal Year 2015, the BRA had over fifty capital projects outstanding that were being worked on during the year, with eleven of those being completed during Fiscal Year 2015 at an expenditure of \$2,209. In addition, the BRA invested \$998 in capital equipment. With those additions, the sale of various capital assets, and the recording of depreciation on all depreciable assets, capital assets decreased by \$2,353 during the year.
- During Fiscal Year 2014, the BRA completed the controlled outlet conduit (COC) at Possum Kingdom Lake and transferred the total amount of \$7,633 to capital assets being depreciated. In addition, the BRA's capital assets decreased as a result of the transfer of ownership and operation of the Temple Belton Wastewater Treatment Plant.

Noncurrent Liabilities

Outstanding debt:

- For Fiscal Year 2016, total outstanding debt (current and noncurrent) decreased by \$3,207. This net decrease is a result of annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$2,075, \$1,179 and \$47, respectively.
- For Fiscal Year 2015, total outstanding debt (current and noncurrent) decreased by \$4,277. This net decrease is a result of annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$2,435, \$1,903 and \$61, respectively.

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016, 2015 AND 2014 (in thousands)**

Noncurrent Liabilities-continued

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

Net Pension liability:

- During Fiscal Year 2016, the BRA adjusted its net pension liability from \$8,081 in FY 2015 to \$11,656 in Fiscal Year 2016 for the Retirement Plan for Employees of the BRA as a result of the Plan's actuarial computation. In addition, the BRA adjusted its prior year pension asset for the Texas County and District Retirement System plan from an asset in prior year of \$274 to a liability of \$55 as a result of the Systems actuarial computation. Additional information on the BRA's Net Pension Liability can be found in Note 8 of this report.
- During Fiscal Year 2015, the BRA implemented GASB Statement No. 68 (Statement). The Statement's primary objective is to improve accounting and financial reporting by state and local government for pensions. For the first time, the net pension liabilities are now reported on the statement of net position, and as a result, the BRA recorded a net pension liability of \$8,081 for the Retirement Plan for Employees of the BRA and a net pension asset of \$274 for the Texas County and District Retirement System plan as of the Fiscal Year ended August 31, 2015.

Overview of the Financial Statements

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

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

The *Statement of Net Position* presents information on all of the BRA's assets and deferred outflows of resources as well as BRA's liabilities and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BRA is improving or deteriorating. The Statement of Net Position can be found on Page 36 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

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016, 2015 AND 2014 (in thousands)**

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 38 of this report.

The *Statement of Cash Flows* summarizes all of the BRA's cash flows into three categories as applicable: 1) cash flows from operating activities, 2) cash flows from capital and related financing activities, and 3) cash flows from investing activities. The Statement of Cash Flows can be found on Page 39 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 40.

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 42 of this report.

Financial Analysis

Schedule of Net Position - As noted earlier, net position may serve over time as a useful indicator of the BRA's financial position. In the case of the BRA, assets and deferred outflows of resources exceeded liabilities for Fiscal Year 2016, 2015, and 2014 (restated) by, \$261,936, \$247,307, and \$239,835, respectively.

The largest portion of the BRA's net position, in any given year has been its investment in capital assets (e.g., land, storage rights, reservoirs, water treatment and sewerage facilities, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. Although the BRA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. For Fiscal Year 2016 the investment in capital assets amounted to 73% of the BRA's net position.

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016, 2015 AND 2014 (in thousands)

For Fiscal Year 2016, about 76% (\$198,591) of the BRA's net position represent resources that are not available for expenditure (invested in capital assets or restricted for debt service). The remaining balance of *unrestricted net assets* (\$63,345) may be used to meet the BRA's ongoing obligations.

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

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

Condensed Schedule of Net Position
August 31, 2016, 2015 and 2014

	2016	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets - unrestricted	\$ 86,836	\$ 70,884	\$ 66,129
Current assets - restricted	4,775	5,652	5,831
Noncurrent assets - restricted	6,992	6,985	6,946
Capital assets, net	284,433	285,002	287,355
Noncurrent assets	2,082	2,570	2,489
TOTAL ASSETS	385,118	371,093	368,750
DEFERRED OUTFLOWS OF RESOURCES	6,323	2,905	316
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 391,441	\$ 373,998	\$ 369,066
LIABILITIES AND DEFERRED INFLOWS			
Current liabilities (payable from current assets)	\$ 18,910	\$ 16,362	\$ 19,775
Current liabilities (payable from restricted assets)	6,005	6,176	5,378
Noncurrent liabilities	103,490	103,616	98,923
TOTAL LIABILITIES	128,405	126,154	124,076
DEFERRED INFLOWS OF RESOURCES	1,100	537	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 129,505	\$ 126,691	\$ 124,076
NET POSITION			
Net Investment in capital assets	\$ 189,894	\$ 187,640	\$ 187,305
Restricted for construction and debt service	8,697	8,684	8,800
Unrestricted	63,345	50,983	48,885
TOTAL NET POSITION	\$ 261,936	\$ 247,307	\$ 244,990

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016, 2015 AND 2014 (in thousands)**

**Condensed Schedule of Revenues, Expenses and Changes in Net Position
Fiscal Years Ended August 31, 2016, 2015 and 2014**

	2016	2015	2014
OPERATING REVENUES			
Water supply system	\$ 42,009	\$ 41,788	\$ 38,157
Cost reimbursable operations	12,608	13,140	12,871
TOTAL OPERATING REVENUES	54,617	54,928	51,028
OPERATING EXPENSES			
Operating and Maintenance	38,518	37,764	36,579
Depreciation and amortization	8,279	7,244	7,274
TOTAL OPERATING EXPENSES	46,797	45,008	43,853
OPERATING INCOME	7,820	9,920	7,175
Total net non-operating revenues (expenses)	6,394	(3,322)	(5,386)
INCOME BEFORE CONTRIBUTIONS	14,214	6,598	1,789
Capital contributions	415	874	479
CHANGE IN NET POSITION	14,629	7,472	2,268
NET POSITION, BEGINNING (as restated in 2015)	247,307	239,835	242,722
NET POSITION, ENDING	\$ 261,936	\$ 247,307	\$ 244,990

The Change in Net Position for Fiscal Years 2016, 2015, and 2014 was \$14,629, \$7,472 and \$2,268 respectively. The results of those changes are noted below.

Operating Revenue

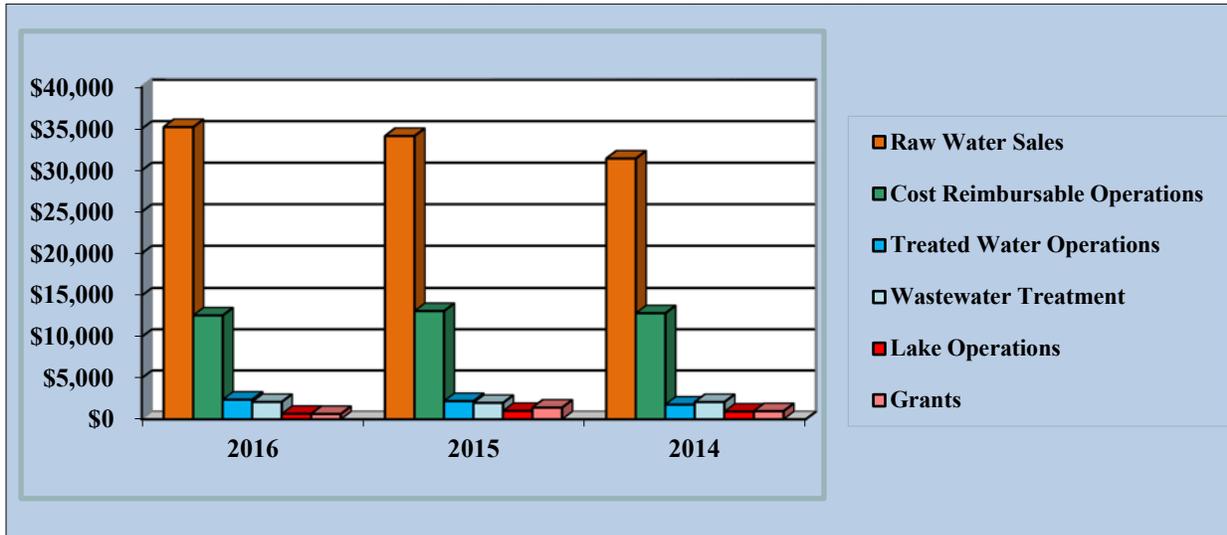
For Fiscal Year 2016, change in operating revenue decreased slightly over prior year, as a net result of three events: first, the rate charged for long term water and interruptible water contracts increased by 1.44% from \$69.50 per acre feet of water sold to \$70.50, resulting in an additional revenue of \$1,076; second, lake operations revenue decreased as a result of the aforementioned sale of the remaining residential and commercial leased properties held in the FERC project area, resulting in a decrease in operating revenue of \$362; and finally, the Cost Reimbursable Operations experienced low revenue, \$532 over prior year, as a result of the increase in rain experienced during the year in that area of the State. That increase in rain resulted in a lower demand to move water through the Williamson County Regional Raw Water Line (WCRRWL).

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

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016, 2015 AND 2014 (in thousands)**

Operating Revenue (continued)

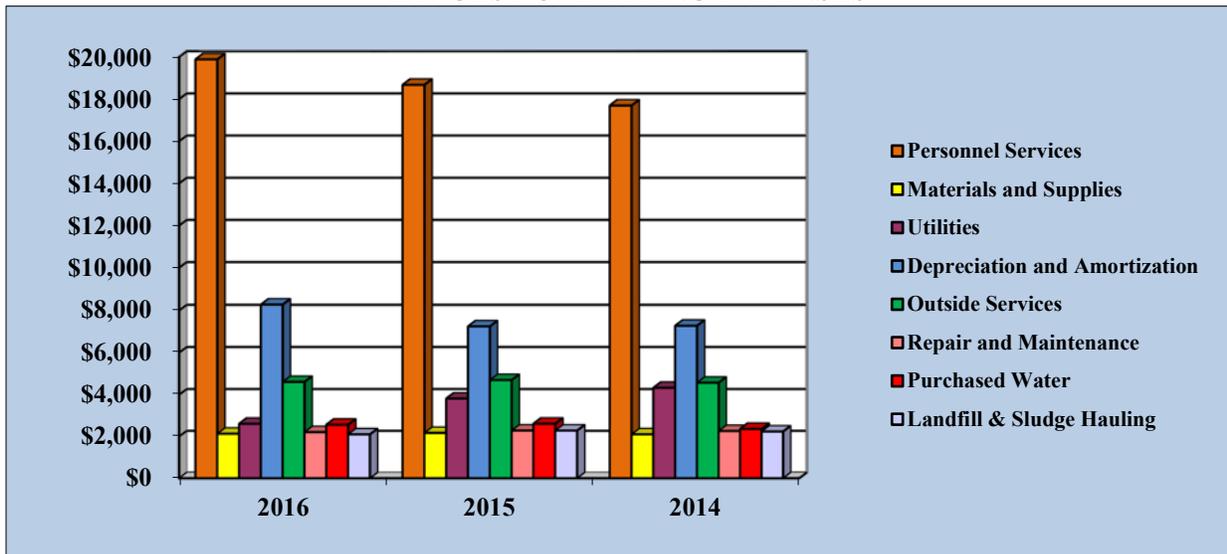
LARGEST OPERATING REVENUES



Operating Expense

Operating expenses, excluding depreciation, over the past three years have maintained a modest 3% increase each year as a net result of steady increases in wages, health insurance, other expenses related to capital improvement support efforts with our Cost Reimbursable operations and the decrease in utility cost experience over the past two years. Depreciation expense increased during the current year a result of the transfer of several large capital improvement projects completing during the past year.

LARGEST OPERATING EXPENSES



**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2016, 2015 AND 2014 (in thousands)**

Total Net Non-Operating Revenues (Expenses)

For Fiscal Year 2016, the amount recorded as net non-operating revenue was \$6,394. The majority of the non-operating revenue represents the interest payments on the BRA's debt, in the amount of \$4,167, and the sale of the remaining residential and commercial leased properties held in the FERC project area resulting in an additional revenue of \$10,179.

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

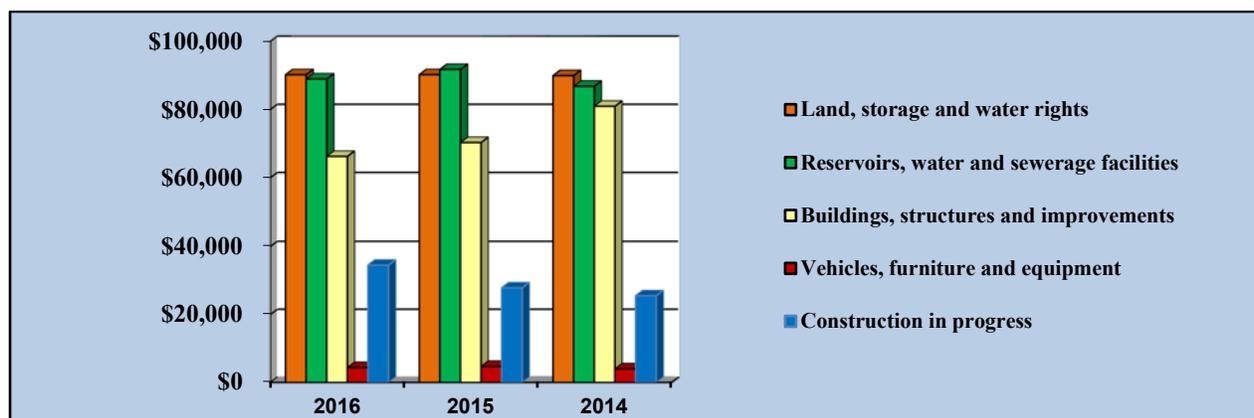
Capital Assets and Outstanding Debt

Capital Assets - The BRA's capital assets, as of August 31, 2016, 2015 and 2014 totaled to \$284,433, \$285,002 and \$287,355, respectively, (net of accumulated depreciation and amortization). For Fiscal Year 2016, 2015, and 2014, the BRA continued its commitment to our customers and stakeholders to ensure the longevity of our capital assets. During Fiscal Year 2016, the BRA invested over eight million dollars on 38 capital improvement projects.

**Capital Assets
(net of accumulated depreciation and amortization)
August 31, 2016, 2015 and 2014**

	2016	2015	2014
Land, storage and water rights	\$ 90,233	\$ 90,262	\$ 89,984
Reservoirs, water and sewerage facilities	88,973	91,775	86,847
Buildings, structures and improvements	66,273	70,339	80,970
Vehicles, furniture and equipment	4,379	4,736	4,006
Construction in progress	34,575	27,890	25,548
Total	\$ 284,433	\$ 285,002	\$ 287,355

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

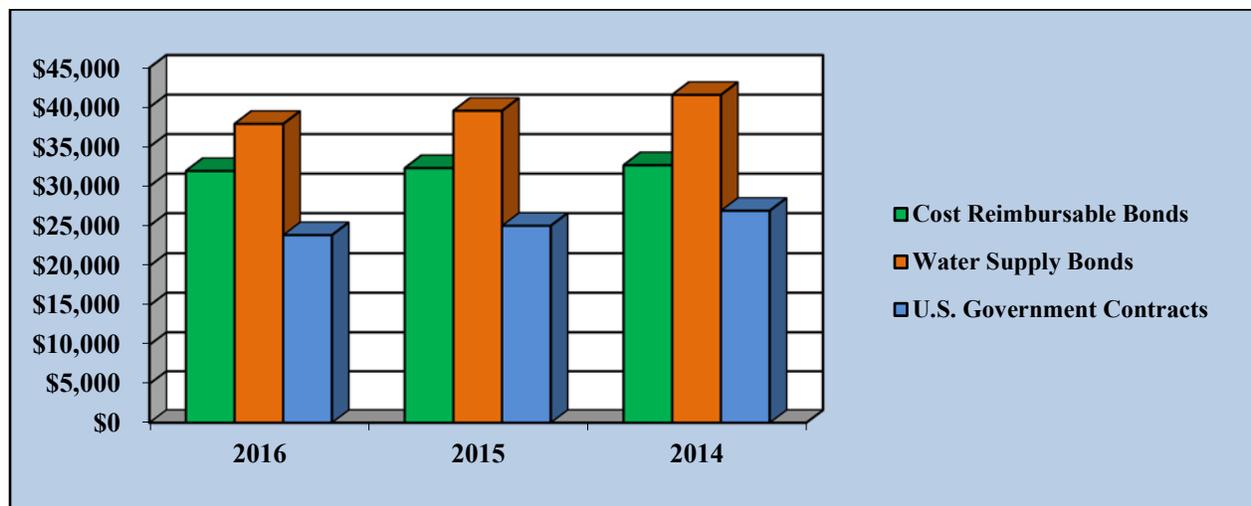


**BRAZOS RIVER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
AUGUST 31, 2016, 2015 AND 2014 (in thousands)**

Outstanding Debt – At the end of Fiscal Year 2016, 2015 and 2014 the BRA had total outstanding debt of \$93,646, \$96,853 and \$101,130, respectively. Of the Fiscal Year 2016 amount, 66% and 34% is reflected in Water Supply System and Cost Reimbursable Operations, respectively. There was no new debt issuances during the Fiscal Year 2016.

During Fiscal Year 2015, the BRA refunded the Series 2006 revenue bonds issued for the expansion of the East Williamson County Regional Water System. The new issue, *Brazos River Authority Water Supply System Revenue Refunding Bonds, New Series 2015* will restructure such indebtedness while providing a net present savings in the amount of \$2,494 over the life of the new debt issuance.

On July 21, 2009 Standard & Poor’s Ratings Services raised its underlying rating (SPUR) on the BRA’s water supply system revenue bonds one notch to ‘AA’ from ‘AA-’. This was based on the BRA’s maintenance of a strong and likely sustainable financial position due to its favorable position as the raw water provider of choice throughout a watershed nearly the size of the State of Tennessee during a time when demand is increasing rapidly from both municipalities and electric power generators. In addition, on April 23, 2010 Moody’s investor service in its last rating for the BRA, assigned an Aa2 rating to the BRA.



The changes in the BRA’s debt for Fiscal Year 2016, 2015 and 2014 are shown in the following table:

	2016	2015	2014
Accretion of interest on capital appreciation bonds	\$ 47	\$ 61	\$ 74
Early retirement of Series 2005B	-	-	(8,535)
Current refunding of the Series 2006 Revenue Bonds	-	(17,270)	-
Water Supply System Revenue Refunding Bonds, New Series 2015	-	16,860	-
Principal payments made during each year	(3,254)	(3,928)	(3,021)
Decrease In Debt	\$ (3,207)	\$ (4,277)	\$ (11,482)

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, 2016, 2015 AND 2014 (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 Statements

BRAZOS RIVER AUTHORITY
STATEMENTS OF NET POSITION
AUGUST 31, 2016 and 2015 (in thousands)

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
UNRESTRICTED:		
Cash and cash equivalents	\$ 18,273	\$ 9,591
Investments	65,648	55,676
Receivables:		
Accounts	1,705	4,254
Accrued interest	40	31
Other current assets	1,170	1,332
TOTAL UNRESTRICTED	86,836	70,884
RESTRICTED:		
Cash and cash equivalents	4,775	5,652
TOTAL RESTRICTED	4,775	5,652
TOTAL CURRENT ASSETS	91,611	76,536
NONCURRENT ASSETS :		
RESTRICTED:		
Cash and cash equivalents	529	528
Investments	6,457	6,452
Interest	6	5
TOTAL RESTRICTED	6,992	6,985
CAPITAL ASSETS:		
Land, storage and water rights	90,233	90,262
Reservoirs, water treatment and sewerage facilities	139,472	139,432
Building, structures and improvements	105,160	105,171
Vehicles, furniture and equipment	17,520	18,009
Construction in progress	34,575	27,890
TOTAL CAPITAL ASSETS	386,960	380,764
Less accumulated depreciation	(102,527)	(95,762)
NET CAPITAL ASSETS	284,433	285,002
OTHER NONCURRENT ASSETS:		
Net pension asset	-	274
Capital appreciation bonds due from others	326	455
Other assets	1,756	1,841
TOTAL OTHER NONCURRENT ASSETS	2,082	2,570
TOTAL NONCURRENT ASSETS	293,507	294,557
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on refunding	376	400
Pension plans	5,947	2,505
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,323	2,905
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 391,441	\$ 373,998

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF NET POSITION
AUGUST 31, 2016 AND 2015 (in thousands)

	2016	2015
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
PAYABLE FROM CURRENT ASSETS:		
Accounts payable	\$ 6,823	\$ 7,849
Contracts payable	1,160	1,179
Accrued interest	557	529
Unearned revenues	10,370	6,805
TOTAL PAYABLE FROM CURRENT ASSETS	<u>18,910</u>	<u>16,362</u>
PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest	1,493	1,496
Construction contracts payable	947	2,113
Revenue bonds payable	2,545	2,075
Unearned revenues	805	298
Other	215	194
TOTAL PAYABLE FROM RESTRICTED ASSETS	<u>6,005</u>	<u>6,176</u>
TOTAL CURRENT LIABILITIES	<u>24,915</u>	<u>22,538</u>
NONCURRENT LIABILITIES:		
Revenue bonds payable, net of current portion	67,930	70,467
Contracts payable, net of current portion	22,659	23,819
Net pension liability	11,711	8,081
Unearned revenues	360	406
Other liabilities	830	843
TOTAL NONCURRENT LIABILITIES	<u>103,490</u>	<u>103,616</u>
TOTAL LIABILITIES	<u>128,405</u>	<u>126,154</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,100</u>	<u>537</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 129,505</u>	<u>\$ 126,691</u>
NET POSITION:		
Net Investment in capital assets	\$ 189,894	\$ 187,640
Restricted for construction and debt service	8,697	8,684
Unrestricted	63,345	50,983
TOTAL NET POSITION	<u>\$ 261,936</u>	<u>\$ 247,307</u>

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, 2016 AND 2015 (in thousands)

	2016	2015
OPERATING REVENUES:		
Water Supply System:		
Raw water sales	\$ 35,209	\$ 34,133
Treated water	2,388	2,208
Wastewater treatment	2,108	1,992
Lake operations	663	1,025
Grants	644	1,419
Other	997	1,011
Cost Reimbursable Operations:		
Water conveyance/supply	2,394	3,230
Water treatment	1,232	1,225
Wastewater treatment	8,982	8,685
TOTAL OPERATING REVENUES	<u>54,617</u>	<u>54,928</u>
OPERATING EXPENSES:		
Personnel services	19,881	18,675
Materials and supplies	2,130	2,168
Utilities	2,606	3,814
Depreciation and amortization	8,279	7,244
Outside services	4,610	4,697
Repair and maintenance	2,207	2,281
Landfill and sludge hauling	2,561	2,280
Purchased water	2,423	2,610
Other	2,100	1,239
TOTAL OPERATING EXPENSES	<u>46,797</u>	<u>45,008</u>
OPERATING INCOME	<u>7,820</u>	<u>9,920</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income	660	493
Interest expense	(4,167)	(4,367)
Other expenses	(371)	(268)
Net gain on sale of capital assets	10,272	820
TOTAL NET NON-OPERATING REVENUES (EXPENSES)	<u>6,394</u>	<u>(3,322)</u>
INCOME BEFORE CONTRIBUTIONS	14,214	6,598
Capital contributions	415	874
CHANGE IN NET POSITION	14,629	7,472
NET POSITION, BEGINNING (as restated in 2015)	<u>247,307</u>	<u>239,835</u>
NET POSITION, ENDING	<u>\$ 261,936</u>	<u>\$ 247,307</u>

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED AUGUST 31, 2016 AND 2015 (in thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 60,606	\$ 53,870
Cash paid to suppliers for goods and services	(26,677)	(24,932)
Cash paid to employees for services	(13,170)	(13,507)
Net cash provided by operating activities	<u>20,759</u>	<u>15,431</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid for capital assets	(7,934)	(6,235)
Interest paid	(4,159)	(4,228)
Principal payments on long-term debt	(3,254)	(3,928)
Proceeds from disposal of capital assets	11,383	1,820
Capital contributions	415	502
Other	(77)	25
Net cash used in capital and related financing activities	<u>(3,626)</u>	<u>(12,044)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	43,662	22,974
Purchases of investments	(53,639)	(29,706)
Interest received	650	491
Net cash used in investing activities	<u>(9,327)</u>	<u>(6,241)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,806	(2,854)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including \$6,180 and \$6,638, respectively, reported in restricted accounts)	<u>15,771</u>	<u>18,625</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (including \$5,304 and \$6,180, respectively, reported in restricted accounts)	<u>\$ 23,577</u>	<u>\$ 15,771</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 7,820	\$ 9,920
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,249	7,222
Amortization	30	22
Change in assets, liabilities and deferred inflows and outflows of resources:		
(Increase)/decrease in accounts receivable	775	(522)
Decrease in other current assets	290	770
Decrease in net pension asset	274	(1,071)
Decrease in deferred outflows of resources	(3,418)	-
Increase/(decrease) in accounts payable	(1,574)	81
Increase/(decrease) in unearned revenue and other liabilities	4,121	(426)
Increase in pension liability	3,630	-
Increase/(decrease) in deferred inflows of resources	562	(565)
Total adjustments	<u>12,939</u>	<u>5,511</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 20,759</u>	<u>\$ 15,431</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond proceeds deposited into an escrow account for purposes of refunding	\$ -	\$ 17,555
Amounts recorded for accretion on WCRRWL Series 2000 Capital Appreciation Bonds	<u>\$ 47</u>	<u>\$ 61</u>

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION
AUGUST 31, 2016 AND 2015 (in thousands)

	2016	2015
ASSETS		
Cash	\$ 66	\$ 70
Investments	836	835
Accrued Interest	1	1
TOTAL ASSETS	\$ 903	\$ 906
LIABILITIES		
Held for future debt service	\$ 903	\$ 906
TOTAL LIABILITIES	\$ 903	\$ 906

The accompanying notes are an integral part of these statements.

*Notes to the
Basic Financial Statement*

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (in thousands)

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

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

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 Certificates of Deposits (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 U.S. Government, its agencies and instrumentalities that have a market value exceeding the total amount of cash and investments held at all times.

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

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

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (in thousands)

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

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

Other Assets - By agreement in 1988, the BRA amended a water contract with a utility company which provided for the sale of 162,000 acre feet of water per year through the year 2030. The amendment reduced the utility company's right to purchase water to 83,000 acre feet per year beginning January 1, 1989. As consideration for the 79,000 acre-foot 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 \$1,756 and \$1,841 at August 31, 2016 and 2015, 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, 2016 and 2015 was \$732 and \$778, 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.

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

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

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (in thousands)

2. DEPOSITS AND INVESTMENTS

As of August 31, 2016 and 2015, the BRA had the following investments and Weighted Average Maturity (WAM):

Investment Type	2016		2015	
	Fair Value	WAM (Years)	Fair Value	WAM (Years)
Certificates of Deposit Total Value	\$ 72,105	0.54	\$ 62,128	0.70

The BRA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level one inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level three inputs are significant unobservable inputs. For August 31, 2016 and 2015 all BRA investments were in non-participating CD' and are carried at cost plus accrued interest.

Credit Risk

Certificates of Deposit - The BRA's adopted Investment Policy ("Policy") and State law restrict CD's to those which are fully collateralized or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor. The CD's 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 CD's must be collateralized to 102% of principal and interest by obligations of the U.S. Government, its agencies and instrumentalities including mortgage backed securities which pass the bank test or obligations of municipal entities of any state rated as to investment quality by a nationally recognized rating agency as "A" or its equivalent or by Letter of Credit issued or guaranteed by the U.S. 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 CD's are restricted to a maximum of thirty-six 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 U.S. 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. The BRA's adopted Policy requires repurchase agreement transactions to be governed by an executed Master Repurchase Agreement. The maximum stated maturity is ninety 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. The BRA had no repurchase agreements as of August 31, 2016 or 2015.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (in thousands)

Money Market Mutual Funds - The BRA's adopted Policy requires that SEC registered money market mutual funds be AAA-rated as to investment quality, with a dollar WAM portfolio maturity of ninety 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, 2016

- CD's represented 75.36% of the total portfolio,
- Fully collateralized demand deposits represented 24.64 % of the total portfolio,
- The BRA had one CD with a maturity greater than two years.

Portfolio disclosure as of August 31, 2015

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

Concentration of Credit Risk

The BRA's adopted 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, 2016 and August 31, 2015:

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

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (in thousands)

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the BRA's adopted Policy sets a maximum maturity on any investment of three years in operating funds and five 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 WAM of operating funds to less than 365 days. The maximum dollar WAM 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, 2016 and August 31, 2015:

- The dollar WAM of the total portfolio was 196 days in 2016 and 255 days in 2015.
- The portfolio contained no structured securities and no mortgage backed securities.

Custodial Credit Risk

To control custody risk State law and the BRA's adopted 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, 2016 and August 31, 2015:

- The portfolio contained 101 CD's in 2016 and 66 CD's in 2015.
- The portfolio contained no repurchase agreements.
- All bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits were held by an independent institution outside the bank's holding company.

3. RESTRICTED ASSETS

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

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

Restricted assets represent:

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

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

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

The cash and cash equivalents, investments, and accrued interest components of each fund represented by restricted assets at August 31, 2016 and 2015 were as follows:

	2016			2015		
	Cash and Cash Equivalents	Investments	Accrued Interest	Cash and Cash Equivalents	Investments	Accrued Interest
CURRENT RESTRICTED:						
Water Supply System:						
Debt service funds	\$ 843	\$ -	\$ -	\$ 830	\$ -	\$ -
Bond proceeds funds	1,524	-	-	2,509	-	-
Water Supply System Total	<u>2,367</u>	<u>-</u>	<u>-</u>	<u>3,339</u>	<u>-</u>	<u>-</u>
Cost Reimbursable Operations:						
Bond proceeds funds	-	-	-	438	-	-
Debt service funds	2,408	-	-	1,875	-	-
Cost Reimbursable Operations Total	<u>2,408</u>	<u>-</u>	<u>-</u>	<u>2,313</u>	<u>-</u>	<u>-</u>
TOTAL CURRENT RESTRICTED	<u>\$ 4,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,652</u>	<u>\$ -</u>	<u>\$ -</u>
NONCURRENT RESTRICTED:						
Water Supply System:						
Bond reserve funds	\$ -	\$ 1,409	\$ 3	\$ -	\$ 1,425	\$ 4
Repair and replacement funds	178	4,321	2	196	4,304	1
Other funds	349	229	-	328	227	-
Water Supply System Total	<u>527</u>	<u>5,959</u>	<u>5</u>	<u>524</u>	<u>5,956</u>	<u>5</u>
Cost Reimbursable Operations:						
Repair and replacement funds	2	498	1	4	496	-
Cost Reimbursable Operations Total	<u>2</u>	<u>498</u>	<u>1</u>	<u>4</u>	<u>496</u>	<u>-</u>
TOTAL NONCURRENT RESTRICTED	<u>\$ 529</u>	<u>\$ 6,457</u>	<u>\$ 6</u>	<u>\$ 528</u>	<u>\$ 6,452</u>	<u>\$ 5</u>

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4. CAPITAL ASSETS

A summary of changes in capital assets for August 31, 2016 follows:

Classification	Balance at August 31, 2015	Additions and Transfers	Deletions and Transfers	Balance at August 31, 2016
Capital assets, not being depreciated/amortized:				
Land, storage and water rights	\$ 90,262	\$ 17	\$ (46)	\$ 90,233
Construction in progress	<u>27,890</u>	<u>8,202</u>	<u>(1,517)</u>	<u>34,575</u>
Total capital assets, not being depreciated/amortized	<u>118,152</u>	<u>8,219</u>	<u>(1,563)</u>	<u>124,808</u>
Capital assets, being depreciated/amortized:				
Reservoirs, water treatment and sewerage facilities	139,432	231	(191)	139,472
Buildings, structures and improvements	105,171	800	(811)	105,160
Vehicles	2,886	220	(127)	2,979
Furniture	753	34	(11)	776
Computers	4,916	526	(193)	5,249
Tools and heavy equipment	<u>9,454</u>	<u>284</u>	<u>(1,222)</u>	<u>8,516</u>
Total capital assets, being depreciated/amortized	<u>262,612</u>	<u>2,095</u>	<u>(2,555)</u>	<u>262,152</u>
Total Capital Assets	<u>\$ 380,764</u>	<u>\$ 10,314</u>	<u>\$ (4,118)</u>	<u>\$ 386,960</u>
Less accumulated depreciation/amortization:				
Reservoirs, water treatment and sewerage facilities	\$ 47,657	\$ 2,872	\$ (30)	\$ 50,499
Buildings, structures and improvements	34,832	4,505	(450)	38,887
Vehicles	2,410	204	(127)	2,487
Furniture	753	4	(11)	746
Computers	3,736	294	(189)	3,841
Tools and heavy equipment	<u>6,374</u>	<u>400</u>	<u>(707)</u>	<u>6,067</u>
Total accumulated depreciation/amortization	<u>\$ 95,762</u>	<u>\$ 8,279</u>	<u>\$ (1,514)</u>	<u>\$ 102,527</u>
Net Capital Assets	<u>\$ 285,002</u>	<u>\$ 2,035</u>	<u>\$ (2,604)</u>	<u>\$ 284,433</u>

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

Classification	Balance at August 31, 2014	Additions and Transfers	Deletions and Transfers	Balance at August 31, 2015
Capital assets, not being depreciated/amortized:				
Land, storage and water rights	\$ 89,984	\$ 14	\$ 264	\$ 90,262
Construction in progress	<u>25,548</u>	<u>4,551</u>	<u>(2,209)</u>	<u>27,890</u>
Total capital assets, not being depreciated/amortized	<u>115,532</u>	<u>4,565</u>	<u>(1,945)</u>	<u>118,152</u>
Capital assets, being depreciated/amortized:				
Reservoirs, water treatment and sewerage facilities	125,912	23	13,497	139,432
Buildings, structures and improvements	118,713	158	(13,700)	105,171
Vehicles	2,817	220	(151)	2,886
Furniture	753	-	-	753
Computers	4,369	314	233	4,916
Tools and heavy equipment	<u>8,578</u>	<u>283</u>	<u>593</u>	<u>9,454</u>
Total capital assets, being depreciated/amortized	<u>261,142</u>	<u>998</u>	<u>472</u>	<u>262,612</u>
Total Capital Assets	<u>\$ 376,674</u>	<u>\$ 5,563</u>	<u>\$ (1,473)</u>	<u>\$ 380,764</u>
Less accumulated depreciation/amortization:				
Reservoirs, water treatment and sewerage facilities	\$ 39,065	\$ 2,556	\$ 6,036	\$ 47,657
Buildings, structures and improvements	37,743	3,745	(6,656)	34,832
Vehicles	2,344	217	(151)	2,410
Furniture	753	-	-	753
Computers	3,505	245	(14)	3,736
Tools and heavy equipment	<u>5,909</u>	<u>481</u>	<u>(16)</u>	<u>6,374</u>
Total accumulated depreciation/amortization	<u>\$ 89,319</u>	<u>\$ 7,244</u>	<u>\$ (801)</u>	<u>\$ 95,762</u>
Net Capital Assets	<u>\$ 287,355</u>	<u>\$ (1,681)</u>	<u>\$ (672)</u>	<u>\$ 285,002</u>

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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, 2016 and 2015 were as follows:

	2016		2015	
	Current Unearned Revenues	Noncurrent Unearned Revenues	Current Unearned Revenues	Noncurrent Unearned Revenues
Unrestricted				
Water Supply System:				
Lake Granbury	\$ 264	\$ -	\$ 366	\$ -
Lake Limestone	220	-	83	-
Possum Kingdom Lake	115	-	666	-
Federal Reservoirs	6,639	-	4,971	-
Other Water Supply System	349	-	4	-
Total Water Supply	<u>7,587</u>	<u>-</u>	<u>6,090</u>	<u>-</u>
Cost Reimbursable Operations:				
Williamson County RRWL	487	360	250	406
Temple-Belton WWTP	669	-	(133)	-
Clute-Richwood RWS	251	-	152	-
Hutto WWS	446	-	315	-
Brushy Creek RWS	930	-	131	-
Total Cost Reimbursable Operations	<u>2,783</u>	<u>360</u>	<u>715</u>	<u>406</u>
Total Unrestricted	<u>\$ 10,370</u>	<u>\$ 360</u>	<u>\$ 6,805</u>	<u>\$ 406</u>
Restricted				
Cost Reimbursable Operations:				
Williamson County RRWL	\$ 805	\$ -	\$ 298	\$ -
Total Restricted	<u>\$ 805</u>	<u>\$ -</u>	<u>\$ 298</u>	<u>\$ -</u>

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6. NONCURRENT LIABILITIES

Revenue Bonds Payable

Revenue bonds payable consists of the following at August 31, 2016:

	Balance at August 31, 2015	Additions	Retired	Balance at August 31, 2016	Amount Due Within One Year
<i>Water Supply System:</i>					
Series 2002 State Participation Loan	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ -
Series 2009 Revenue Bonds	16,695	-	1,070	15,625	1,075
Series 2015 Revenue Bonds	16,860		590	16,270	610
Total Water Supply System	<u>\$ 39,555</u>	<u>\$ -</u>	<u>\$ 1,660</u>	<u>\$ 37,895</u>	<u>\$ 1,685</u>
<i>Cost Reimbursable Operations:</i>					
Series 1999 State Participation Loan	\$ 14,955	\$ -	\$ -	\$ 14,955	\$ -
Series 2000 Capital Appreciation Bonds	1,105	47	300	852	300
Series 2011 Revenue Bonds	16,240	-	115	16,125	560
Total Cost Reimbursable Operations	<u>\$ 32,300</u>	<u>\$ 47</u>	<u>\$ 415</u>	<u>\$ 31,932</u>	<u>\$ 860</u>
<i>Net (Premium)/Discount on revenue bonds payable</i>	<u>\$ 687</u>	<u>\$ -</u>	<u>\$ 39</u>	<u>\$ 648</u>	<u>\$ -</u>
<i>Total Net Revenue Bonds Payable</i>	<u><u>\$ 72,542</u></u>	<u><u>\$ 47</u></u>	<u><u>\$ 2,114</u></u>	<u><u>\$ 70,475</u></u>	<u><u>\$ 2,545</u></u>

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

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

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Revenue bonds payable at August 31, 2016, is further detailed as follows:

Water Supply System:

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

Cost Reimbursable Operation:

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

On February 17, 2015, the BRA issued \$16,860 of revenue bonds for a current refunding of \$17,270 of the Series 2006 Brazos River Authority Serial Bonds. The refunding was done to reduce the total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$189. This amount is being netted against the new debt and amortized over the life of the new debt which is the same as the old debt. The difference between the present values of the two debt service streams of \$2,494 constitutes the economic gain on the transaction and a reduction of \$410 in future debt service payments.

The Water Supply System bond covenants require that the BRA will fix, establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary to produce Net Revenues for each year, which are at least 1.10 times the maximum annual debt service requirements of all then outstanding bonds and additional parity obligations. For the year ended August 31, 2016 and 2015, the BRA's coverage rate was 4.50 and 3.53, respectively. The BRA was in compliance with this and all other bond covenants and restrictions.

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The BRA has adopted the provisions of Governmental Accounting Standards Board Statement No. 23, as amended, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." The Statement requires that the difference between the reacquisition price and the net carrying amount of the refunded old debt be deferred and amortized as a component of interest expense in a systematic and rational manner over the shorter of the life of the old debt or the life of the new debt. GASB 65 further requires the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflows of resources or a deferred inflows of resources. For the year ended August 31, 2016 and 2015 the cumulative unamortized deferred outflows of resources amounted to \$376 and \$400, respectively. The deferred amount resulted from refunding of debt in 2011 and 2015.

Annual requirements to retire revenue bonds outstanding including interest at August 31, 2016 are:

	Water Supply System		Cost Reimbursable Operations	
	Principal	Interest	Principal	Interest
2017	\$ 1,685	\$ 1,490	\$ 860	\$ 1,805
2018	1,725	1,454	863	1,804
2019	1,765	1,415	863	1,802
2020	1,805	1,371	910	1,741
2021	1,855	1,323	1,810	1,699
2022-2026	11,575	4,172	10,635	6,117
2027-2031	10,635	2,307	13,905	2,831
2032-2036	6,851	749	2,085	153
Total	<u>\$ 37,896</u>	<u>\$ 14,281</u>	<u>\$ 31,931</u>	<u>\$ 17,952</u>

Annual requirements to retire revenue bonds outstanding including interest at August 31, 2015 are:

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

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Contracts Payable consists of the following at August 31, 2016:

	Balance at August 31, 2015	Retired/ (Additions)	Balance at August 31, 2016	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%	\$ 1,006	\$ 101	\$ 905	\$ 103
\$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%	280	28	252	29
\$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%	806	262	544	268
\$7,383 to acquire water conservation storage space in the Somerville Reservoir; due in annual installments of principal and interest of \$266 through 2023 and \$253 from 2024 through 2027; interest at 2.74%	2,647	193	2,454	198
\$15,178 to acquire water conservation storage space in the Granger Reservoir; due in annual installments of principal and interest of \$599 through 2041 and \$598 in 2042; interest at 3.25%	10,658	252	10,406	261
\$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%	4,662	133	4,529	138
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc., due in annual installments of principal only of \$10 to \$45 through 2020	225	45	180	45
\$5,439 to fund the required repair, replacement and rehabilitation of the Belton Reservoir, due in annual installments of principal and interest of \$311 through 2043; interest at 4.25%	4,714	165	4,549	118
Total	<u>\$ 24,998</u>	<u>\$ 1,179</u>	<u>\$ 23,819</u>	<u>\$ 1,160</u>

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

	Balance at August 31, 2014	Retired/ (Additions)	Balance at August 31, 2015	Amts Due Within One Year
\$5,124 to acquire water conservation storage space in the Belton Reservoir; due in annual installments of principal and interest of \$170 through 2006 and \$126 from 2007 through 2024; interest at 2.50% to 2.54%	\$ 1,104	\$ 98	\$ 1,006	\$ 101
\$1,314 to acquire water conservation storage space in the Proctor Reservoir; due in annual installments of principal and interest of \$43 through 2015 and \$35 from 2016 through 2024; interest at 2.69%	314	34	280	28
\$7,127 to acquire water conservation storage space in the Stillhouse Hollow Reservoir; due in annual installments of principal and interest of \$284 through 2018; interest at 2.72%	1,061	255	806	262
\$7,383 to acquire water conservation storage space in the Somerville Reservoir; due in annual installments of principal and interest of \$266 through 2023 and \$253 from 2024 through 2027; interest at 2.74%	2,835	188	2,647	193
\$5,532 to acquire water conservation storage space in the Waco Reservoir; due in annual installments of principal and interest of \$188 through 2015; interest at 2.50%	184	184	-	-
\$15,178 to acquire water conservation storage space in the Granger Reservoir; due in annual installments of principal and interest of \$599 through 2041 and \$598 in 2042; interest at 3.25%	10,903	245	10,658	252
\$7,130 to acquire water conservation storage space in the Georgetown (formerly Northfork) Reservoir; due in annual installments of principal and interest ranging from \$285 through 2032 to \$135 in 2042; the interest at 3.25%	4,791	129	4,662	133
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc., due in annual installments of principal only of \$10 to \$45 through 2020	270	45	225	45
\$5,439 to fund the required repair, replacement and rehabilitation of the Belton Reservoir, due in annual installments of principal and interest of \$311 through 2043; interest at 4.25%	5,439	725	4,714	165
Total	<u>\$ 26,901</u>	<u>\$ 1,903</u>	<u>\$ 24,998</u>	<u>\$ 1,179</u>

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Annual requirements to retire contracts payable outstanding, including interest at August 31, 2016, were:

	Contracts Payable		Total
	Principal	Interest	
2016	\$ 1,160	\$ 791	\$ 1,951
2017	1,194	757	1,951
2018	946	722	1,668
2019	974	694	1,668
2020	959	664	1,623
2021-2025	4,903	2,848	7,751
2026-2030	4,143	2,086	6,229
2031-2035	4,498	1,349	5,847
2036-2040	4,332	541	4,873
2041-2042	710	23	733
Total	<u>\$ 23,819</u>	<u>\$ 10,475</u>	<u>\$ 34,294</u>

Annual requirements to retire contracts payable outstanding, including interest at August 31, 2015, were:

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

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Other Noncurrent Liabilities Other noncurrent liability activity for the year ended August 31, 2016 was as follows:

	Balance at August 31, 2015	Additions	Reductions	Balance at August 31, 2016	Amounts Due Within One Year
Unearned Revenues:					
WCRRWL	\$ 451	\$ -	\$ 45	\$ 406	\$ 46
Total	<u>\$ 451</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 406</u>	<u>\$ 46</u>
Other Liabilities:					
Hydroelectric	\$ 323	\$ 1	\$ -	\$ 324	\$ -
Trans TX Phase II	210	-	-	210	-
Compensated Absences	214	-	15	199	14
Other	111	-	-	111	-
Total	<u>\$ 858</u>	<u>\$ 1</u>	<u>\$ 15</u>	<u>\$ 844</u>	<u>\$ 14</u>

7. NET POSITION

Details of Net Position of investment in capital assets:

	2016	2015
Net capital assets	\$ 284,433	\$ 285,002
Deferred outflows of resources	376	400
Revenue bonds payable - current & noncurrent	(70,475)	(71,106)
Capital Appreciation Bonds due from others	326	455
Construction contracts payable	(947)	(2,113)
Contracts payable, current & noncurrent	<u>(23,819)</u>	<u>(24,998)</u>
Total Net Position of investment in capital assets	<u>\$ 189,894</u>	<u>\$ 187,640</u>

The unspent proceeds of debt issued for capital purposes and the related debt are excluded from the computation of capital assets. For Fiscal Year 2016 and 2015 the balance of unspent bond proceeds for capital purposes was \$-0- and \$1,436, respectively.

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8. RETIREMENT PLANS

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

Plan Description

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

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

Benefits Provided

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

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

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

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

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

Employees covered by the Plan

Participation in the Plan, as of the beginning of the year evaluation date, March 1, 2016, and March 1, 2015, is composed of the following:

Group	2016	2015
Retirees and beneficiaries currently receiving benefits	119	110
Terminated Plan members entitled to but not yet receiving benefits	116	116
Deferred beneficiaries	3	5
Transferred Canal Division employees*	5	6
Active Plan members	106	114
Total	349	351

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

Contributions

The BRA's employees were not required or allowed to contribute to the Plan. The BRA intends to make, but does not guarantee, annual contributions in amounts at least equal to the amounts that would be required to meet the minimum funding requirements of Section 412 of the Code. The actuarial valuations for the Plan for the valuation date of March 1, 2016 and March 1, 2015 were performed by Gallagher Benefit Services, Inc. A copy of the assumptions used and methods of determining the required contribution for the fiscal years commencing September 1, 2015 and 2014 can be obtained by contacting the Human Resources Manager at 254-761-3104. The BRA made the minimum funding requirement for the plan years ending February 28, 2015 and 2014.

Net Pension Liability

The BRA's net pension liability was measured as of March 1, 2016 and March 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

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Actuarial assumptions. The total pension liability in the March 1, 2016 and March 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Information		
	2016	2015
Actuarial valuation date	March 1, 2016	March 1, 2015
Actuarial cost method	Entry age	Entry age
Actuarial Assumptions		
Investment return*	6.5%	6.5%
Projected salary increases	N/A**	N/A**
Inflation	3.5%	3.5%

*Includes inflation at the stated rate

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

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

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

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

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of February 29, 2016 and February 28, 2015 are summarized in the following tables:

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February 29, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	35%	7.50%
International equity	15%	8.50%
Domestic fixed income	25%	2.50%
Master limited partnerships	10%	7.50%
Real estate investment trusts	10%	4.50%
Private equity partnerships	5%	7.80%
Cash	0%	0.00%

February 28, 2015

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

Discount rate

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

Sensitivity in the discount rate

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

	Brazos River Authority's Net Pension Liability		
	<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
February 29, 2016	\$ 15,034	\$ 11,656	\$ 8,811
February 28, 2015	\$ 11,538	\$ 8,081	\$ 5,182

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Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 8/31/2015	\$ 29,976	\$ 21,895	\$ 8,081
Changes for the year:			
Interest	1,894	-	1,894
Differences between expected and actual experience	225	-	225
Change in assumptions	-	-	-
Benefit payment, including refunds of employee contributions	(1,713)	(1,713)	-
Employer contributions	-	826	(826)
Net investment income	-	(2,201)	2,201
Administrative expenses	-	(81)	81
Net changes	406	(3,169)	3,575
Balances at 8/31/2016	<u>\$ 30,382</u>	<u>\$ 18,726</u>	<u>\$ 11,656</u>

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

Plan Fiduciary Net Position

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

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Pension expense and deferred outflows of resources and deferred inflows of resources related to pension

For the year ended August 31, 2016, the BRA recognized a pension expense of \$2,091. At August 31, 2016 the BRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 397	\$ -
Change in assumptions	472	-
Net differences between projected and actual earnings on pension plan investments	2,472	-
Total	<u>\$ 3,341</u>	<u>\$ -</u>

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

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

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

Year ended August 31, 2016		Year ended August 31, 2015	
2017	\$ 1,158	2016	\$ 713
2018	716	2017	362
2019	749	2018	(73)
2021	718	2019	31
2022	-	2020	-
Theareafter	-	Theareafter	-
Total	<u>\$ 3,341</u>	Total	<u>\$ 1,033</u>

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Texas County and District Retirement System:

Plan Description

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

Benefits Provided

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

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

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

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

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Employees covered by the Plan

Participation in the Plan, as of December 31, 2015 and December 31, 2014, is composed of the following:

Group	2015	2014
Retirees and beneficiaries currently receiving benefits	40	32
Terminated Plan members entitled to but not yet receiving benefits	84	94
Active Plan members	235	238
Total	359	364

Contributions

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

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

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 2016 and 2015 was 7.13% and 7.33% respectively. The required contribution rate payable by the employee members is 6.0% as adopted by the Board of Directors. The employee and employer contribution rates may be changed by the BRA's Board of Directors within the options available in the TCDRS Act.

Net Pension Liability

The BRA's net pension liability was measured as of December 31, 2015 and December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

Actuarial assumptions. The total pension liability in the December 31, 2015 and the December 31, 2014 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Actuarial Valuation Information		
	2016	2015

Actuarial valuation date	December 31, 2015	December 31, 2014
Actuarial cost method	Entry age	Entry age

Actuarial Assumptions		
------------------------------	--	--

Investment return	8.0%	8.0%
Projected salary increases	2.0%	2.0%
Inflation	3.0%	3.0%

The mortality rates, for depositing members, are based on the RP-2000 Active Employee Mortality Table for males with a two year set forward and the RP-2000 Active Employee Mortality Table for females with a four year setback, both projected to 2014 with the projection scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Long-term expected rate of return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 and January 2015 information for a 7 – 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a thirty year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 through December 31, 2012 for more details.

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Long-term Expected rate of return by Asset Class
Based on January 2016 information for a 7 -10 year time horizon

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	14.50%	5.45%
Private Equities	14.00%	8.45%
Global Equities	1.50%	5.75%
International Equities-Developed	10.00%	5.45%
International Equities-Emerging	8.00%	6.45%
Investment-Grade Bonds	3.00%	1.00%
High-Yield Bonds	3.00%	5.10%
Opportunistic Credit	2.00%	5.09%
Direct Lending	5.00%	6.40%
Distressed Debt	3.00%	8.10%
REIT Equities	3.00%	4.00%
Master Limited Partnerships	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	25.00%	5.25%

Long-term Expected rate of return by Asset Class
Based on January 2015 information for a 7 -10 year time horizon

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

Discount rate

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

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Changes in the Net Pension Liability / (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances at 8/31/2015	\$ 18,028	\$ 18,302	\$ (274)
Changes for the year:			
Service cost	1,682	-	1,682
Interest	1,511	-	1,511
Differences between expected and actual experience	(1,482)	-	(1,482)
Benefit payment, including refunds of employee contributions	(254)	(254)	-
Employer contributions	-	1,010	(1,010)
Member contributions	-	827	(827)
Net investment income	-	(418)	418
Administrative expenses	-	(13)	13
Other	-	(24)	24
Net changes	1,457	1,128	329
Balances at 8/31/2016	<u>\$ 19,485</u>	<u>\$ 19,430</u>	<u>\$ 55</u>

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

Sensitivity in the discount rate

The following presents the net pension liability of the Plan calculated using the discount rate of 8 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	TCDRS net pension liability/(net pension asset)		
	Current		
	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
December 31, 2015	\$ 2,911	\$ 55	\$ (2,309)
December 31, 2014	\$ 2,006	\$ (274)	\$ (2,236)

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Plan Fiduciary Net Position

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

Pension expense and deferred outflows of resources and deferred inflows of resources related to pension

For the year ended August 31, 2016, the BRA recognized expense of \$787. At August 31, 2016 the BRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22	\$ 1,100
Change in assumption	136	-
Net difference between projected and actual earnings on pension plan investments	1,758	-
BRA's contributions subsequent to the measurement date	690	-
Total	<u>\$ 2,606</u>	<u>\$ 1,100</u>

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

Year ended August 31:	
2017	\$ 267
2018	267
2019	267
2020	207
2021	(192)
Theareafter	-
Total	<u>\$ 816</u>

A total of \$690 was contributed subsequent to the measurement date of the net pension liability. The amount is recorded in deferred outflows of resources that will be recognized as a decrease in the net pension liability in the Fiscal Year ending August 31, 2017.

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

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

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

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

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

9. FINANCING ARRANGEMENTS

The BRA has entered 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.

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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, 2016
1997	50,000	2018	5.050	\$ 50,000

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, 2016
Jonah Water SUD	2007	\$ 3,170	2009-2028	4.0% to 4.5%	\$ 2,190
Jonah Water SUD	2008	\$ 2,630	2010-2029	3.0% to 5.0%	1,950
Jonah Water SUD	2012	\$ 5,090	2015-2032	3.0% to 5.0%	4,655
Total					\$ 8,795

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (in thousands)

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, 2016 and August 31, 2015 were \$24 and \$28, 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

The BRA has several construction contracts related to the capital improvement plan, approved by the Board of Directors. As of August 31, 2016 the BRA had approximately \$15,011 in open contract commitments, including change orders. The BRA has recorded construction in progress related to these contracts totaling \$34,575. The following identifies some of those projects and selected details regarding the commitments.

Name	Construction In Progress at August 31, 2016	Total Project Budgeted Cost	Estimated Project Comp. Date
System Permit Application	\$ 15,644	\$ 16,670	2018
Graham Flood Control *	5,191	6,840	2017
DeCordova Bend Dam Low Flow Facility	3,615	4,116	2017
PK Dam Improvement Projects	6,194	12,679	2017+
Lake Limestone Improvement Projects	1,076	32,111	2020+
Lake Granbury Improvement Projects	479	12,115	2017+
Allens Creek Reservoir	461	99,998	2024
Trinity Groundwater	1,557	20,817	2020
Other	358	-	various
Total	\$ 34,575		

* Subsequent to August 31, 2016, the President of the United States signed the Water Resources and Development Act of 2016, de-authorizing this project. The impact of this legislation will enable the BRA to transfer the asset to the City of Graham. It is expected the transfer will occur during FY 2017. When that transfer occurs, the BRA is expected to write off any additional cost related to the project, estimated to be \$1,300, and will write off the \$5,191 balance in the CIP account.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (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 has maintained a partially self-insured plan for medical and dental since 2002. The purpose of the partially self-insured plan was to reduce total medical cost for both employees and the BRA. Medical claims exceeding \$90 per covered individual were insured through a stop loss provider. The Plan experienced several years of significantly high medical claims, including a handful of catastrophic illnesses. In addition, the Patient Protection and Affordable Care Act (PPACA) has created a substantive administrative burden, while increasing expenses. As a result, the BRA has realized increased liabilities such as: claim expenses, administrative costs and stop loss premiums. For those reasons, beginning January 1, 2016 the BRA transitioned all employees to a fully-insured medical plan and signed a contract with Blue Cross Blue Shield.

The past three years of changes to the accrued liability for the self-insured account are as follows:

Fiscal Year Ended	Beginning Balance	Additions	Deletions	Ending Balance
August 31, 2014	\$ 531	\$ 3,524	\$ (3,611)	\$ 444
August 31, 2015	\$ 444	\$ 3,816	\$ (3,933)	\$ 327
August 30, 2016	\$ 327	\$ 2,782	\$ (3,015)	\$ 94

Liabilities are reported for claims incurred by participants but not reported to the Pool as of the BRA's year end. In the past three years, the BRA has had no settlements which exceeded insurance coverage. The Schedule of Insurance can be found on pages 112 and 113 of this report.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (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, 2016 are represented as follows:

Working Capital Reserve	\$ 8,071
Contingency Reserve Fund	5,000
Self Insurance Fund	500
Rate Stabilization Reserve Fund	<u>54,355</u>
Total	<u><u>\$ 67,926</u></u>

13. RESTATEMENT – CHANGE IN ACCOUNTING PRINCIPLE

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

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

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

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

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015 (in thousands)

14. RECENTLY ISSUED GASB STATEMENTS

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

In February 2015, the GASB issued Statement No 72, *Fair Value Measurement and Application*. The requirements of this Statement focus on disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. This Statement was adopted by the BRA beginning September 1, 2015.

In June 2015, the GASB issued Statement No 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement focus on improving financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. This Statement was adopted by the BRA beginning September 1, 2015.

Required Supplemental Information

RETIREMENT PLAN FOR EMPLOYEES OF BRAZOS RIVER AUTHORITY
(in thousands) (Unaudited)

SCHEDULE OF CHANGES IN THE NET PENSION (ASSET)/LIABILITY AND RELATED RATIOS

LAST 10 YEARS*

	2/29/2016	2/28/2015
Total pension liability		
Interest	\$ 1,894	\$ 1,765
Differences between expected and actual experience	225	638
Change of assumptions	-	1,259
Benefit payment, including refunds of member contributions	(1,713)	(1,656)
Net change in total pension liability	406	2,006
Total pension liability --beginning	29,976	27,970
Total pension liability --ending (a)	\$ 30,382	\$ 29,976
Plan fiduciary net position		
Employer contributions	\$ 826	\$ 682
Net investment income	(2,201)	1,226
Benefit payment, including refunds of member contributions	(1,713)	(1,656)
Administrative expenses	(81)	(79)
Net change in plan fiduciary net position	(3,169)	173
Plan fiduciary net position -- beginning	21,895	21,722
Plan fiduciary net position -- ending (b)	\$ 18,726	\$ 21,895
BRA's net pension liability -- (a) - (b)	\$ 11,656	\$ 8,081
Plan fiduciary net position as a percentage of the total pension liability	61.64%	73.04%
Covered - employee payroll	\$ 7,990	\$ 7,962
Net pension liability as a percentage of covered- employee payroll	145.88%	101.49%

* - Fiscal year 2015 was the 1st year of implementation of GASB 68, therefore, only two years are shown.

Notes to schedule:

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

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

**SCHEDULE OF CHANGES IN THE NET PENSION (ASSET)/LIABILITY
AND RELATED RATIOS**

LAST 10 YEARS*

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 1,682	\$ 1,615
Interest	1,511	1,296
Effect of plan changes	(326) ⁽¹⁾	-
Differences between expected and actual experience	(1,320)	32
Change of assumptions	164	-
Benefit payment, including refunds of member contributions	<u>(254)</u>	<u>(225)</u>
Net change in total pension liability	1,457	2,718
Total pension liability --beginning	<u>18,028</u>	<u>15,310</u>
Total pension liability --ending (a)	<u>\$ 19,485</u>	<u>\$ 18,028</u>
 Plan fiduciary net position		
Employer contributions	\$ 1,010	\$ 1,023
Member contributions	827	789
Net investment income	(418)	1,049
Benefit payment, including refunds of member contributions	(254)	(225)
Administrative expenses	(13)	(13)
Other	<u>(24)</u>	<u>6</u>
Net change in plan fiduciary net position	1,128	2,629
Plan fiduciary net position -- beginning	<u>18,302</u>	<u>15,673</u>
Plan fiduciary net position -- ending (b)	<u>\$ 19,430</u>	<u>\$ 18,302</u>
 BRA's net pension (asset) / Liability -- (a) - (b)	<u>\$ 55</u>	<u>\$ (274)</u>
 Plan fiduciary net position as a percentage of the total pension liability	99.72%	101.52%
 Covered - employee payroll	\$ 13,783	\$ 13,148
 Net pension (asset) / Liability as a percentage of covered- employee payroll	0.40%	-2.08%

* Fiscal year 2015 was the first year of implementation of GASB 68, therefore only two years are shown.

(1) Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018

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

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

Year Ended August 31	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution (b)	Contribution deficiency (excess) (b-a)	Covered- Employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$826,368	\$826,368	-	\$ 7,989,938	10.35%
2015	\$682,436	\$682,436	-	\$ 7,962,415	8.57%
2014	\$750,287	\$750,287	-	\$ 7,815,209	9.60%
2013	\$655,971	\$655,971	-	\$ 7,864,785	8.34%
2012	\$302,314	\$302,314	-	\$ 8,406,599	3.60%
2011	\$222,879	\$222,879	-	\$ 9,028,907	2.47%
2010	\$296,283	\$296,283	-	\$ 9,842,617	3.01%
2009	\$ 13,178	\$ 12,998	\$180	\$ 10,356,313	0.01%
2008	-	-	-	\$ 10,757,709	0.00%
2007	\$871,115	\$871,115	-	\$ 11,666,534	7.47%

Note to Schedule:

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

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

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

Year Ended August 31	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution (b)	Contribution deficiency (excess) (b-a)	Covered- Employee payroll	Contributions as a percentage of covered- employee payroll
2015	\$1,010,305	\$1,010,305	-	\$13,783,157	7.30%
2014	\$1,022,947	\$1,022,947	-	\$ 13,148,400	7.80%
2013	\$1,014,228	\$1,014,228	-	\$ 12,920,118	7.80%
2012	\$1,020,748	\$1,020,748	-	\$ 12,986,617	7.90%
2011	\$1,046,654	\$1,046,654	-	\$ 13,232,021	7.90%
2010	\$1,005,390	\$1,005,390	-	\$ 13,211,432	7.60%
2009	\$1,082,689	\$1,082,689	-	\$ 13,584,549	8.00%
2008	\$1,045,708	\$1,045,708	-	\$ 12,925,935	8.10%
2007	\$ 263,882	\$263,882	-	\$ 13,047,304	2.00%

Note to Schedule:

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

BRAZOS RIVER AUTHORITY

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)**

Notes to Schedule of Employer Contributions and Net Pension Liability

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

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

Additional information as of the two most recent actuarial valuation dates as of March 1, 2016 and 2015 are as follows:

	2016	2015
Actuarial cost method	Entry age method	Unit credit method
Amortization method	closed 20 year period	closed 20 year period
Payroll growth rate for amortization	N/A	N/A
Remaining amortization period	N/A	N/A
Asset valuation method (Market value)	gains and losses smoothed over a 5 year period	gains and losses smoothed over a 5 year period
Actuarial Assumptions:		
Investment rate of return	6.5%*	6.5%*
Projected salary increase	N/A**	N/A**
Cost-of-living adjustments	N/A**	N/A**

* Includes inflation at

3.5%

3.5%

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

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

BRAZOS RIVER AUTHORITY

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)**

Notes to Schedule of Employer Contributions and Net Pension Liability

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

Actuarial Methods and Assumptions Used

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

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains and losses	Straight-line amortization over expected working life
Recognition of assumption changes or inputs	Straight-line amortization over expected working life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3%
Salary Increases	3.5% (made up of 3% inflation and .05% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
Investment Rate of Return	8.1% (2)
Cost-of-Living Adjustments	Cost-of-living adjustments for BRA are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments are included in the GASB calculations. No assumption for future cost-of-living adjustments are included in the funding valuation.

Note to schedule:

- (1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.
- (2) Return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

BRAZOS RIVER AUTHORITY

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)**

Notes to Schedule of Employer Contributions and Net Pension Liability

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

Demographic Assumptions

**Retirement age
Annual Rates of Service Retirement ***

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

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

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

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

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

Probability of Withdrawal

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

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

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Supplemental Information

**BRAZOS RIVER AUTHORITY
SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (AGENCY FUNDS)
YEAR ENDED AUGUST 31, 2016 (in thousands)**

	Balance August 31, 2015	Additions	Deletions	Balance August 31, 2016
<u>Jonah Water SUD Agency Fund</u>				
ASSETS				
Cash	\$ 70	\$ 830	\$ (834)	\$ 66
Investments	835	7	(6)	836
Accrued interest	1	6	(6)	1
TOTAL ASSETS	<u><u>\$ 906</u></u>	<u><u>\$ 843</u></u>	<u><u>\$ (846)</u></u>	<u><u>\$ 903</u></u>
LIABILITIES				
Held for future debt service	<u>\$ 906</u>	<u>\$ 843</u>	<u>\$ (846)</u>	<u>\$ 903</u>
TOTAL LIABILITIES	<u><u>\$ 906</u></u>	<u><u>\$ 843</u></u>	<u><u>\$ (846)</u></u>	<u><u>\$ 903</u></u>

**BRAZOS RIVER AUTHORITY
SUPPLEMENTAL INFORMATION
COMPARISON OF BUDGETED REVENUES AND EXPENSES TO ACTUAL
YEAR ENDED AUGUST 31, 2016 (in thousands)**

	2016 Budget	2016 Actual	Variance	
OPERATING REVENUES:				
Water Supply System:				
Raw water sales	\$ 32,965	\$ 35,209	\$ 2,244	1
Treated water	2,113	2,388	275	
Wastewater treatment	2,122	2,108	(14)	
Lake operations	453	663	210	
Grants	457	644	187	
Other	575	997	422	
Cost Reimbursable Operations:				
Water conveyance	3,972	2,394	(1,578)	2
Water treatment	1,320	1,232	(88)	
Wastewater treatment	11,062	8,982	(2,080)	3
TOTAL OPERATING REVENUES	55,039	54,617	(422)	
OPERATING EXPENSES:				
Personnel services	21,228	19,881	1,347	4
Materials and supplies	2,708	2,130	578	
Utilities	4,971	2,606	2,365	5
Depreciation and amortization	-	8,279	(8,279)	6
Outside services	5,282	4,610	672	
Repair and maintenance	3,196	2,207	989	
Land fill & sludge hauling	2,754	2,561	193	
Purchased water	2,735	2,423	312	
Other	3,301	2,100	1,201	7
TOTAL OPERATING EXPENSES	46,175	46,797	(622)	
NON-OPERATING REVENUES (EXPENSES):				
Investment income	428	660	232	
Interest expense	(4,168)	(4,167)	1	
Other expenses	-	(371)	(371)	
Gain on sale of capital assets	-	10,272	10,272	8
Capital contributions	-	415	415	
Debt service - principal	(3,639)	-	3,639	9
TOTAL NET NON-OPERATING REVENUES/ (EXPENSES)	(7,379)	6,809	14,188	
CHANGE IN NET ASSETS	\$ 1,485	\$ 14,629	\$ 13,144	

- 1 Higher than expected interruptible water sales
- 2 No water was transported through the WCRRWL
- 3 Cost savings across most wastewater treatment facilities
- 4 Normal attrition in the replacement of personnel
- 5 Less electricity used due to not transporting any water through the WCRRWL
- 6 Depreciation and amortization are not budgeted expenditures
- 7 Budget column includes items subsequently reclassified to an asset for the preparation of the CAFR
- 8 Sales of capital assets are not budgeted expenditures
- 9 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.	92 - 94
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.	95 - 99
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.	100 - 103
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.	104 - 110
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.	111 - 114

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			
	2016	2015	2014	Restated 2013
OPERATING REVENUES:				
Water Supply System:				
Raw water	\$ 35,209	\$ 34,133	\$ 31,420	\$ 31,915
Treated water	2,388	2,208	1,790	1,588
Wastewater treatment	2,108	1,992	2,095	3,585
Lake operations	663	1,025	934	1,638
Hydroelectric	-	-	-	-
Grants	644	1,419	988	800
Other	997	1,011	930	867
Cost Reimbursable Operations:				
Water conveyance	2,394	3,230	3,453	3,557
Water treatment	1,232	1,225	1,102	994
Wastewater treatment	8,982	8,685	8,316	7,892
TOTAL OPERATING REVENUES	54,617	54,928	51,028	52,836
OPERATING EXPENSES:				
Personnel services	19,881	18,675	17,693	15,540
Materials and supplies	2,130	2,168	2,101	2,206
Utilities	2,606	3,814	4,329	3,792
Depreciation and amortization	8,279	7,244	7,274	9,297
Outside services	4,610	4,697	4,572	4,578
Repair and maintenance	2,207	2,281	2,260	2,638
Landfill and sludge hauling	2,561	2,280	2,236	2,355
Purchased water	2,423	2,610	2,360	2,361
Other	2,100	1,239	1,028	1,123
TOTAL OPERATING EXPENSES	46,797	45,008	43,853	43,890
OPERATING INCOME	7,820	9,920	7,175	8,946
NON-OPERATING REVENUES (EXPENSES):				
Investment income	660	493	470	592
Interest expense	(4,167)	(4,367)	(4,283)	(4,183)
Other income (a)	-	-	-	-
Other expenses	(371)	(268)	(107)	(1,165)
Gain/(Loss) on sale of capital assets (b),(c),(d),(e)	10,272	820	(1,466)	(547)
TOTAL NET NON-OPERATING REVENUES (EXPENSES)	6,394	(3,322)	(5,386)	(5,303)
INCOME (LOSS) BEFORE CONTRIBUTIONS & SPECIAL ITEMS:	14,214	6,598	1,789	3,643
CAPITAL CONTRIBUTIONS	415	874	479	892
SPECIAL ITEMS (f)	-	-	-	-
CHANGE IN NET POSITION	\$ 14,629	\$ 7,472	\$ 2,268	\$ 4,535

a Proceeds from litigation settlement of capital assets

b During Fiscal Year 2011, the BRA sold most residential and selected commercial leases at PK Lake to Patterson PK Land Partnership, Ltd.

c During Fiscal Year 2012, the customer cities of SWATS and the BRA entered into negotiations for early termination of their contract. Negotiations were 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.

d Proceeds from litigation settlement of capital assets

e During Fiscal Year 2016, BRA sold the West Central Brazos Water Distribution System to the West Central Texas Municipal Water District. In addition, the BRA sold the remaining PK residential and commercial leased properties held in the FERC project area.

f Central office mold remediation expenses

	Restated 2012	2011	2010	Restated 2009	2008	2007
\$	32,795	\$ 33,672	\$ 28,640	\$ 29,529	\$ 26,093	\$ 23,010
	2,019	1,623	1,571	1,232	1,022	1,062
	3,424	3,335	3,285	3,012	2,989	2,572
	1,739	2,095	4,492	3,243	3,181	3,121
	-	-	-	514	631	603
	902	778	1,552	1,578	1,264	1,101
	1,149	1,103	927	1,466	1,356	1,229
	3,826	3,037	1,853	3,235	2,346	2,247
	7,052	8,938	8,221	8,953	8,174	7,880
	7,631	7,860	8,045	7,733	7,827	7,321
	<u>60,537</u>	<u>62,441</u>	<u>58,586</u>	<u>60,495</u>	<u>54,883</u>	<u>50,146</u>
	16,054	15,740	16,615	16,355	15,271	14,744
	2,598	2,990	2,769	3,011	2,613	2,501
	4,267	4,981	4,506	5,121	4,836	4,545
	8,745	9,376	9,789	9,905	8,804	9,819
	3,426	4,372	5,422	4,525	4,993	4,959
	3,175	2,655	2,122	2,035	1,896	1,882
	3,251	2,529	2,289	2,140	2,355	2,030
	2,360	2,291	2,156	2,094	1,969	1,911
	1,132	1,088	1,012	1,048	805	832
	<u>45,008</u>	<u>46,022</u>	<u>46,680</u>	<u>46,234</u>	<u>43,542</u>	<u>43,223</u>
	<u>15,529</u>	<u>16,419</u>	<u>11,906</u>	<u>14,261</u>	<u>11,341</u>	<u>6,923</u>
	1,074	1,223	891	1,329	2,187	2,832
	(5,801)	(7,166)	(7,341)	(7,419)	(5,848)	(5,928)
	-	-	-	-	4,125	-
	(2,286)	(147)	(735)	(303)	(292)	(765)
	<u>(11,117)</u>	<u>48,865</u>	<u>38</u>	<u>(107)</u>	<u>(391)</u>	<u>33</u>
	<u>(18,130)</u>	<u>42,775</u>	<u>(7,147)</u>	<u>(6,500)</u>	<u>(219)</u>	<u>(3,828)</u>
	(2,601)	59,194	4,759	7,761	11,122	3,095
	1	636	1,203	1,035	661	1,933
	<u>(2,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>(5,000)</u>	<u>\$ 59,830</u>	<u>\$ 5,962</u>	<u>\$ 8,796</u>	<u>\$ 11,783</u>	<u>\$ 5,028</u>

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
8/31/2007	\$ 98,880	\$ 22,634	\$ 36,907	\$ 158,421
8/31/2008	\$ 111,857	\$ 13,774	\$ 44,572	\$ 170,203
8/31/2009	\$ 135,152	\$ 6,149	\$ 37,698	\$ 178,999
8/31/2010	\$ 135,931	\$ 5,641	\$ 43,389	\$ 184,961
8/31/2011	\$ 143,435	\$ 9,393	\$ 90,359	\$ 243,187
8/31/2012	\$ 173,492	\$ 6,490	\$ 58,205	\$ 238,187
8/31/2013	\$ 180,670	\$ 9,627	\$ 52,425	\$ 242,722
8/31/2014	\$ 187,305	\$ 8,800	\$ 43,730	\$ 239,835
8/31/2015	\$ 187,640	\$ 8,684	\$ 50,983	\$ 247,307
8/31/2016	\$ 189,894	\$ 8,697	\$ 63,345	\$ 261,936

- During Fiscal Year 2008, the BRA spent the majority of the bond proceeds and completed the expansion project at its East Williamson County Regional Water System.
- During Fiscal Year 2009, the BRA issued \$22,000 in new debt for the construction of the deep water intake structure on Granger Lake.
- During Fiscal Year 2011, the BRA sold most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Land Partnership, Ltd.
- During Fiscal Year 2012, the BRA disposed of all assets and liabilities related to the SWATS operation as a result of the transfer agreement with the contracting parties of the SWATS operation. In addition, during the Fiscal Year 2012, the BRA redeemed the Series 2002 Water Supply bonds, the Series 2005A Water Supply bonds, and the Contracts Payable for the Aquilla Reservoir storage space.
- During Fiscal Year 2014, the BRA disposed of all assets related to the Temple Belton Wastewater Treatment Plant operation as a result of the transfer agreement with the contracting parties. In addition, during the Fiscal Year 2014 the BRA redeemed the Series 2005B Water Supply bonds.
- During Fiscal Year 2015, the BRA implemented GASB 68. The Statement 68 requires entities to restate prior periods for all periods reported, when practical, and if not practical, the entity should report the cumulative effect of applying this Statement, if any, as a restatement of beginning net position for the earliest period restated. The BRA has elected the latter and as a result reduced the unrestricted portion of total net position by \$5,155 for Fiscal Year 2014.
- During Fiscal Year 2016 the BRA sold the remaining residential and commercial leased properties held in the FERC project area. The successful sale and disposition of the legislatively mandated properties was completed in March 2016 resulting in additional revenue of \$10,179 from the sale. In addition to the sale of leased properties, the BRA sold the West Central Brazos Water Distribution System to the West Central Texas Municipal Water District for \$1,200, in January of 2016

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

Year	System Rate			Agriculture			Two-Tier			Other Fixed			Colorado Basin Water			Utilities			Total	
	Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	
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	a	33,583	17.52		21,528	67.73		205,447	18.18		617,867	
2009	289,414	57.00		9,990	39.75		100,238	16.51		33,583	17.71		25,000	72.86		205,447	16.10		663,672	
2010	294,741	60.50		10,190	42.35		100,238	16.54		33,633	17.87		21,528	74.19		205,447	16.42		665,777	
2011	296,773	62.50		10,190	43.75		100,238	16.54		33,633	18.14		25,000	83.07		205,447	16.10		671,281	
2012	296,891	62.50		10,160	43.75		100,238	16.72		33,583	18.30		21,528	81.49		205,447	15.46		667,847	
2013	296,546	62.50		10,160	43.75		100,238	16.72		33,878	18.36		21,528	81.19		205,447	18.36		667,797	
2014	294,506	65.65		10,160	45.95		100,238	17.04		33,878	18.47		25,000	83.02		205,447	12.30		669,229	
2015	294,546	69.50		10,285	48.65		100,238	17.14		33,778	18.66		25,000	88.44		205,447	11.04		669,294	
2016	320,785	70.50		10,285	49.35		98,999	17.32		33,778	18.87		25,000	88.61		180,447	b		669,294	

Source: Brazos River Authority Annual Operating Plan.

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

b - Twenty five thousand acre feet, consisting of an Utility 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 2016			Fiscal Year 2015		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
City of Round Rock	\$ 9,303	16.94	City of Round Rock	\$ 9,014	16.41
City of Georgetown	5,333	9.71	City of Georgetown	5,138	9.35
Gulf Coast Water Authority	4,929	8.97	Gulf Coast Water Authority	3,581	6.52
NRG Texas Power, LLC.**	3,375	6.14	City of Temple	2,474	4.50
City of Temple	3,114	5.67	City of Sugar Land	2,440	4.44
Dow Chemical Company	2,845	5.18	Dow Chemical Company	1,994	3.63
City of Sugar Land	2,529	4.60	Bell County Water C.I.D. #1	1,937	3.53
Luminant (TXU/Oakgrove)	2,216	4.03	City of Taylor	1,599	2.91
Bell County Water C.I.D. #1	1,981	3.61	TXU Electric / Oakgrove	1,583	2.88
Jonah Water S.U.D.	1,612	2.94	NRG Texas Power, LLC.**	1,542	2.81
	<u>\$ 37,237</u>	<u>67.79</u>		<u>\$ 31,302</u>	<u>56.98</u>
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, LLC. **	2,595	5.09	NRG Texas Power, LLC. **	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, LLC. **	2,593	4.28	NRG Texas Power, LLC. **	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		
Customer	Revenues	% of Total Operating Revenues
Johnson County S.U.D.*	\$ 6,551	11.18
City of Round Rock	6,357	10.85
City of Georgetown	4,472	7.63
Lower Colorado River Authority	3,414 (2)	5.83
NRG Texas Power, LLC.**	2,629	4.49
City of Temple	2,579	4.40
Gulf Coast Water Authority	2,513	4.29
Bell County W.C.I.D. #1	1,782	3.04
City of Sugar Land	1,743	2.98
TXU Electric / Oakgrove	1,545	2.64
	<u>\$ 33,585</u>	<u>57.33</u>

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

Fiscal Year 2008		
Customer	Revenues	% of Total Operating Revenues
Johnson County S.U.D.*	\$ 6,845	12.47
Lower Colorado River Authority	5,791	10.55
City of Georgetown	4,100	7.47
City of Round Rock	3,750	6.83
NRG Texas Power, LLC.**	2,466	4.49
Acton Municipal Utility District	2,049	3.73
City of Temple	2,013	3.67
Gulf Coast Water Authority	1,806	3.29
Bell County W.C.I.D. #1	1,692	3.08
City of Sugar Land	1,622	2.96
	<u>\$ 32,134</u>	<u>58.54</u>

Fiscal Year 2007		
Customer	Revenues	% of Total Operating Revenues
Johnson County S.U.D.*	\$ 6,580	13.12
Lower Colorado River Authority	5,335	10.64
City of Round Rock	3,884	7.74
City of Georgetown	3,597	7.17
City of Temple	2,550	5.09
NRG Texas Power, LLC.**	2,148	4.28
Bell County W.C.I.D. #1	1,646	3.28
City of Sugar Land	1,579	3.15
City of Granbury	1,397	2.79
Gulf Coast Water Authority	1,077	2.15
	<u>\$ 29,793</u>	<u>59.41</u>

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

**NRG Texas, LLC 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 2016		
Customer	Revenues	% of Total WSS Revenues
Gulf Coast Water Authority	\$ 4,929	11.92
City of Round Rock	3,431	8.30
NRG Texas Power LLC *	3,375	8.16
City of Georgetown	3,222	7.79
Dow Chemical Company	2,845	6.88
City of Sugar Land	2,529	6.11
Bell County Water C.I.D. #1	2,216	5.36
Luminant (TXU/Oakgrove)	1,981	4.79
City of Taylor	1,599	3.87
City of Cleburne	1,058	2.56
	\$ 27,185	65.74

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

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			Fiscal Year 2009		
Customer	Revenues	% of Total WSS Revenues	Customer	Revenues	% of Total WSS Revenues
City of Georgetown	\$ 3,489	8.62	City of Georgetown	\$ 3,276	8.06
City of Round Rock	3,062	7.57	Gulf Coast Water Authority	3,266	8.04
NRG Texas Power, LLC*	2,629	6.50	City of Round Rock	2,975	7.32
Gulf Coast Water Authority	2,513	6.21	NRG Texas Power, LLC*	2,525	6.22
Bell County W.C.I.D. #1	1,782	4.40	City of Sugar Land	1,846	4.54
City of Sugar Land	1,743	4.31	Dow Chemical Company	1,810	4.46
TXU Electric / Oakgrove	1,545	3.82	Bell County W.C.I.D. #1	1,727	4.25
City of Taylor	1,262	3.12	TXU Electric Company	1,404	3.46
Texas Water Development Board	1,028	2.54	Brazos Electric Power Cooperative	1,075	2.65
City of Cleburne	908	2.24	City of Taylor	1,010	2.49
	<u>\$ 19,961</u>	<u>49.33</u>		<u>\$ 20,914</u> (1)	<u>51.49</u>

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
	<u>\$ 15,118</u>	<u>41.38</u>		<u>\$ 15,047</u>	<u>46.03</u>

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

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

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

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

Fiscal Year Ended August 31	Series 2015		Series 2009		Outstanding Bonds		Total Debt Service Requirements	% Of Principal Retired
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		
2017	610	523	1,075	325	1,685	848	2,533	
2018	640	499	1,085	315	1,725	814	2,539	
2019	665	472	1,100	301	1,765	773	2,538	
2020	690	445	1,115	285	1,805	730	2,535	
2021	720	417	1,135	264	1,855	681	2,536	27.70
2022	750	387	1,160	241	1,910	628	2,538	
2023	780	357	1,185	215	1,965	572	2,537	
2024	810	325	1,215	187	2,025	512	2,537	
2025	835	301	1,245	157	2,080	458	2,538	
2026	855	283	1,275	125	2,130	408	2,538	59.40
2027	875	260	1,310	92	2,185	352	2,537	
2028	900	233	1,345	56	2,245	289	2,534	
2029	930	206	1,380	19	2,310	225	2,535	
2030	960	177	-	-	960	177	1,137	
2031	985	148	-	-	985	148	1,133	86.63
2032	1,015	118	-	-	1,015	118	1,133	
2033	1,050	87	-	-	1,050	87	1,137	
2034	1,080	53	-	-	1,080	53	1,133	
2035	1,120	18	-	-	1,120	18	1,138	100.00
Total	\$ 16,270	\$ 5,309	\$ 15,625	\$ 2,584	\$ 31,895	\$ 7,893	\$ 39,789	

Source: Combined Bond Resolutions

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

**BRAZOS RIVER AUTHORITY
WATER SUPPLY REVENUE BONDS
SERIES SERIES 2009 AND SERIES 2015
COVERAGE AND ACCOUNT BALANCES
AUGUST 31, 2016 (unaudited) (in thousands)**

Average Annual Principal and Interest Requirements, 2017 - 2035	\$ 2,094
Coverage of Average Requirements by August 31, 2016 Net Revenues*	5.46
Maximum Principal and Interest Requirements, 2019	\$ 2,538
Coverage of Maximum Requirements by August 31, 2015 Net Revenues*	4.50
System Revenue Bonds Outstanding, August 31, 2016	\$ 31,895
Interest and Sinking Account Balance, August 31, 2016	\$ 843 ¹
Reserve Account Balance, August 31, 2016 (Series 2009)	\$ 1,409 ²

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

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

² At August 31, 2016 all reserve account balances met all coverage requirements.

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

BRAZOS RIVER AUTHORITY
WATER SUPPLY SYSTEM
CONDENSED SUMMARY OF OPERATING RESULTS
(CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS)
AUGUST 31, 2016 (unaudited) (in thousands)

	Fiscal Year Ended August 31				
	2016	2015	2014	2013	2012
Gross Revenues:					
Raw water	\$ 35,209	\$ 31,584	\$ 30,460	\$ 30,955	\$ 31,835
Treated water	2,388	2,208	1,790	1,588	2,019
Wastewater treatment	2,108	1,992	2,095	3,585	3,424
Lease income	663	1,024	934	1,638	1,739
Other	560	580	574	518	831
Interest	644	485	457	573	1,032
Grants	644	1,419	988	800	902
Less: Existing debt service (1)	-	-	-	-	(1,042)
TOTAL GROSS REVENUES	\$ 42,216	\$ 39,292	\$ 37,298	\$ 39,657	\$ 40,740
Operation & Maintenance Expenses:					
Personnel services	\$ 15,889	\$ 14,990	\$ 13,825	\$ 12,969	\$ 12,676
Materials, supplies & services	1,310	1,377	1,275	1,417	1,427
Utilities	854	1,011	1,043	922	877
Outside services	3,732	3,901	2,973	3,937	2,798
Repair and maintenance	1,211	1,230	1,228	1,617	1,572
Landfill and sludge hauling	355	361	361	717	986
Purchased water	2,225	2,261	2,258	2,361	2,360
Other	1,624	1,634	3,348	1,636	415
Other non-operating	26	216	44	32	55
Program and project expenditures	919	299	48	232	730
Other debt service (2)	2,638	2,834	2,232	2,232	2,650
TOTAL OPERATION & MAINTENANCE	\$ 30,783	\$ 30,114	\$ 28,635	\$ 28,072	\$ 26,546
NET REVENUES AVAILABLE TO PAY DEBT SERVICE	\$ 11,433	\$ 9,178	\$ 8,663	\$ 11,585	\$ 14,194
DEBT SERVICE WATER SUPPLY SYSTEM BONDS	\$ 2,540	\$ 2,603	\$ 2,974	\$ 2,974	\$ 4,522
COVERAGE PERCENTAGE	4.50	3.53	2.91	3.90	3.14

(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
SCHEDULE OF DEBT BY TYPE (in thousands)
LAST TEN FISCAL YEARS (unaudited)

Fiscal Year	Water Supply		Contract Revenue Bonds (1)	US Army Corps of Engineers		Conduit Debt								
	Revenue	Bonds		Contracts Payable	Contracting Parties	Pollution Control								
2007	\$	67,115	\$	67,317	\$	38,260	\$	4,500	\$	2,227,195				
2008	\$	65,415	\$	64,329	\$	37,200	\$	6,720	a	\$	2,227,195			
2009	\$	85,235	b	\$	61,247	\$	36,097	\$	6,530	\$	2,227,195			
2010	\$	82,615	\$	58,032	\$	34,951	\$	5,500	\$	2,227,195				
2011	\$	73,735	c	\$	60,503	d	\$	33,766	\$	5,295	\$	2,227,195		
2012	\$	52,985	e	\$	33,424	f	\$	23,724	g	\$	10,170	h	\$	2,193,725
2013	\$	51,550	\$	33,015	\$	28,047	\$	9,950	\$	2,101,780				
2014	\$	41,565	i	\$	32,664	\$	26,901	\$	9,720	\$	1,974,395			
2015	\$	39,555	\$	32,300	\$	24,998	\$	9,265	\$	1,974,395				
2016	\$	37,895	\$	31,932	\$	23,819	\$	8,795	\$	50,000	j			

a During FY 2008 the Conduit Debt increased as a result of the issuance of the Brazos River Authority Contract Revenue Bonds, Series 2008 (Jonah Water Special Utility District water supply project) used for the third phase of the Granger Lake transmission main project.

b During FY 2009 the Water Supply Revenue Bonds increased as a result of the issuance of the Brazos River Authority Revenue Bonds, Series 2009, in the amount of \$22,000, used for the construction of a new deep water intake structure, raw water pump station and transmission pipeline at Granger Lake.

c During FY 2011 the BRA defeased the Water Supply System Revenue Refunding & Improvement Bonds, Series 2001A (AMT), in the amount of \$5,245, and the Water Supply System Revenue Refunding bonds, Series 2001B, in the amount of \$430.

d During FY 2011 the BRA issued the Brazos River Authority Contract Revenue and Refunding Bonds, Series 2011. Proceeds from the sale of the Bonds were used, along with other funds, to (i) add additional pumps to the Project intake structure, (ii) pay the costs of engineering and design, (iii) refund the current interest bonds of the Authority's outstanding Contract Revenue Bonds, Series 2000 in order to restructure such indebtedness while providing a net present savings and (iv) pay issuance costs on the Bonds.

e During 2012 the BRA defeased the Water Supply System Revenue Bonds, Series 2002 (AMT), in the amount of \$6,710 and the Water Supply System Revenue Bonds, Series 2005A (AMT), in the amount of \$11,605.

f 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. This resulted in \$25,980 of Contract Revenue Bonds to be called and refinanced by the contracting parties.

g During 2012 the BRA defeased the USACE Aquilla Reservoir Contracts Payable debt in the amount of \$8,956.

h During FY 2012 the Conduit Debt increased as a result of the issuance of the Brazos River Authority Contract Revenue Bonds, Series 2012 (Jonah Water Special Utility District water supply project) used for the continuation of construction for Phase 2 of the Circleville Pump Station.

i During FY 2014 the BRA defeased the Water Supply System Revenue Bonds, Series 2005B, in the amount of \$8,925.

j With the reorganization of Texas Complective Electric Holdings Company LLC and their subsequent settlement with creditors, the company came out of bankruptcy during 2016 resulting in the BRA removing \$1,365,695 of pollution control bonds from the Financing Arrangement section of the CAFR.

Certain CenterPoint pollution control bonds were also redeemed, resulting in the BRA removing \$558,700 of pollution control bonds from the Financing Arrangement section of the CAFR.

(1) Contract Revenue Bonds are payable from revenue derived from various contracts between the BRA and the parties securing payment to the BRA for debt service payments on the bonds. Debt coverage is 100% for these bonds. Each customer is billed monthly for 1/12th of the total debt service for the fiscal year. Each contract revenue bond is insured or credit rated based on the financial strength of the contracting parties.

**BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2016 (unaudited)**

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

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

Brazos River

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

Average annual rainfall in the Basin ranges from:

West - 16 inches
Southeast - 47 inches

Number of employees: 248 Full-time, 20 Part-time (per FY 2016 Annual Operating Plan)

Offices:

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

**BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2016 (unaudited)**

Brazos River Authority Operating Statistics: (water/wastewater treated in thousands of gallons)		
	Years Ended August 31	
	2016	2015
Temple Belton Wastewater Treatment Plant	3,081,500	2,566,580
Sugar Land Regional Sewerage System	2,935,976	3,090,333
Brushy Creek Regional Wastewater System	6,316,423	5,300,516
Hutto Wastewater System	479,126	455,709
Clute/Richwood Regional Sewerage System	870,510	1,078,750
Sandy Creek Regional Water Treatment Plant	1,219,232	1,547,200
East Williamson County Water Treatment System	1,173,639	1,020,873
Doshier Farm Wastewater Treatment Plant *	1,172,350	827,190

* BRA started operating this facility in October 2014

Brazos River Authority Dams and Reservoirs:	
Possum Kingdom	(TWDB Survey January 2005)
Capacity - 540,340 acre-feet Surface Area - 16,716 acres Elevation - 1,000.0 ft-msl Permitted Yield - 230,750 acre-feet	
Limestone	(TWDB Survey April 2012)
Capacity - 203,780 acre-feet Surface Area - 12,486 acres Elevation - 363.0 ft-msl Permitted Yield - 65,074 acre-feet	
Granbury	(TWDB Survey July 2003)
Capacity - 136,326 acre-feet Surface Area - 8,282 acres Elevation - 693.0 ft-msl Permitted Yield - 64,712 acre-feet	

**BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2016 (unaudited)**

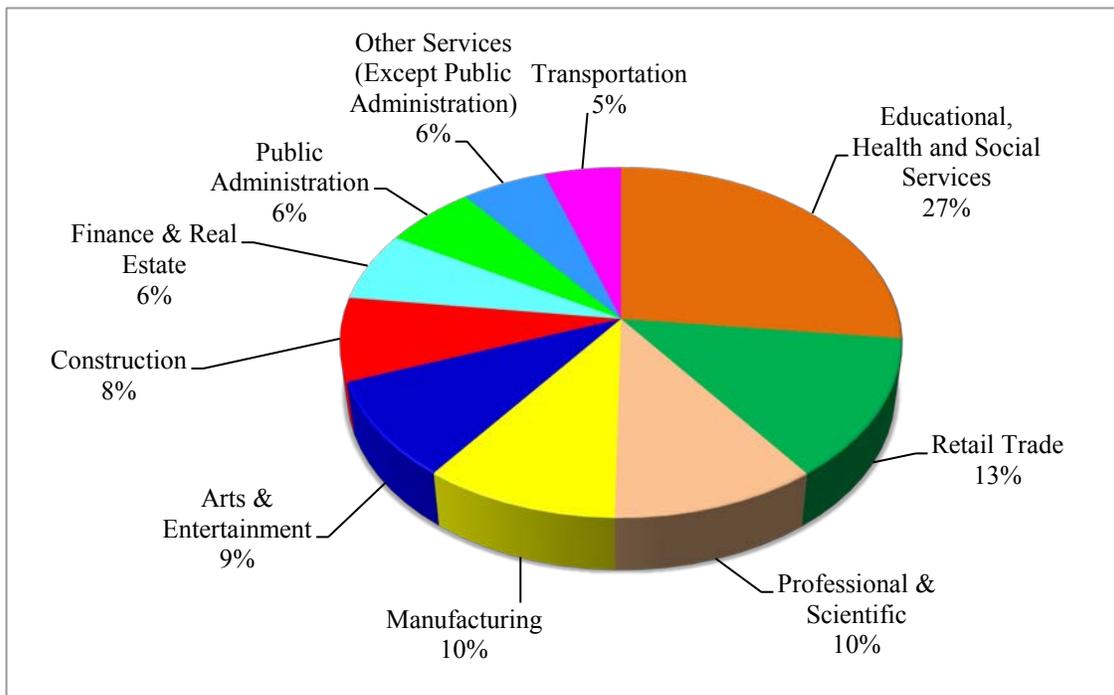
U. S. Army Corps of Engineers Dams and Reservoirs		
Aquilla	Conservation Pool	Flood Control Pool
Capacity	43,293 acre-feet	135,636 acre-feet
Surface Area	3,085 acres	6,999 acres
Elevation	537.5 ft-msl	556.0 ft-msl
Permitted Yield - 13,896 acre-feet		TWDB Survey March 2014
Belton	Conservation Pool	Flood Control Pool
Capacity	435,225 acre-feet	644,213 acre-feet
Surface Area	12,135 acres	23,605 acres
Elevation	594.0 ft-msl	631.0 ft-msl
Permitted Yield - 100,257 acre-feet		TWDB Survey May 2003
Granger	Conservation Pool	Flood Control Pool
Capacity	51,882 acre-feet	230,481 acre-feet
Surface Area	4,159 acres	11,040 acres
Elevation	504.0 ft-msl	528.0 ft-msl
Permitted Yield - 19,840 acre-feet		TWDB Survey August 2013
Georgetown	Conservation Pool	Flood Control Pool
Capacity	36,904 acre-feet	93,725 acre-feet
Surface Area	1,287 acres	3,220 acres
Elevation	791.0 ft-msl	834.0 ft-msl
Permitted Yield - 13,610 acre-feet		TWDB Survey May 2005
Proctor	Conservation Pool	Flood Control Pool
Capacity	54,762 acre-feet	315,465 acre-feet
Surface Area	4,615 acres	14,010 acres
Elevation	1,162.0 ft-msl	1,197.0 ft-msl
Permitted Yield - 19,658 acre-feet		TWDB Survey February 2012
Somerville	Conservation Pool	Flood Control Pool
Capacity	150,293 acre-feet	344,211 acre-feet
Surface Area	11,395 acres	24,400 acres
Elevation	238.0 ft-msl	258.0 ft-msl
Permitted Yield - 48,000 acre-feet		TWDB Survey April 2012
Stillhouse Hollow	Conservation Pool	Flood Control Pool
Capacity	227,825 acre-feet	394,664 acre-feet
Surface Area	6,484 acres	11,830 acres
Elevation	622.0 ft-msl	666.0 ft-msl
Permitted Yield - 67,768 acre-feet		TWDB Survey May 2005
Waco	Conservation Pool	Flood Control Pool
Capacity	189,773 acre-feet	518,895 acre-feet
Surface Area	8,190 acres	19,440 acres
Elevation	462.0 ft-msl	500.0 ft-msl
Permitted Yield - 104,100 acre-feet		TWDB Survey May 2011
Whitney	Conservation Pool	Flood Control Pool
Capacity	554,203 acre-feet	1,372,470 acre-feet
Surface Area	23,220 acres	49,820 acres
Elevation	533.0 ft-msl	571.0 ft-msl
Permitted Yield - 18,336 acre-feet		TWDB Survey June 2005

Source: Brazos River Authority Water Services Department

**BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2016 (unaudited)**

**Brazos Basin Geographic Area
Ten Largest Industries**

Industry	Number of Entities in Category
Educational, Health and Social Services	369,150
Retail Trade	179,985
Professional & Scientific	144,514
Manufacturing	137,099
Arts & Entertainment	124,963
Construction	105,877
Finance & Real Estate	88,060
Public Administration	82,495
Other Services (Except Public Administration)	77,084
Transportation	69,499

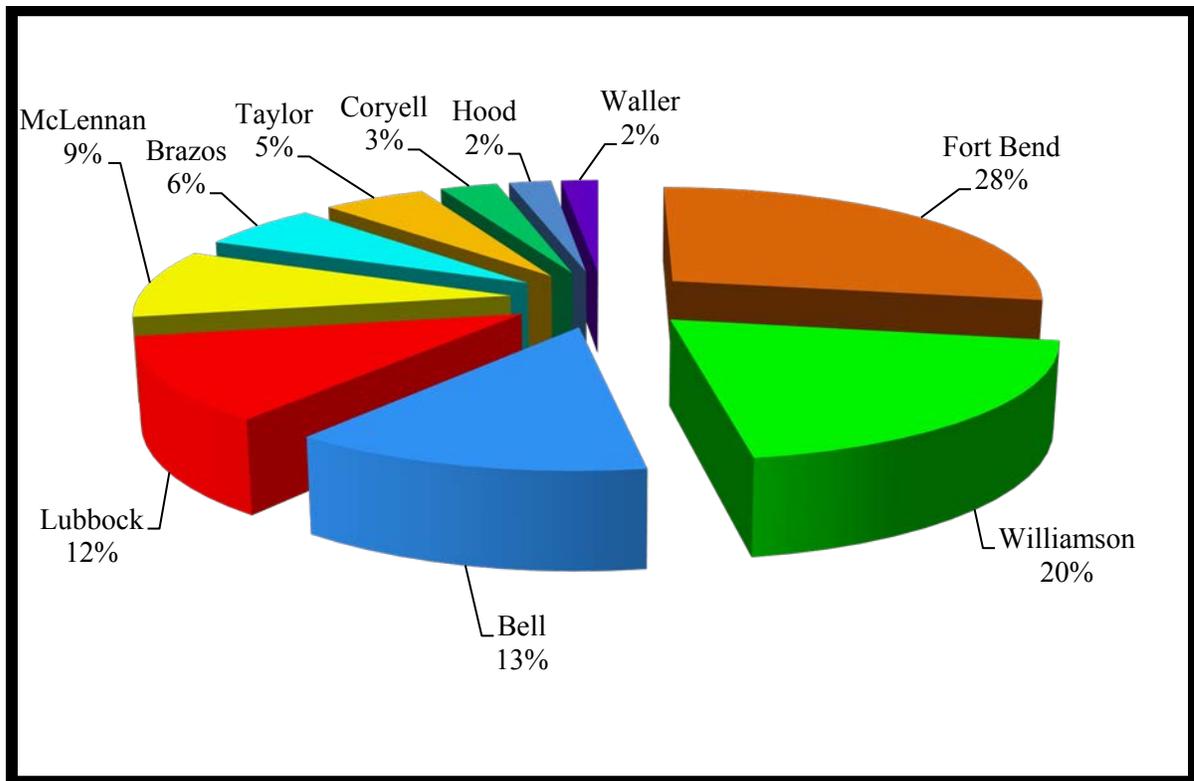


Source: U.S. Census Bureau, 2010-2014 5-year American Community Survey

**BRAZOS RIVER AUTHORITY
 MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
 AUGUST 31, 2016 (unaudited)**

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

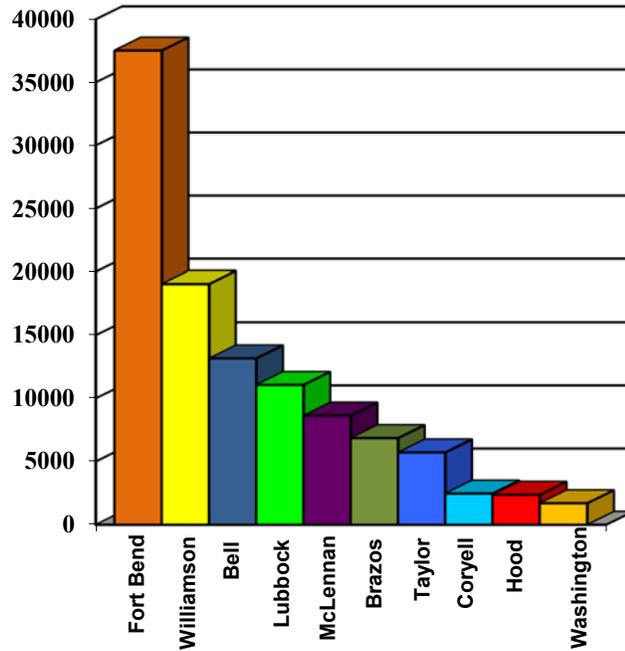
County	Population
Fort Bend	716,087
Williamson	508,514
Bell	334,941
Lubbock	299,453
McLennan	245,671
Brazos	159,990
Taylor	136,051
Coryell	75,503
Hood	55,423
Waller	48,656



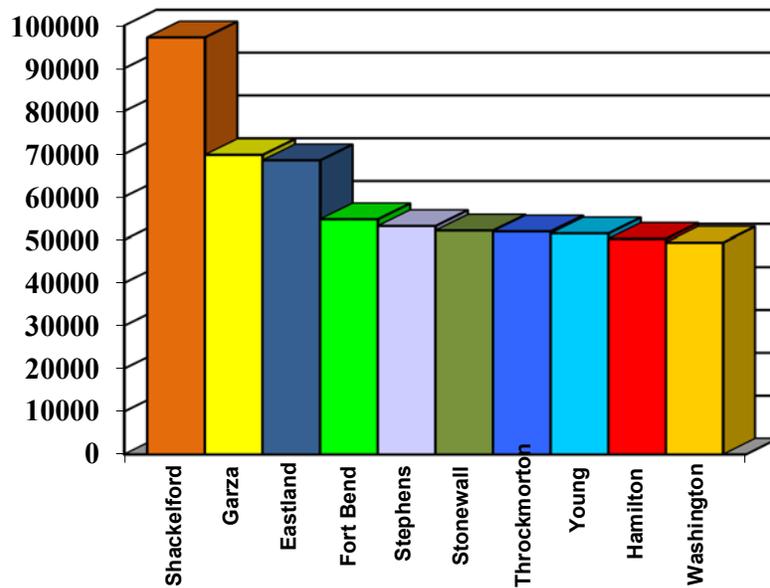
Source: U.S. Census Bureau, Annual Estimate of the Resident Population as of July 1, 2015

**BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2016 (unaudited)**

County (Top Ten)	Total Personal Income (in millions)
Fort Bend	37,525
Williamson	19,050
Bell	13,168
Lubbock	11,066
McLennan	8,634
Brazos	6,848
Taylor	5,719
Coryell	2,469
Hood	2,376
Washington	1,700



County (Top Ten)	Total Per Capita Income (in thousands)
Shackelford	97,227
Garza	69,782
Eastland	68,513
Fort Bend	54,753
Stephens	53,179
Stonewall	52,132
Throckmorton	51,935
Young	51,473
Hamilton	50,220
Washington	49,365

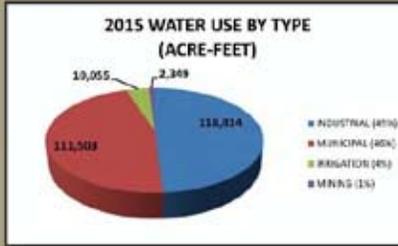


Source: Bureau of Economic Analysis, Updated November 2014

**BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2016 (unaudited)**

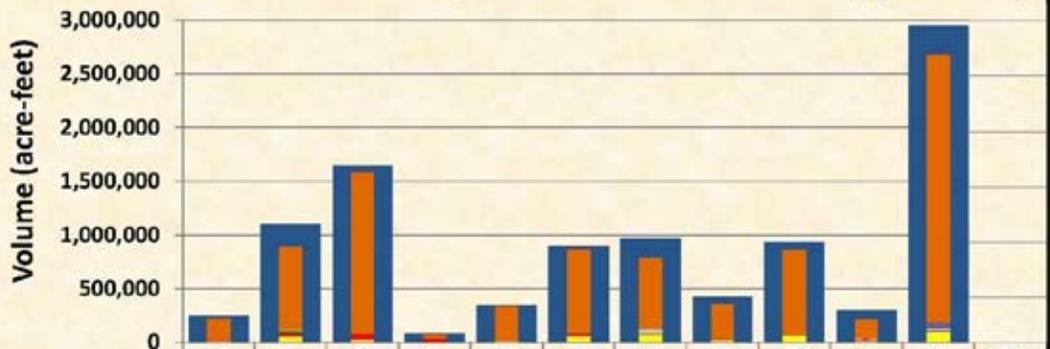
**Brazos River Authority 2015
Customer Water Use and
Reservoir Accounting Summary**

**2015 TOTAL WATER USE
242,721 Acre-Foot**



- AQ=Lake Aquilla
- BE=Lake Belton
- GB=Lake Granbury
- GT=Lake Georgetown
- GG=Lake Granger
- LS=Lake Limestone
- PK=Possum Kingdom Lake
- PR=Lake Proctor
- SV=Lake Somerville
- SH=Stillhouse Hollow Lake
- WH=Lake Whitney

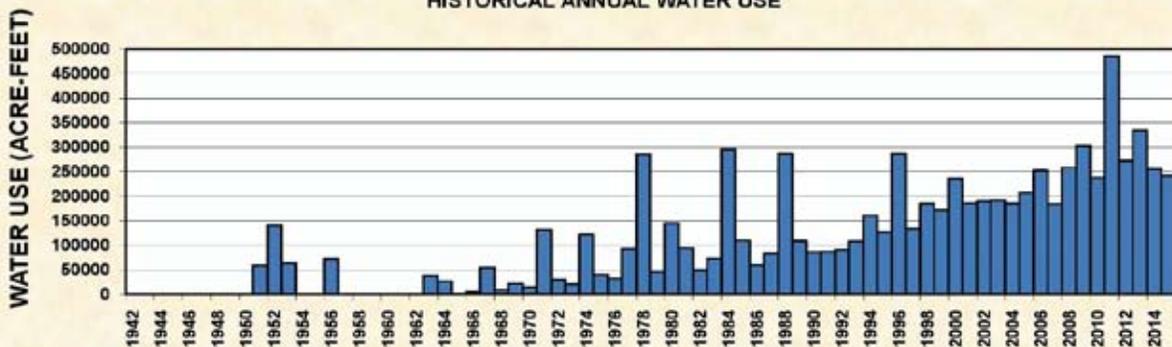
Brazos River Authority 2015 Reservoir Accounting (acre-feet)



	AQ	BE	GB	GT	GG	LS	PK	PR	SV	SH	WH	TOTAL
Inflow	244,586	1,103,800	1,647,195	77,203	342,605	897,130	970,936	424,539	933,606	300,774	2,948,799	9,891,173
Pumped in from Stillhouse				6,194								6,194
Flood Release	195,284	772,469	1,503,349	30,491	304,947	767,951	658,684	332,165	786,698	180,210	2,485,133	8,017,380
Pumped out to Georgetown										6,194		6,194
Balancing Release to GB							6,710					6,710
Hydro Electric Release												66,146
Undedicated Release (Leakage and/or Environmental Release)*	724	1,256	2,983		411	3,868	36,979		724	704	13,008	60,656
Undedicated Release used for Water Supply		196	496			1,008	1,416			20	5,092	8,229
Water Supply Release**		21,891				2,834		2,035				26,761
Lakeside Water Use	4,273	39,463	49,811	32,983	3,800	29,107	5,762	3,489	2,773	7,737	1,145	180,343
Evaporation	17,661	55,609	28,749	4,382	19,980	59,172	76,317	22,644	65,783	21,240	107,757	479,294

* Leakage has not been quantified by the US Army Corp of Engineers for Lakes Georgetown, Granger and Proctor.
 **12,500 acre-feet of the 21,851 acre-feet of water released for water supply from Lake Belton was for the City of Temple under its own water right. Therefore, this 12,500 acre-foot is not reflected in BRA's water use total for 2015.
 ***39,888 acre-feet of water used under NRC's BRA contract was pumped at their downstream pumping point near the City of Richmond under the ERA's Excess Flows permit. Since water pumped under the Excess Flows permit is run of river water and not released from any of the BRA system reservoirs, it is not reflected in this reservoir accounting.
 NOTE: [Lakeside Water use (180,343 acre-feet) + Water Supply Release (26,761 acre-feet) + Undedicated Release used for Water Supply (8,229 acre-feet) - Temple Water Right (12,500 acre-feet) + Excess Flows (39,888 acre-feet)] = Total 2015 BRA Water Use (242,721 acre-feet)

HISTORICAL ANNUAL WATER USE



BRAZOS RIVER AUTHORITY
SCHEDULE OF CAPITAL ASSETS – NET ADDITIONS/ (DELETIONS) BY OPERATIONS
AUGUST 31, 2016 (unaudited) (in thousands)
(accrual basis of accounting)

Last Ten Fiscal Years

Year	Water Supply	SWATS	WCRRWL	TBRSS	BCRWS	Hutto	Sandy Creek	Clute-Richwood	Total
2007	1,140	1,625	8	94	(16)	5	-	-	\$ 2,856
2008	32,962	362	-	(13)	25	-	-	16	33,352
2009	11,895	8,454	-	124	33	7	-	1	20,514
2010	1,452	196	-	26	22	-	38	-	1,734
2011	(1,504)	272	6,693	13	(287)	(18)	(15)	(152)	5,002
2012	(3,547)	(28,126)	(1,101)	307	(8)	-	(8)	(3)	(32,486)
2013	28,901	-	1,040	383	(43)	-	2	-	30,283
2014	4,070	-	(2,170)	(1,554)	(7)	-	(9)	(1)	329
2015	1,170	-	599	-	(21)	-	-	-	1,748
2016	(720)	-	231	-	-	-	-	-	(489)
	\$ 75,819	\$ (17,217)	\$ 5,300	\$ (620)	\$ (302)	\$ (6)	\$ 8	\$ (139)	\$ 62,843

BRAZOS RIVER AUTHORITY
SCHEDULE OF CAPITAL ASSETS – NET ADDITIONS/ (DELETIONS) BY CLASSIFICATION
AUGUST 31, 2016 (unaudited) (in thousands)
(accrual basis of accounting)

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Land, storage and water rights	\$ 591	\$ -	\$ -	\$ -	\$ (73)	\$ (630)	\$ (550)	\$ (542)	\$ 278	\$ (29)	\$ (955)
Reservoirs, water treatment and sewerage facilities	-	7,835	1,911	-	6,652	(18,490)	4,532	5,556	13,520	39	21,555
Building, structures and improvements	1,693	24,450	17,386	1,150	(278)	(12,594)	24,490	(3,543)	(13,542)	(10)	39,202
Vehicles, furniture and equipment	572	1,067	1,217	584	(1,299)	(772)	1,811	(1,142)	1,492	(489)	3,041
Total	\$ 2,856	\$ 33,352	\$ 20,514	\$ 1,734	\$ 5,002	\$ (32,486)	\$ 30,283	\$ 329	\$ 1,748	\$ (489)	\$ 62,843

**BRAZOS RIVER AUTHORITY
SCHEDULE OF INSURANCE
AS OF AUGUST 31, 2016 (unaudited)**

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Aircraft Liability	Texas Municipal League	1970-14	Non-owned Aircraft Liability Deductible - None	\$10,000,000 each occurrence	10/1/2015 10/1/2016
Airport Liability	Texas Municipal League	1970-14	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	10/1/2015 10/1/2016
Automobile Liability & Physical Damage	Texas Municipal League	1970-14	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	10/1/2015 10/1/2016
Commercial Crime	Texas Municipal League	1970-14	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	10/1/2015 10/1/2016
Fiduciary and Employee Benefits	Great American Insurance	MEP4387691	Annual Aggregate Per Occurrence Deductible: \$10,000	\$5,000,000 \$5,000,000	12/31/2015 12/31/2016
General Liability	Texas Municipal League	1970-14	General Aggregate Products/Completed Operation Each Occurrence (BI, PI, AI) Fire Damage Deductible - None	\$10,000,000 \$5,000,000 \$5,000,000 \$5,000,000	10/1/2015 10/1/2016
Marine and Hull/ Mobile Equipment	Texas Municipal League	1970-14	Coverage for Boats, Motors and Mobile Equipment Deductible: \$10,000	\$5,819,713	10/1/2015 10/1/2016
Law Enforcement Liability	Texas Municipal League	1970-14	Each Occurrence Annual Aggregate Deductible: \$2,500	\$5,000,000 \$10,000,000	10/1/2015 10/1/2016
Public Officials and Employees Practices Liability	Texas Municipal League	1970-14	Each Wrongful Act Annual Aggregate Deductible: \$25,000	\$5,000,000 \$10,000,000	10/1/2015 10/1/2016

**BRAZOS RIVER AUTHORITY
SCHEDULE OF INSURANCE
AS OF AUGUST 31, 2016 (unaudited)**

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Property/Boiler & Machinery	Texas Municipal League	1970-14	Blanket Real & Personal Property, EDP, & Boiler & Machinery Deductible: \$50,000 Terrorism Valuable Papers & Records Accounts Receivable & Business Income Fine Arts & Transportation 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	\$133,451,256 \$10,000,000 \$25,000,000 \$1,000,000 \$1,000,000 Blanket Limit Blanket Limit Blanket Limit Blanket Limit \$20,000 \$10,000,000	10/1/2015 10/1/2016
Public Officials Bond	Insurors of Texas	CMB-06-0005836	Treasurer's Bond Deductible - None	\$100,000	4/18/2016 4/18/2017
Public Officials Bond	Insurors of Texas/ C N A Surety Group	71252612	Board of Director's Bond Deductible - None	\$105,000	5/10/2016 5/10/2017
Peace Officer Bond	Insurors of Texas/ Hartford Insurance Group	46BSBAE6365	Peace Officer Bond Deductible - None	\$15,000	2/1/2016 2/1/2017
Travel Accident	Insurors of Texas/ Hartford Life	ETB-4333	Aggregate for Hazard Excludes Personal Aircraft Deductible - None	\$5,000,000	11/1/2015 11/1/2016
Workers' Compensation	Texas Water Conservation Association	99	Self-insured for first 50,000 per occurrence	Aggregate Deduct \$150,000	9/1/2015 8/31/2016
Reinsurance	Texas Municipal League Ace American Ins. Co.	N1084292A	Medical expense claims self-insured for first 90,000 per employee	Minimum Specific Benefit \$2,894,164	9/1/2015 12/31/2015

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

	Full-Time Equivalent Employees Per Annual Operating Plan									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Upper Basin										
Management	4	4	4	4	4	4	4	4	4	4
Possum Kingdom	44	48	48	51	51	53	54	57	57	60
SWATS (a)	0	0	0	0	18	18	18	17	15	15
Lake Granbury	15	15	15	15	14	12	12	12	12	10
Central Basin										
Management & Lab	24	24	25	24	25	23	21	23	20	19
Temple-Belton RSS	16	17	10	10	10	10	11	10	10	10
Brushy Creek RWS	17	17	17	17	17	17	17	16	13	13
Georgetown WWTP (a)	0	0	8	8	8	8	9	8	7	7
Sandy Creek WTP	4	4	5	5	5	5	5	6	6	4
Hutto WWS	2	0	0	0	0	0	0	0	1	1
East Williamson RWS	6	6	6	6	5	5	5	5	4	3
Lower Basin										
Management	0	0	0	0	0	4	4	4	4	4
Lake Limestone	10	10	10	9	9	9	9	9	9	9
SLRSS	10	10	10	10	10	10	11	11	11	11
Clute	4	4	4	4	4	4	4	4	4	4
Liberty Hill	0	0	1	1	1	1	1	1	1	0
Central Office										
General Administration	2	3	3	3	4	4	4	4	4	4
Legal Services	4	4	4	4	4	4	4	4	4	4
Financial Services	15	15	15	17	17	17	17	17	17	17
Human Resources	5	5	4	4	4	4	4	4	4	4
Gov. Cus. Relations	7	7	7	7	7	7	7	7	6	6
Information Technology	14	14	13	13	12	12	12	12	12	11
Planning & Development	2	2	1	1	1	1	1	1	1	2
Strategic Planning	0	0	2	2	2	2	2	3	2	1
Technical Services	43	41	41	40	40	42	37	40	37	35
	<u>248</u>	<u>250</u>	<u>253</u>	<u>255</u>	<u>272</u>	<u>276</u>	<u>273</u>	<u>279</u>	<u>265</u>	<u>258</u>

(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