

# *The Brazos River Authority*



*Comprehensive Annual Financial Report  
Fiscal Years ended August 31, 2017 & 2016  
Waco, Texas*

*Cover photo courtesy of Gil Eckrich*

**The Bald Eagle** has been the national emblem of the United States since 1782. They are not really bald but have a white feathered head in contrast to their chocolate brown body and wings. They have a wingspan of 6.7 feet, a body length of 2.4 to 3.2 feet and weighs 6.6 to 13.9 pounds making them one of the largest birds in North America. The oldest recorded one in the wild was 38 years old. In captivity they have lived to 50 years. The Bald Eagle mates for life, but if one dies the survivor will accept a new mate. They build their nest in the top of mature trees near lakes, reservoirs, rivers, marshes and coasts. The nest measures up to 9.5 feet wide by 20 feet tall and is used year after year. Fish is the main source of food, the reason they nest near water, but also eat gulls, waterfowl, reptiles, crabs, and mammals such as rabbits and muskrats. Rather than doing their own fishing, on occasions they are known to go after other's catches such as harassing an Osprey until it drops its prey in midair and the eagle will swoop in to get it. Or, it may snatch it directly out of an Osprey's talons. The Bald Eagle appears on most official seals of the U.S. government including the presidential seal, the presidential flag and in the logos of many U.S. federal agencies. There is an urban legend that the presidential flag is changed to have the eagle face towards the olive branch in peace times and towards the arrow in wartime. The Bald Eagle represents freedom. (The Cornell Lab of Ornithology)

*Page i, photo by David Coston, Lake Ranger, Possum Kingdom Lake*

The **Canada Goose** is the familiar bird seen when thousands migrate north to south each year honking and flying in a "V" formation. They fly both night and day. As more lawns have appeared, these grassland birds are staying in urban and suburban areas year-round. They live near water, grassy fields and grain fields. When they have young with them, they prefer manicured lawns with unobstructed views such as parks, airports, golf courses and large lawns to enable them to see approaching predators. They have a black head with a signature white chinstrap, black neck, tan breast and brown back. When choosing a mate, they choose one of similar size and mate for life. The female selects the nest site and does the majority of the nest building. The site is usually on a mound on the ground near water. She does all the incubation while the mate guards her and the nest. If an intruding goose won't leave, they may grab each other by breast or throat and hit each other with their wings.

***The Brazos River Authority***  
***A River Authority of the State of Texas***



**Comprehensive Annual Financial Report**  
**For the Fiscal Years Ended August 31, 2017 and 2016**  
**Prepared by the Finance and Administration Department**

**BRAZOS RIVER AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED AUGUST 31, 2017 and 2016**

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Photo courtesy of Gil Eckrich

## *Whooping Crane*

The **Whooping Crane** is the tallest bird in North America and one of the rarest. They stand five feet tall, have a wingspan of seven feet and are five feet in length. They are bright white with accents of red on their head. Their legs, bill and wingtips are black. In the 1940s, the population declined to 20 birds. Through captive breeding and wetland management the numbers have risen to approximately 600 today. These are descendants from the small flocks in Texas and Louisiana. A flock that winters in Central Texas fly 2,400 miles north to nest in Wood Buffalo National Park in Canada. On the Gulf Coast, they eat mostly blue crabs, clams, other animal foods, wolfberry, cranberry, acorns and cordgrass. Its graceful courtship dance is leaping, kicking, head-pumping and wing-sweeping. They normally lay two eggs, but only raise one chick. Biologists have been successful removing the “extra” egg(s) and raising them in captivity. The only self-sustaining population is a flock that breeds in Canada and winters in Texas.

## *White Ibis*

The **White Ibis** is a large wading bird with bright red long legs, long neck and a long curved bill. They are entirely white except for black tipped wings and reddish pink skin around their blue eyes. They are social birds that forage and fly in groups and nest in colonies. They travel around 30 miles an hour and alternate between rapid wingbeats and glides. During breeding season, the males gather in groups and perform with head shaking, preening, group flights, bathing and bill popping. They will fly in groups spiraling up and down near the colony to show off in front of the females. Once they have selected a mate, he will grab and shake her head and will often mate with more than one female. The males are super protective. They guard the nest and the female to prevent other Ibises from stealing sticks from the nest and advances of other males during nest building and egg laying.



Photo courtesy of Steve Hinds, Inc.

## *Pied-Billed Grebe*

According to [allaboutbirds.org](http://allaboutbirds.org), the **Pied-Billed Grebe** is part bird, part submarine. The Latin genus name for “grebe” means “feet at the buttocks.” They are brown with thick bills that turn silver and black in the summer, with compact bodies, slender necks, short head and have no tail. They are found in freshwater marshes, lakes, sluggish rivers and estuaries. They are diving birds and their lobed toes assist them swimming. Built for the water, they walk awkwardly on land and are poor fliers. They can trap water in their feathers which gives them control over their buoyancy. They can sink deeply or stay just below the surface of the water. When in danger, they will crash dive or sink quietly out of view leaving no trace. The chicks usually leave the nest the first day after hatching and spend much of their first week riding around on a parent’s back. Parents dive with young clamped under their wings and sometimes a chick will occasionally pop out. The oldest recorded Pied Billed Grebe was four years and seven months.



Photo courtesy of Gil Eckrich

# *Introductory Section*

Assistant  
Presiding Officer



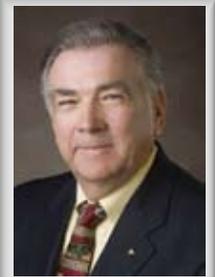
**F. LeRoy  
Bell**

Director



**Jim  
Lattimore, Jr.**

Director



**Richard  
Ball**

Director



**Paul  
Christensen**

Upper  
Region

Graford

Tuscola

Director



**Jeanie K.  
Grant**

Director



**Russel D.  
Boles**

Director



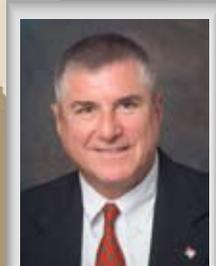
**Cynthia A.  
Flores**

Director



**Christopher S.  
Adams, Jr.**

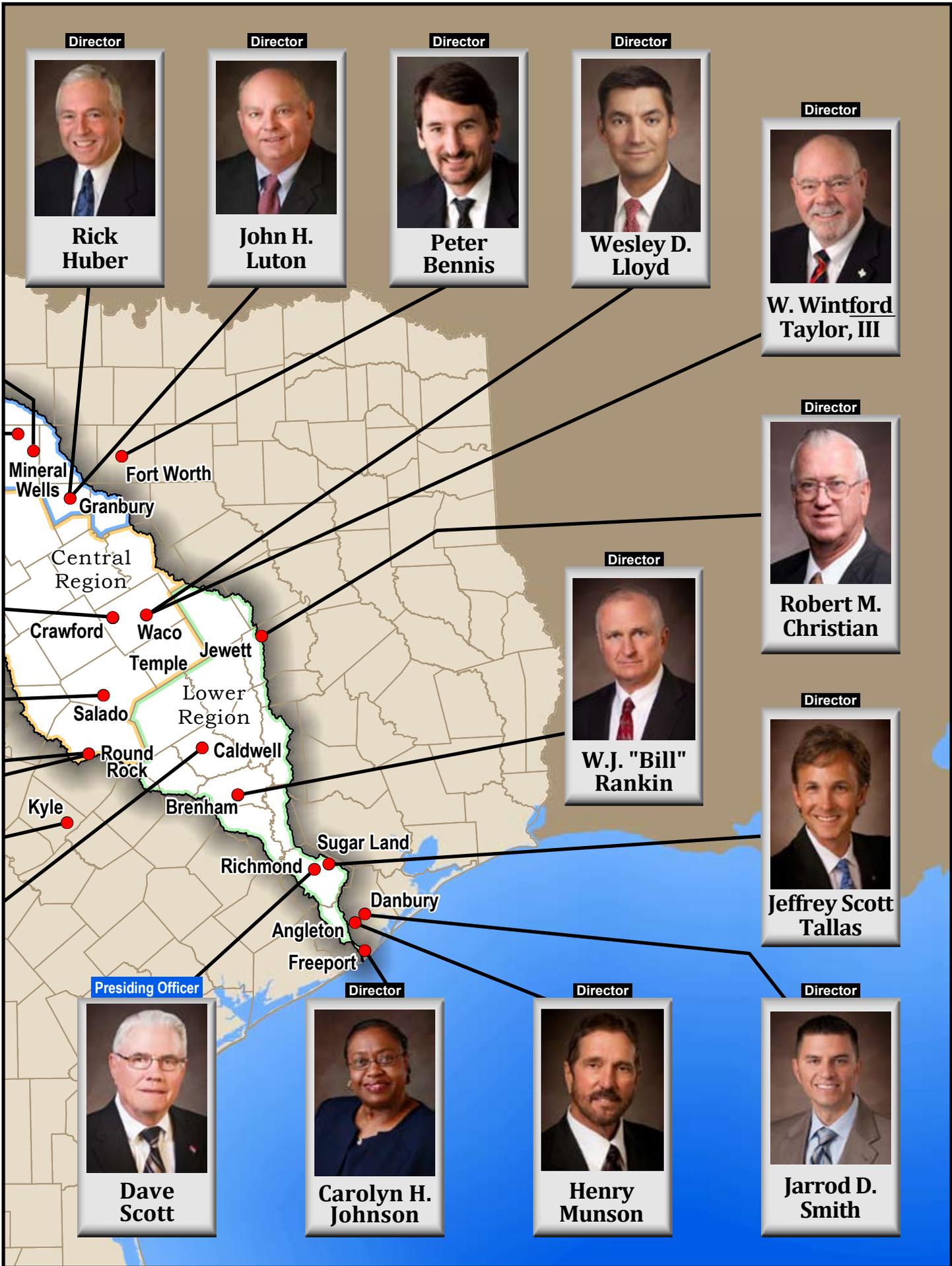
Secretary



**Salvatore A.  
Zaccagnino**



# Brazos River Authority Board of Directors





# Management Team



David Thompson  
Chief Financial Officer



Phillip J. Ford  
General Manager/CEO



Lauralee Vallon  
General Counsel



Courtney Dobogai  
Information Technology  
Manager



Jim Forte  
Planning &  
Development  
Manager



David Collinworth  
Central and Lower  
Basin Manager



Terry Lopas  
Technical Services  
Manager



Michael McClendon  
Upper Basin  
Manager



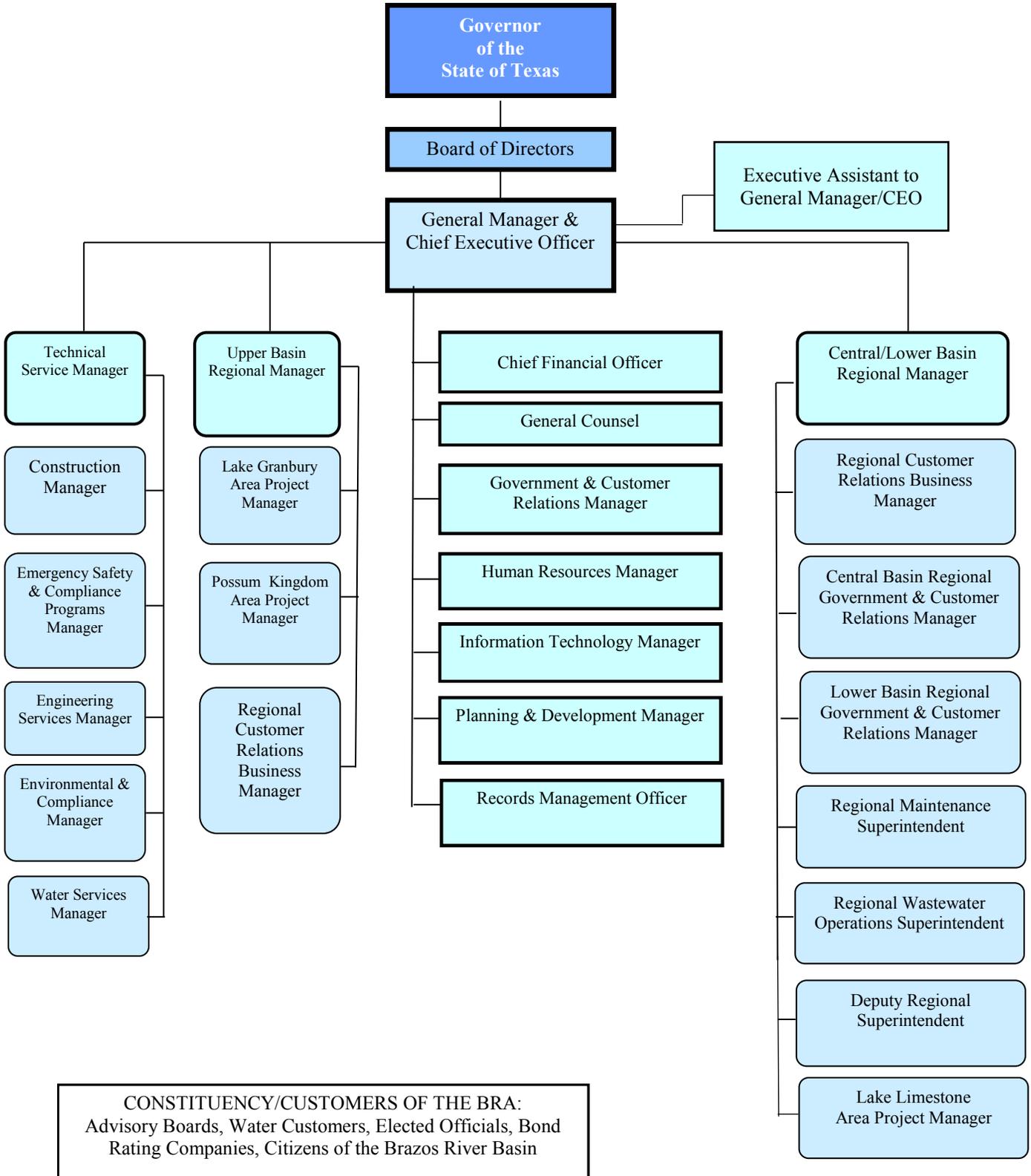
Matt Phillips  
Government &  
Customer Relations  
Manager



Monica Wheelis  
Human Resources  
Manager



# Brazos River Authority Organizational Chart





Brazos River Authority



January 29, 2018

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, 2017. The purpose of the report is to provide the Board of Directors, our customers, stakeholders, and other interested parties with reliable financial information about the BRA. The BRA's Finance Department has prepared the CAFR in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the BRA management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the BRA.

The BRA's financial statements for the fiscal year ended August 31, 2017 have been audited by RSM US 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, 2017 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, 2017 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 misstatements.

GAAP requires 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.

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254-761-3100 • FAX 254-761-3215

## **PROFILE OF THE BRA**

The BRA was established by the Texas Legislature in 1929 as the first entity in the United States specifically created for the purpose of protecting, 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 six-year, staggered terms, with one-third being either replaced or reappointed each odd-numbered year. The Presiding Officer does not have a set term and serves at the pleasure of 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 and also serve as sources for water supply.

Together, the eleven reservoirs have conservation storage of more than 2.4 million acre-feet. The BRA is permitted by the State of Texas to divert and use 661,901 acre-feet of water 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 River 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 was a study to assess the impact of the 2011-2015 drought on water availability. The drought study concluded that while conditions in the upper Brazos River basin were worse than the prior record drought of the 1950's, this was not the case for other parts of the basin where the 1950's drought remains worse. Modeling conducted in the study showed that all existing and some new water contracts could be reliably supplied through a repeat of the 2011-2015 drought, and the amount of water available under the Permit was unchanged.

### ***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 nine sewerage systems that it operates within the basin: Temple-Belton, Doshier Farm, Sugar Land North and South plants, Brushy Creek East and West plants, Clute, Hutto Central and Hutto South. At the Temple-Belton plant the 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, and watershed management issues; establishes priorities for corrective actions; and works to implement those solutions. As part of a basin monitoring program, the staff collects water quality samples and instream biological data at over one hundred 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 State 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 River 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**

The fiscal year ended August 31, 2017 demonstrated an economy that is improving. There were only a few disruptions during the year that centered around U.S. Legislative attempts to repeal and/or replace the Affordable Care Act and enact tax reform, the new administration's aggressive posturing with North Korea and a renewed focus on the Federal Open Market Committee's (FOMC) actions. U.S. Gross Domestic Product (GDP) rose 2.1% during the final quarter of calendar year 2016, but recorded a 1.2% rise in the first quarter of 2017, followed by a 3.1% surge in the second quarter of 2017.

The FOMC enacted three rate increases during the year, raising the Fed Funds Rate in 25 basis-point increments: the first increase during December 2016, the second during March 2017 and the third in June 2017. As of August 31, 2017, the current Fed Funds rate range is 1.00% to 1.25%. Fed Chairman Janet Yellen has indicated that the Fed would like to raise the rate once more during 2017. The FOMC also announced their intent to begin to taper the federal balance sheet to unwind the quantitative easing purchase of U.S. Treasury/Agency securities that was implemented in order to bolster the economy following the Great Recession.

The housing market has improved during the year. Home prices were reported as 6.6% higher than in August 2016, but low supply continues to constrain sales. The employment sector has been mostly strong. Overall, the economy added two million jobs during the BRA fiscal year. The Unemployment Rate settled in at 4.4% at the end of August, as compared to last year's 4.9% level. The stock market has experienced almost 20% growth over the past year.

The Texas economy continues to perform better than the national economy. The unemployment rate in Texas fell from 4.8% in August 2016 to 4.2% in August 2017. This compares to the current national average of 4.4%. Since August 2016, Texas has added almost 251,000 jobs, representing an increase of 1.2 percent over this time last year. By comparison, California has experienced an increase of 0.5 percent, New York has increased 1.4 percent, and Florida has increased 3.5 percent. Texas sales tax revenues this year remained unchanged from last year at \$2.5 billion. Texas is still enjoying strength in the housing sector.

The outlook for fiscal year 2017 and 2018 is for continued moderate growth. It is likely that the FOMC will raise the Federal Funds Rate late in 2017, which will lead to improved investment rates for BRA investment positions. With the expiration of FOMC Chair Janet Yellen's term, Jerome Powell has been nominated as new FOMC Chair and the outlook for the pace of future rate increases will depend upon the direction of the new Chair.

Interest rates for investments allowed by the BRA's Investment Policy and State Law have risen during the year. Investment Pool rates were 1.0085 percent at the end of August 2017, improved from the 0.37 percent yield at the end of August 2016. Rates for Certificates of Deposit (CD) were improved. At the end of August 2017, a one-year CD yielded between 1.40 and 1.45 percent as compared to 0.80 and 0.90 percent at the end of August 2016. CDs and other financial institution deposits remain significantly more attractive than alternative Treasury and Agency positions.

## **LONG-TERM FINANCIAL AND STRATEGIC PLANNING**

In July 2017, the BRA's Board reviewed the FY 2018 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 certain 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 2017, the BRA Board of Directors re-adopted the SP with minor updates reflecting changes from the SP adopted in 2016.

## **RELEVANT FINANCIAL POLICIES**

The BRA maintains financial policies regarding 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 FY 2017, 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 FY 2017:

### **WATER SUPPLY**

- **Water Supply Operations and Flood Management**

As compared to recent years during which the Brazos River basin has experienced either extreme drought or flooding, FY 2017 was relatively normal with regard to water supply operations and flood management. BRA's water supply storage began the year at 99 percent full. Total water use by BRA customers in FY 2017 was approximately 272,000 acre-feet. There were no extreme flood events associated with the BRA's three reservoirs; however, approximately 800,000 acre-feet of excess inflow was passed through the reservoirs and released downstream. BRA's water supply system was 97 percent full as FY 2017 concluded.

- **Water Conservation**

BRA continued on-going efforts to develop and encourage water conservation practices in FY 2017. 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 River 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 FY 2016, the BRA finalized and submitted a draft report to the USACE documenting the study efforts. The project and draft report have been undergoing the USACE review and approval process during FY 2017. This review and approval process is expected to conclude in 2018. If approved and implemented, this project will 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. In 2000, 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, now known as NRG Energy.

In FY 2016, 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 FY 2018.
- 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 FY 2014. 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 FY 2015 and construction is to be completed in 2018.
- Lower Basin Flood Protection Planning Study**  
 The BRA received grant funding from the TWDB in both FY 2014 and FY 2015 to conduct a flood protection planning study for the lower Brazos River. Matching funds for the TWDB grants are being provided by a number of lower Brazos River basin entities and the BRA. 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 study was on schedule for completion in March 2018; however, flooding resulting from Hurricane Harvey significantly impacted this area of the basin in August and September of 2017. Due to the magnitude of this recent flooding, the scope of the study was expanded to incorporate data and information from Hurricane Harvey flooding, and completion is now expected in late 2018.

## **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 was completed in FY 2017. Additionally, the BRA added Lone Star Regional Water Authority, a 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. Due to extended wet conditions and sufficient inflow into Georgetown Lake, no water was moved through the pipeline from May 2015 through June 2017; however, pumping resumed in July 2017.

## **MAINTENANCE**

- **Dam Rehabilitation Projects**

As part of proactively addressing the safety, preventive maintenance and ongoing operational efficiency of the BRA-owned dams, 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 outside legal counsel, a consulting expert, the contractor's surety, and other responsible parties to that end. However, if our efforts result in an impasse, other action may be required. We are proceeding, with other dam projects at DeCordova Bend Dam, 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, with the expectation that a firm will be obtained in the near term, while also addressing other maintenance and 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 FY 2017 included the following:

- Completed annual Maintenance Inspection and Instrument Report for three BRA High Hazard dams
- Completed the Five Year TCEQ Dam Safety Inspection and reports for DeCordova Bend Dam and Sterling C. Robertson Dam
- Completed design and bidding documents for the Spillway Pump and Piping Improvements project at Morris Sheppard Dam
- Completed plans and bidding documents for Controlled Outlet Conduit Access Platforms at Morris Sheppard Dam
- Initiated design of the pavement replacement at the Central Office Facility
- Concluded the construction contract for the new Granger Lake Intake Pump Station
- Completed the Phase I investigations of the hydrostatic relief system and stilling basin dewatering for Sterling C. Robertson Dam

## **PROPERTY MANAGEMENT**

- **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 FY 2016, 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

and obtained Congressional de-authorization of the project. As a result, the BRA is in the process of coordinating an agreement with the City of Graham that would honor the commitments it made in a tripartite agreement between the BRA, City of Graham, and the USACE. However, the USACE is no longer necessary and would no longer be a party. The expectation is that the Graham Salt Creek Project will be completed in FY 2018.

## **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 FY 2017, 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 FY 2018, 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 three instream flow assessments in five different river segments and channel surveys, riparian assessments, and sediment surveys in five different river segments to contribute to the verification of adopted environmental flow standards. Environmental Services' ability to complete instream flow-related studies in the lower basin was impeded in FY 2017 due to the impact of Hurricane Harvey.

- **Endangered Species Issues Engagement**

Currently, five Central Texas freshwater mussels are under consideration by the U.S. Fish and Wildlife Service for Federal endangered species protection. Three of these five species are known to occur in the Brazos River basin. Listing of these species could impact current and future operations significantly. In response to this concern, BRA contracted with Texas A&M University to perform river surveys below BRA dams, The surveys were completed in FY 2017 and the final report should be complete in FY 2018. Additionally, BRA Environmental Services staff have been active participants in the Texas Comptroller of Public Accounts' Freshwater Mussel Work Group and on the Freshwater Mussel Technical Advisory Panel.

## **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, 2016. This was the 31st 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, 2016. This was the third 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, Cheryl Hoelscher, Kimberly Goolsby, Janie Crowder, Marian Kuntz, Crystal Mundt, Tom Downey, Clarissa Cabrera, Karen McCleney, Cindy Geer, Jeremy Nickolai 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  
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in Financial  
Reporting

Presented to

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

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2016**

*Christopher P. Morrill*

Executive Director/CEO

### Green Kingfisher

The **Green Kingfisher** looks like a sparrow with the bill of a heron. It was first described in 1788 by Johann Friedrich Gmelin, a German naturalist, botanist and entomologist. It lives along streams and rivers and often is overlooked because it tends to perch among vegetation near the water. It flies fast and low over the water with quick wingbeats. It will sit on low branches above the water watching for aquatic insects and small fish swimming near the water's surface. When spotted, they will fly down plunging headfirst to take its prey in its bill. They nest in vertical dirt bank burrows five to eight feet above the water with the entrance hidden by overhanging vegetation. They usually lay five eggs that have an incubation period of 19-21 days. The chicks are fed by both parents until they leave the nest about 22-26 days after hatching.



Photo courtesy of Gil Eckrich

### Common Loon

The **Loon** is a water bird. They only go ashore to mate and incubate their eggs. It swims underwater to catch fish and swallows most of its prey underwater. Not only fast swimmers they are fast in the air. They have been clocked flying at more than 70 mph. Biologists estimate that the Loon parents and two chicks can eat about a half ton of fish over a 15 week period. To fly, they will run across the top of the water flapping their wings in order to get enough speed to have lift-off. They need 30 yards to a fourth of a mile to gain enough speed. On occasions, they have landed on wet highways and parking lots mistaking them for a lake or a small pond and then become stranded since there is not enough open water for take off. The oldest recorded Loon was a female at 29 years and 10 months old.



Photo courtesy of Gil Eckrich

### Bonaparte's Gull

**Bonaparte's Gull** is a small, graceful gull with bright white patches on its wings, pale gray back, a dark spot behind its eyes during winter, black head during breeding season, black-tipped wings and is the smallest of the gulls. It is the only gull that nests in trees. They winter along lakes, rivers, marshes, bays and beaches along the coasts. They feed on small fish, insects and large invertebrates that they pluck from the top of the water or dive for them. Unlike large gulls, they do not partake of carrion or garbage dumps. They often concentrate at sewage treatment ponds to feed on the insects there. The scientific name of Philadelphia was given in 1815 by George Ord of Philadelphia. The English name, Bonaparte, is after Charles Lucien Bonaparte (a distant cousin of Napoleon) who made contributions to the Academy of Natural Sciences of Philadelphia in the 1820s.



Photo courtesy of Gil Eckrich



Photo courtesy of Gil Eckrich

**American Avocet**  
 (also in photo is Semipalmated Sandpiper  
 and the Piping Plovers)

The **American Avocet** is a large shorebird with long legs and an upturned bill. Its upperparts are black and white with a rusty neck and head. While nesting, the Avocet will physically attack any predators. The female on occasions lay one to four eggs in the nest of another female to have her incubate them. The Avocet eggs have been found in the nest of Mew Gulls and in turn Common Terns and Black-necked Stilts eggs have been found in the nest of the Avocet. In this case, the Avocets have been known to rear the hatchlings as their own. Avocet chicks leave the nest within 24 hours after hatching. Day old Avocets can walk, swim and even dive to escape predators. It feeds in shallow water and sweeps its long bill through the water capturing aquatic invertebrates by touch. The oldest recorded American Avocet was over 15 years old.

**American White Pelican**

The **American White Pelican** is one of the largest North American birds weighing approximately 30 lbs. They have a wing span of nine feet and are one of the heaviest flying birds in the world. They are found at inland lakes in the summer and near the coast in the winter. They use their bill pouches to scoop up fish in shallow water. They then drain the water from their pouch by tilting it forward and then raise their bill to swallow the fish. Their bill can hold as much as three gallons of water. They travel in large flocks and, being excellent fliers, often travel long distances. They will soar high in the air and then will wheel and circle in unison. During breeding season, they will forage at night locating their prey by touch; and by day, locate their prey by sight. When nesting, the male and female use their bills to dig gravel, sand or soil to create a shallow bowl about two feet across with a rim of about eight inches high near other nesting pelicans. Some population on the Texas coast are permanent residents.



Photo courtesy of Gil Eckrich

**Franklin's Gull**

**Franklin's Gull** is named after the Artic explorer Sir John Franklin. It was originally named Franklin's Rosy Gull for its rosy colored breast and belly. Prior to that the early settlers had named it the Prairie Dove. It is a medium size gull with a gray back, white breast, black with white eye rings, orange bill, red-orange legs and short wings with white spotted black tips. It is unique among gulls in that it has two complete molts each year. They need strong feathers to meet the demands of their 5000 mile migrations each year. It feeds while walking or swimming. Flocks will follow plows to eat the worms, insects and mice. Their nests are a floating platform made of vegetation in marshes and along inland lakes. As the nest material decays, it requires constant maintenance. Both parents add to the new nest material daily before departing the colony. Older chicks add to the nest from near by sources. The oldest recoded Franklin's Gull was about nine years and five months.



Photo courtesy of Gil Eckrich



Photo courtesy of David Coston, Lake Ranger - Possum Kingdom Lake

### Great Blue Heron (*Ardea Herodias*)

The **Great Blue Heron** ranges from 50-54 inches in length and a wingspan of five and one-half feet to six and one-half feet. Their wings and back are bluish-gray in color. The Great Blue Heron is the largest of the Heron family and most widespread in North America. They are found in both salt and fresh water bodies, often hunting for fish, frogs, snakes and other small mammals. They can hunt day and night due to rod-type photoreceptors that improve their night vision. A study found that herons ate mostly diseased fish because the sick fish spent more time near the surface of the water making them more vulnerable. They will nest mainly in trees but also on the ground on bushes, or duck blinds, channel markers or artificial nest platforms. Colonies can consist of 500 or more individual nests with multiple nest in one tree built 100 or more feet above the ground. Pairs are mostly monogamous during a season, but choose a new partner each year. The oldest recorded Great Blue Heron was 24 years and six months.

### Tricolored Heron

The **Tricolored Heron**, formerly known as the Louisiana Heron, is a slender medium sized heron with long bill, neck and legs seen wading in coastal lowlands and around freshwater lakes, rivers and marshes. The young are colored differently than the adults. They have a rich chestnut head and neck and chestnut feathering on blue-gray back. During non-breeding season, adults have a yellow bill with black tip and in breeding season the yellow turns blue. In breeding season, their yellow legs turn pink. They feed mainly on small fish such as crustaceans, crayfish, prawns, as well as aquatic insects, grasshoppers, tadpoles, frogs, lizards, spiders and salamanders. They will nest in large to small colonies, but when feeding they prefer solitary. They nest in low dense, well-shaded shrubs and small trees not more than ten feet above the ground/water. The Tricolored Heron have been known to live 17 years in the wild.



Photo courtesy of Gil Eckrich

### Little Blue Heron

The **Little Blue Heron** is unique in that it is the only heron with just two colors. The adult bird is mostly slate blue while the immature bird is almost all white. They have a long neck and a thin, pointed bill curving slightly downward. The adult also has a purplish maroon brown head and neck, a small white patch on the throat and neck and greyish green legs. It will wade in water standing still or moving slowly until they find their prey. They then pierce their prey with its long sharp bill. They feed mostly on fish and crustaceans but also frogs, tadpoles, insects, snakes, lizards and small mammals. The white juveniles catch more fish when close to Snowy Egrets who tolerate them. The biggest threat to the Little Blue Heron is the dwindling of freshwater wetlands. They also habitat ponds, lakes, marshes, swamps and lagoons. They breed in colonies and nest in a tree or shrub generally three to 15 feet above the ground or water but have been known to be as high as 40 feet.



Photo courtesy of Gil Eckrich



Photo courtesy of Gil Eckrich

### Osprey

The **Osprey** is a very large hawk with slender bodies, long, narrow wings and long legs. In flight their wings make an M-shape when looking up at them. They are the only bird of prey that feeds only on live fish. It will dive feet first into the water and catch the fish in their talons. The soles of their feet have barbed pads to grip slippery fish. It will carry the fish headfirst to make it as aerodynamic as possible. In order to grip the fish more securely, the outer toe is reversible so they can grip with two forward and two backward or three forward and one backward. Their stick nests are built in open areas on poles, channel markers and dead trees over open water. They will use the same nest year after year. One they choose a mate they are with them for a lifetime. The female will lay two to four eggs. They take turns incubating the eggs until they hatch in five or six weeks. The chicks will leave the nest at about three months. They have been found to live up to 25 years.

### Turkey Vulture & Black Vulture

The red-headed, lanky **Turkey Vulture** is a more solitary bird and the black-headed, compact **Black Vulture** is usually seen in a flock. These scavengers can be seen soaring very high above the ground. They will do quick flaps with their wings and then glide. The Black Vulture needs to flap its wings more often than the Turkey Vulture. The Black Vulture has a poor sense of smell and thus will follow the Turkey Vulture to carcasses and then take the food from them. They feed on the carcasses of dead animals, eggs of other birds, turtles, lizards, sea turtles, young birds, newborns of larger animals, rotting vegetable and scraps of refuse in garbage dumps. They nest on the ground in thickets, inside hollow logs, tree cavity or in a cave. They do not build a nest. The Black Vulture does not have a voice box, so they are limited to making raspy hisses and grunts.



Photo courtesy of Steve Hinds, Inc.

### Roadrunner

At 20-24 inches long, 9.8-11.8 inches tall with a wingspan of 17-24 inches and weights 7.8-19 oz., the **Roadrunner** is the largest cuckoo in the Americas. They have four toes on each foot; two face forward and two face backward. When being tracked by prey, the prey doesn't know if they are coming or going. They are monogamous forming long-term pair bonds. Both birds build the nest of thorny branches lined with grasses, feathers, snakeskin, roots and other material. They feed mainly on small animals including insects, spiders (including black widows), tarantulas, scorpions, mice, small birds, lizards, small snakes, fruits, seeds, prickly pear, small rattlesnakes are readily consumed. It kills prey by holding the victim in its bill and slamming it repeatedly against the ground. Due to limited flight, it spends most of its time on the ground. It is the fastest running flying bird at 26 mph except for the ostrich at 40 mph.



Photo courtesy of Janie Crowder - Accountant, Finance & Administration

# *Financial Section*



RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
Brazos River Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Brazos River Authority (the BRA) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the BRA's basic financial statements, as listed in the foregoing table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

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

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## **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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

The financial statements of the BRA as of and for the year ended August 31, 2016, were audited by other auditors, whose report dated December 9, 2016, expressed an unmodified opinion on those statements.

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

## ***Other Supplemental 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—is presented for purposes of additional analysis and is 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 January 11, 2018, 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.

*RSM US LLP*

Austin, Texas  
January 11, 2018

*Management's Discussion  
and Analysis*

**BRAZOS RIVER AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017, 2016 AND 2015 (in thousands)**

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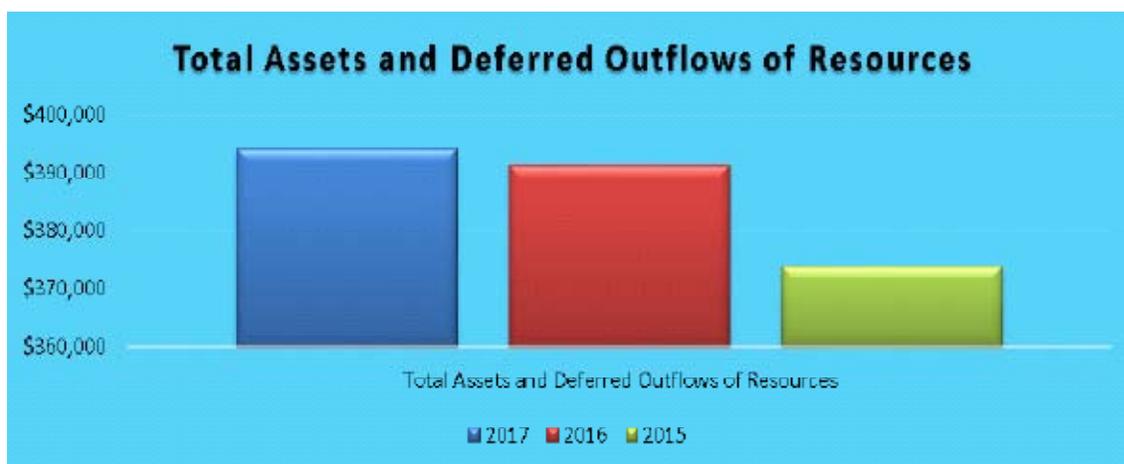
As Management of the Brazos River Authority (BRA), we offer readers of the BRA’s financial statements this narrative overview and analysis of the financial activities of the BRA for the Fiscal Year ended August 31, 2017. We encourage readers to consider the information presented here in conjunction with 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.

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## **Financial Highlights**

### **Total Assets and Deferred Outflows of Resources**

- Total assets and deferred outflows of resources at the end of Fiscal Years 2017, 2016 and 2015 were \$394,119, \$391,441 and \$373,998, respectively. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the end of Fiscal Year 2017, 2016 and 2015 by \$270,840, \$261,936 and \$247,307, respectively.
- Total assets and deferred outflows of resources for Fiscal Year 2017 increased by \$2,678 over prior year, primarily as a net result from operations, and the decrease in deferred outflows of resources as a result of GASB Statement No. 68.
- 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.
- The BRA’s net position increased by \$8,904 for the Fiscal Year ended August 31, 2017.



**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017, 2016 AND 2015 (in thousands)**

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**Capital Assets**

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

	2017	2016	2015
Net additions/(deletions) to land, storage and water rights	\$ 16,660	\$ (29)	\$ 278
Additions to construction-in-progress (CIP)	4,049	8,203	4,551
Transfers from CIP to capital assets being depreciated	(5,810)	(1,389)	(2,209)
Transfers from CIP to land, storage and water rights	(16,660)	-	-
Additions and transfers to capital assets being depreciated	7,203	2,095	998
Net deletions and transfers	(112)	(1,170)	1,273
Normal annual depreciation and amortization	<u>(8,362)</u>	<u>(8,279)</u>	<u>(7,244)</u>
<b>Total</b>	<b><u>\$ (3,032)</u></b>	<b><u>\$ (569)</u></b>	<b><u>\$ (2,353)</u></b>

- During Fiscal Year 2017, the BRA had over thirty-one capital projects outstanding that were being worked on during the year, with nine of those being completed during the year at a current year capitalization amount of \$22,470. In addition, the BRA invested \$1,393 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 \$3,032 during the year. Additional information on the BRA's capital assets can be found on notes 4 & 10 of this report.
- During Fiscal Year 2016, the BRA had over thirty-eight capital projects outstanding that were being worked on during the year, with eleven of 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.

**Noncurrent Liabilities**

**Outstanding debt:**

- For Fiscal Year 2017, total outstanding debt (current and noncurrent) decreased by \$3,673. This net decrease is a result of annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$2,545, \$1,160 and \$32, respectively.
- 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.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017, 2016 AND 2015 (in thousands)**

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**Noncurrent Liabilities-continued**

- 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.

**Net Pension liability:**

- During Fiscal Year 2017, the BRA adjusted its net pension liability from \$11,711 in FY 2016 to \$10,086 in Fiscal Year 2017, primarily for the Retirement Plan for Employees of the BRA as a result of the Plan's actuarial computation. Additional information on the BRA's Net Pension Liability can be found in Note 8 of this report.
- 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.
- 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.

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**Overview of the Financial Statements**

The Management's Discussion and Analysis is intended to serve as an introduction to the BRA's basic financial statements. The BRA's basic financial statements are composed of 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.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017, 2016 AND 2015 (in thousands)**

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

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## **Financial Analysis**

***Schedule of Net Position*** - As noted earlier, net position may serve over time as a useful indicator of the BRA's financial position. In the case of the BRA, assets and deferred outflows of resources exceeded liabilities for Fiscal Years 2017, 2016, and 2015 by, \$270,840, \$261,936, and \$247,307, 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 2017, the investment in capital assets amounted to 71% of the BRA's net position.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017, 2016 AND 2015 (in thousands)**

***Schedule of Net Position - continued***

For Fiscal Year 2017, about 74% (\$198,947) 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* (\$71,893) may be used to meet the BRA's ongoing obligations.

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.

**Condensed Schedule of Net Position  
August 31, 2017, 2016 and 2015**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current assets - unrestricted	\$ 96,420	\$ 86,836	\$ 70,884
Current assets - restricted	3,614	4,775	5,652
Noncurrent assets - restricted	7,036	6,992	6,985
Capital assets, net	281,401	284,433	285,002
Noncurrent assets	<u>1,846</u>	<u>2,082</u>	<u>2,570</u>
<b>TOTAL ASSETS</b>	<b>390,317</b>	<b>385,118</b>	<b>371,093</b>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,802</u>	<u>6,323</u>	<u>2,905</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 394,119</u></b>	<b><u>\$ 391,441</u></b>	<b><u>\$ 373,998</u></b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Current liabilities (payable from current assets)	\$ 19,151	\$ 18,910	\$ 16,362
Current liabilities (payable from restricted assets)	5,170	6,005	6,176
Noncurrent liabilities	<u>97,951</u>	<u>103,490</u>	<u>103,616</u>
<b>TOTAL LIABILITIES</b>	<b>122,272</b>	<b>128,405</b>	<b>126,154</b>
DEFERRED INFLOWS OF RESOURCES	<u>1,007</u>	<u>1,100</u>	<u>537</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b><u>\$ 123,279</u></b>	<b><u>\$ 129,505</u></b>	<b><u>\$ 126,691</u></b>
<b>NET POSITION</b>			
Net Investment in capital assets	\$ 191,280	\$ 189,894	\$ 187,640
Restricted for debt service	7,667	8,697	8,684
Unrestricted	<u>71,893</u>	<u>63,345</u>	<u>50,983</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 270,840</u></b>	<b><u>\$ 261,936</u></b>	<b><u>\$ 247,307</u></b>

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017, 2016 AND 2015 (in thousands)**

**Condensed Schedule of Revenues, Expenses and Changes in Net Position  
Fiscal Years Ended August 31, 2017, 2016 and 2015**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>			
Water supply system	\$ 46,677	\$ 42,009	\$ 41,788
Cost reimbursable operations	13,287	12,608	13,140
<b>TOTAL OPERATING REVENUES</b>	<b>59,964</b>	<b>54,617</b>	<b>54,928</b>
<b>OPERATING EXPENSES</b>			
Operating and maintenance	39,565	38,518	37,764
Depreciation and amortization	8,362	8,279	7,244
<b>TOTAL OPERATING EXPENSES</b>	<b>47,927</b>	<b>46,797</b>	<b>45,008</b>
<b>OPERATING INCOME</b>	<b>12,037</b>	<b>7,820</b>	<b>9,920</b>
Total net non-operating revenues (expenses)	(3,133)	6,394	(3,322)
<b>INCOME BEFORE CONTRIBUTIONS</b>	<b>8,904</b>	<b>14,214</b>	<b>6,598</b>
Capital contributions	-	415	874
<b>CHANGE IN NET POSITION</b>	<b>8,904</b>	<b>14,629</b>	<b>7,472</b>
<b>NET POSITION, BEGINNING</b>	<b>261,936</b>	<b>247,307</b>	<b>239,835</b>
<b>NET POSITION, ENDING</b>	<b>\$ 270,840</b>	<b>\$ 261,936</b>	<b>\$ 247,307</b>

The Change in Net Position for Fiscal Years 2017, 2016, and 2015 was \$8,904, \$14,629 and \$7,472 respectively. The results of those changes are noted below.

**Operating Revenue**

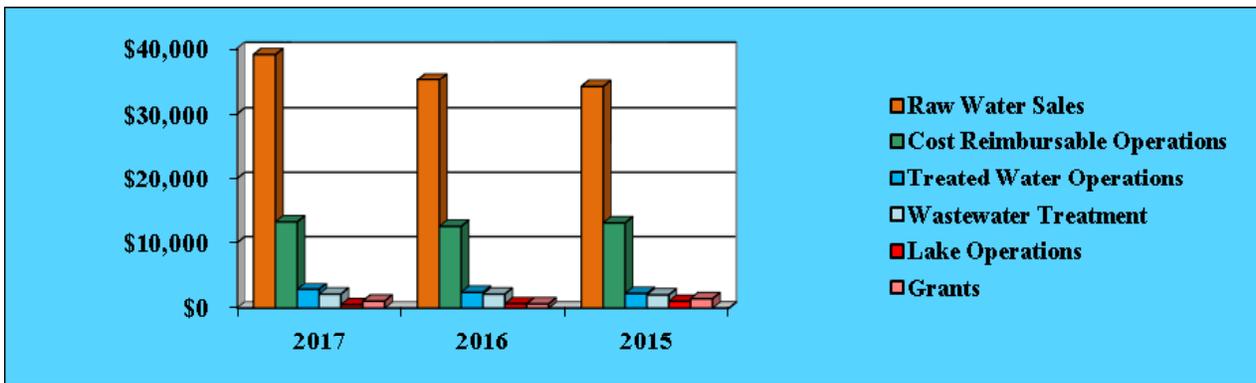
For Fiscal Year 2017, change in operating revenue increased over prior year, as a net result of three events: first, the rate charged for long term water and interruptible water contracts increased by 2.13% from \$70.50 per acre feet of water sold to \$72.00, resulting in additional revenue of \$481; second, two legacy contracts expired and the terms were renegotiated to the system rate, resulting in additional revenue of over \$3,645; and finally, the Cost Reimbursable Operations experienced higher revenues, \$679 over prior year, as a result of the decrease in rain experienced during the year in that area of the State. The decrease in rain resulted in a higher demand to move water through the Williamson County Regional Raw Water Line (WCRRWL).

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017, 2016 AND 2015 (in thousands)**

**Operating Revenue (continued)**

For Fiscal Year 2016, change in operating revenue decreased slightly over prior year, as a net result of four 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 \$441; second, the net results of increased interruptible water sales and other water contract changes of \$635; third, 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. The increase in rain resulted in a lower demand to move water through the WCRRWL.

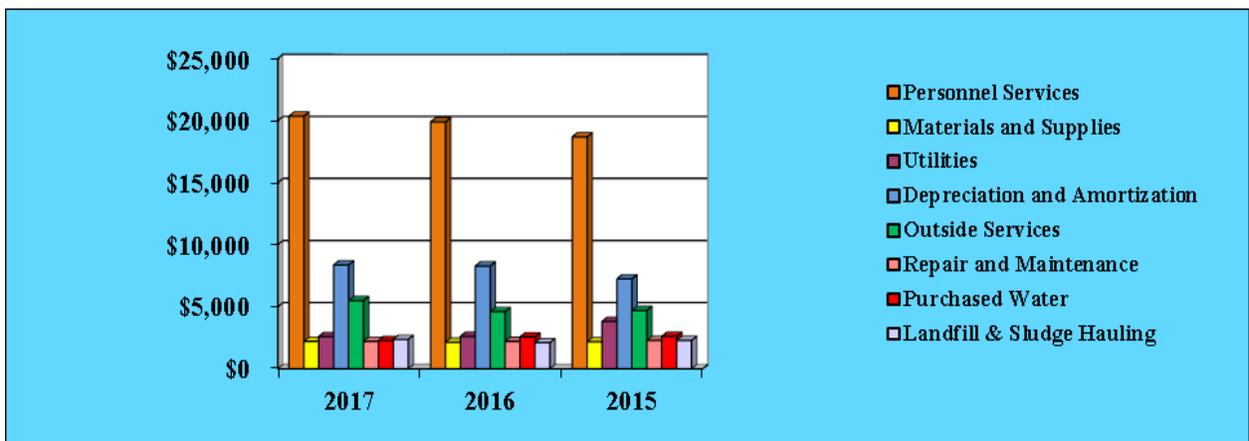
**LARGEST OPERATING REVENUES**



**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 experienced over the past two years. Depreciation expense also increased by a modest amount during the current year as a result of normal additions of capital assets purchased during the past year.

**LARGEST OPERATING EXPENSES**



**BRAZOS RIVER AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017, 2016 AND 2015 (in thousands)**

**Total Net Non-Operating Revenues (Expenses)**

For Fiscal Year 2017, the amount recorded as net non-operating expense was \$3,133. The majority of the non-operating expense represents the interest payments on the BRA’s debt, in the amount of \$4,020, net of the investment income of \$975, during the year.

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.

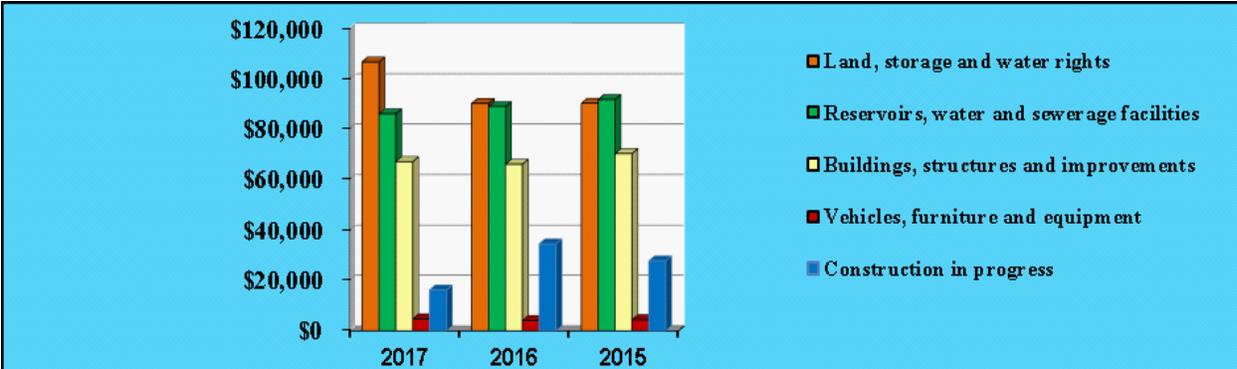
**Capital Assets and Outstanding Debt**

**Capital Assets** - The BRA’s capital assets, as of August 31, 2017, 2016 and 2015 totaled to \$281,401, \$284,433 and \$285,002, respectively, (net of accumulated depreciation and amortization). For Fiscal Years 2017, 2016, and 2015, the BRA continued its commitment to our customers and stakeholders to ensure the longevity of our capital assets. During Fiscal Year 2017, the BRA invested over \$4,258 on thirty-one capital improvement projects.

**Capital Assets  
(net of accumulated depreciation and amortization)  
August 31, 2017, 2016 and 2015**

	2017	2016	2015
Land, storage and water rights	\$ 106,893	\$ 90,233	\$ 90,262
Reservoirs, water and sewerage facilities	86,104	88,973	91,775
Buildings, structures and improvements	67,241	66,273	70,339
Vehicles, furniture and equipment	5,008	4,379	4,736
Construction in progress	16,155	34,575	27,890
<b>Total</b>	<b>\$ 281,401</b>	<b>\$ 284,433</b>	<b>\$ 285,002</b>

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

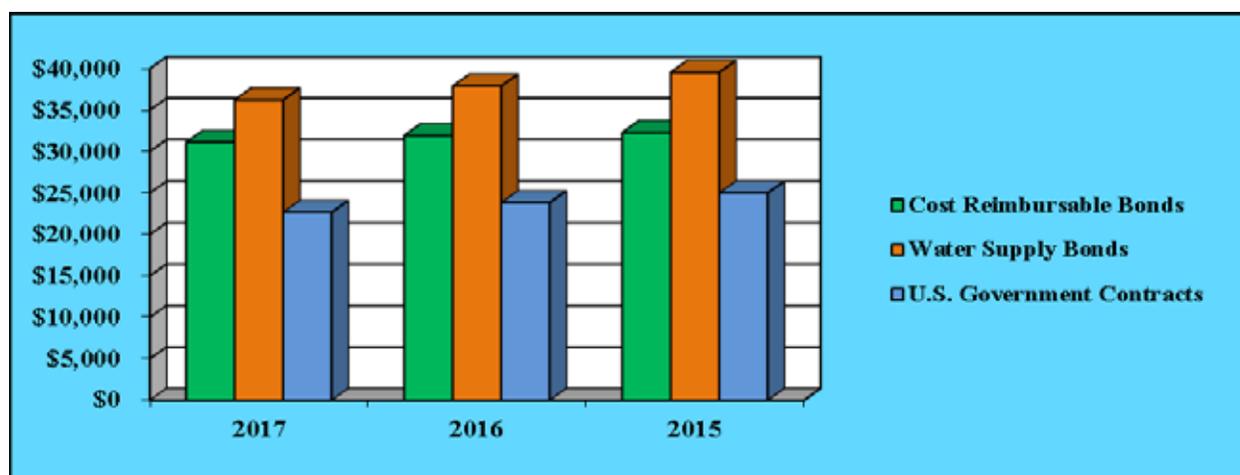


**BRAZOS RIVER AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017, 2016 AND 2015 (in thousands)**

**Outstanding Debt** – At the end of Fiscal Years 2017, 2016 and 2015 the BRA had total outstanding debt of \$89,973, \$93,646 and \$96,853, respectively. Of the Fiscal Year 2017 amount, 65% and 35% is reflected in Water Supply System and Cost Reimbursable Operations, respectively. There was no new debt issuances during the Fiscal Year 2017.

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* restructured 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 Years 2017, 2016 and 2015 are shown in the following table:

	2017	2016	2015
Accretion of interest on capital appreciation bonds	\$ 32	\$ 47	\$ 61
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	<u>(3,705)</u>	<u>(3,254)</u>	<u>(3,928)</u>
Decrease In Debt	<u>\$ (3,673)</u>	<u>\$ (3,207)</u>	<u>\$ (4,277)</u>

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

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2017, 2016 AND 2015 (in thousands)**

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## **Requests for Information**

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

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# *Basic Financial Statements*

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**AUGUST 31, 2017 and 2016 (in thousands)**

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
UNRESTRICTED:		
Cash and cash equivalents	\$ 50,335	\$ 18,273
Investments	42,060	65,648
Receivables:		
Accounts	2,727	1,705
Accrued interest	49	40
Other current assets	1,249	1,170
TOTAL UNRESTRICTED	<u>96,420</u>	<u>86,836</u>
RESTRICTED:		
Cash and cash equivalents	3,614	4,775
TOTAL RESTRICTED	<u>3,614</u>	<u>4,775</u>
TOTAL CURRENT ASSETS	<u>100,034</u>	<u>91,611</u>
NONCURRENT ASSETS :		
RESTRICTED:		
Cash and cash equivalents	1,394	529
Investments	5,633	6,457
Interest	9	6
TOTAL RESTRICTED	<u>7,036</u>	<u>6,992</u>
CAPITAL ASSETS:		
Land, storage and water rights	106,893	90,233
Reservoirs, water treatment and sewerage facilities	139,472	139,472
Building, structures and improvements	110,651	105,160
Vehicles, furniture and equipment	16,898	17,520
Construction in progress	16,155	34,575
TOTAL CAPITAL ASSETS	390,069	386,960
Less accumulated depreciation	(108,668)	(102,527)
NET CAPITAL ASSETS	<u>281,401</u>	<u>284,433</u>
OTHER NONCURRENT ASSETS:		
Capital appreciation bonds due from others	175	326
Other assets	1,671	1,756
TOTAL OTHER NONCURRENT ASSETS	<u>1,846</u>	<u>2,082</u>
TOTAL NONCURRENT ASSETS	<u>290,283</u>	<u>293,507</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on refunding	352	376
Pension plans	3,450	5,947
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,802</u>	<u>6,323</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 394,119</u>	<u>\$ 391,441</u>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**AUGUST 31, 2017 AND 2016 (in thousands)**

	2017	2016
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
PAYABLE FROM CURRENT ASSETS:		
Accounts payable	\$ 6,748	\$ 6,823
Contracts payable	1,194	1,160
Accrued interest	533	557
Unearned revenues	10,676	10,370
TOTAL PAYABLE FROM CURRENT ASSETS	<u>19,151</u>	<u>18,910</u>
PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest	1,483	1,493
Construction contracts payable	115	947
Revenue bonds payable	2,605	2,545
Unearned revenues	726	805
Other	241	215
TOTAL PAYABLE FROM RESTRICTED ASSETS	<u>5,170</u>	<u>6,005</u>
TOTAL CURRENT LIABILITIES	<u>24,321</u>	<u>24,915</u>
NONCURRENT LIABILITIES:		
Revenue bonds payable, net of current portion	65,269	67,930
Contracts payable, net of current portion	21,465	22,659
Net pension liability	10,086	11,711
Unearned revenues	316	360
Other liabilities	815	830
TOTAL NONCURRENT LIABILITIES	<u>97,951</u>	<u>103,490</u>
TOTAL LIABILITIES	<u>122,272</u>	<u>128,405</u>
DEFERRED INFLOWS OF RESOURCES - PENSION PLAN	<u>1,007</u>	<u>1,100</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 123,279</u>	<u>\$ 129,505</u>
NET POSITION:		
Net Investment in capital assets	\$ 191,280	\$ 189,894
Restricted for debt service	7,667	8,697
Unrestricted	71,893	63,345
TOTAL NET POSITION	<u>\$ 270,840</u>	<u>\$ 261,936</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 394,119</u>	<u>\$ 391,441</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, 2017 AND 2016 (in thousands)**

	2017	2016
OPERATING REVENUES:		
Water Supply System:		
Raw water sales	\$ 39,074	\$ 35,209
Treated water	2,862	2,388
Wastewater treatment	2,119	2,108
Lake operations	523	663
Grants	1,055	644
Other	1,044	997
Cost Reimbursable Operations:		
Water conveyance/supply	2,794	2,394
Water treatment	1,208	1,232
Wastewater treatment	9,285	8,982
TOTAL OPERATING REVENUES	<u>59,964</u>	<u>54,617</u>
OPERATING EXPENSES:		
Personnel services	20,346	19,881
Materials and supplies	2,198	2,130
Utilities	2,589	2,606
Depreciation and amortization	8,362	8,279
Outside services	5,489	4,610
Repair and maintenance	2,198	2,207
Landfill and sludge hauling	2,366	2,561
Purchased water	2,267	2,423
Other	2,112	2,100
TOTAL OPERATING EXPENSES	<u>47,927</u>	<u>46,797</u>
OPERATING INCOME	<u>12,037</u>	<u>7,820</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income	975	660
Interest expense	(4,020)	(4,167)
Other expenses	(153)	(371)
Net gain on sale of capital assets	65	10,272
TOTAL NET NON-OPERATING REVENUES ( EXPENSES)	<u>(3,133)</u>	<u>6,394</u>
INCOME BEFORE CONTRIBUTIONS	8,904	14,214
Capital contributions	-	415
CHANGE IN NET POSITION	8,904	14,629
NET POSITION, BEGINNING	<u>261,936</u>	<u>247,307</u>
NET POSITION, ENDING	<u>\$ 270,840</u>	<u>\$ 261,936</u>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FISCAL YEARS ENDED AUGUST 31, 2017 AND 2016 (in thousands)**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 59,373	\$ 60,606
Cash paid to suppliers for goods and services	(25,352)	(26,677)
Cash paid to employees for services	(13,575)	(13,170)
Net cash provided by operating activities	<u>20,446</u>	<u>20,759</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Cash paid for capital assets	(6,321)	(7,934)
Interest paid	(4,110)	(4,159)
Principal payments on long-term debt	(3,705)	(3,254)
Proceeds from disposal of capital assets	82	11,383
Capital contributions	-	415
Other	-	(77)
Net cash used in capital and related financing activities	<u>(14,054)</u>	<u>(3,626)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sales of investments	55,652	43,662
Purchases of investments	(31,241)	(53,639)
Interest received	964	650
Net cash used in investing activities	<u>25,375</u>	<u>(9,327)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>31,767</b>	<b>7,806</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		
(including \$5,304 and \$6,180, respectively, reported in restricted accounts)	<u>23,577</u>	<u>15,771</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		
(including \$5,008 and \$5,304, respectively, reported in restricted accounts)	<u>\$ 55,344</u>	<u>\$ 23,577</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 12,037	\$ 7,820
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,332	8,249
Amortization	30	30
Change in assets, liabilities and deferred inflows and outflows of resources:		
(Increase)/decrease in accounts receivable	(1,022)	775
Decrease in other current assets	68	290
Decrease in net pension asset	-	274
Increase/(decrease) in deferred outflows of resources	2,521	(3,418)
Decrease in accounts payable	(64)	(1,574)
Increase in unearned revenue and other liabilities	260	4,121
Increase/(decrease) in net pension liability	(1,624)	3,630
Increase/(decrease) in deferred inflows of resources	(92)	562
Total adjustments	<u>8,409</u>	<u>12,939</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 20,446</b>	<b>\$ 20,759</b>
<b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Amounts recorded for accretion on Capital Appreciation Bonds	\$ 32	\$ 47
Amounts recorded as accruals for Capital Assets	<u>\$ 1,951</u>	<u>\$ 1,962</u>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**AUGUST 31, 2017 AND 2016 (in thousands)**

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	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash	\$ 306	\$ 66
Investments	594	836
Accrued Interest	<u>1</u>	<u>1</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 901</u></b>	<b><u>\$ 903</u></b>
<b>LIABILITIES</b>		
Held for future debt service	<u>\$ 901</u>	<u>\$ 903</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 901</u></b>	<b><u>\$ 903</u></b>

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, 2017 AND 2016 (in thousands)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Agency Funds** - The BRA’s Agency Fund is created to act as a custodian for the Jonah Water Special Utility District for the facilitating of debt service 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 and Expense Recognition** – Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded in the period in which the liability is incurred. Revenue from grants and contracts are recorded as revenue when all eligibility requirements imposed by the provider are met and qualifying expenses have been incurred for reimbursement type grants and contracts.

**Deposits and Investments** - All cash in bank, money market accounts, non-participating certificates of deposit and highly liquid investments (including restricted assets) with original maturities of nine months or less when purchased are considered to be cash equivalents. All investments in debt securities are reported at fair value. All non-participating certificates of deposit with original maturities of more than nine months when purchased are considered to be investments and are carried at amortized cost. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants.

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State Statute and Board Policy authorize the BRA to invest any and all of its deposits in fully collateralized Certificates of Deposits (CD), 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 obligations of other political sub divisions of any State 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 fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operating expenses when that determination is made.

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

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

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

**Other Assets** - By agreement in 1988, the BRA amended a water contract with a utility company which provided for the sale of 162,000 acre feet of water per year through the year 2030. The amendment reduced the utility company's right to purchase water to 83,000 acre feet per year beginning January 1, 1989. As consideration for the 79,000 acre-feet reduction, the BRA (1) paid the utility company \$3,823 in 1988 and (2) reduced charges to the utility company by approximately \$350 per year beginning January 1, 1989. The BRA has sold the 79,000 acre-feet to various third parties under long-term water contracts. The balance of \$1,671 and \$1,756 at August 31, 2017 and 2016, respectively is included in other noncurrent assets and will be amortized against related revenues from such contracts over the contract lives.

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**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, 2017 and 2016 was \$706 and \$732, 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.

**2. DEPOSITS AND INVESTMENTS**

As of August 31, 2017 and 2016, the BRA had the following investments in non-participating bank certificates of deposit with Weighted Average Maturity (WAM):

Investment Type	2017		2016	
	Cost	WAM (Years)	Cost	WAM (Years)
Certificates of Deposit Total Value	\$ 47,693	0.23	\$ 72,105	0.54

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 two inputs are significant other observable inputs; level three inputs are significant unobservable inputs. For August 31, 2017 and 2016 all BRA investments were in non-participating CDs’ and are carried at cost plus accrued interest, which do not require categorization in the fair value hierarchy.

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**Credit Risk**

*Certificates of Deposit* - The BRA's adopted Investment Policy ("Policy") and State law restrict CDs to those which are fully collateralized or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor. The CDs 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 financial institution board or loan committee is required. By Policy, the CDs 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 high-risk mortgage obligation test or obligations of municipal entities of any state rated as to investment quality by a nationally recognized investment rating firm of not less than "A" or its equivalent or collateralized at 100% of principal and interest by a Letter of Credit issued or guaranteed by the U.S. Government, its agencies and instrumentalities. The financial institution is held contractually liable for maintaining the margin at all times. All pledged collateral is held by an independent custodian in the BRA's account. All CDs 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 financial institution doing business in Texas. They must be secured by a combination of cash and 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 or similar 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 flexible repurchase 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, 2017 or 2016.

*Money Market Mutual Funds* - The BRA's adopted Policy requires that SEC registered money market mutual funds be AAA-rated as to investment quality, 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.

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. The BRA had no money market mutual funds as of August 31, 2017 or 2016.

*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).

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**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) |

The BRA’s portfolio concentration are as follows:

<b>Description</b>	<b>August 31, 2017</b>		<b>August 31, 2016</b>	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Certificates of Deposits	\$47,693	46%	\$72,105	75%
Money Market Accounts	52,017	50%	14,376	15%
TexPool	5	0%	5	0%
Cash	3,321	3%	9,196	10%
	\$103,036	100%	\$95,682	100%

**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 current operating funds and five years in repair and replacement funds and operating reserve funds. Bond proceeds are to be matched to the planned expenditures of the funds. The Policy restricts the dollar WAM of current operating funds to less than 365 days. The maximum dollar WAM for repair and replacement funds is two years, for operating reserve funds is three years, and for debt service funds is one year.

Portfolio disclosure as of August 31, 2017 and 2016:

- The dollar WAM of the total portfolio was 84 days in 2017 and 196 days in 2016.
- The portfolio contained no structured securities and no mortgage backed securities.

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**Custodial Credit Risk**

To control custody risk, State law and the BRA's adopted Policy requires 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. Repurchase agreements and deposits must be collateralized to 102% by Policy and contract.

Portfolio disclosure as of August 31, 2017 and 2016:

- The portfolio contained 56 CDs in 2017 and 101 CDs in 2016 and all CDs are held in BRA's name.
- The portfolio contained no repurchase agreements.
- All financial institution demand deposits were fully insured and collateralized. All pledged financial institution collateral for demand deposits were held by an independent institution outside the financial institution'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.
- *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.

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The cash and cash equivalents, investments, and accrued interest components of each fund represented by restricted assets at August 31, 2017 and 2016 were as follows:

	2017			2016		
	Cash and Cash Equivalents	Investments	Accrued Interest	Cash and Cash Equivalents	Investments	Accrued Interest
<b>CURRENT RESTRICTED:</b>						
Water Supply System:						
Debt service funds	\$ 863	\$ -	\$ -	\$ 843	\$ -	\$ -
Bond proceeds funds	423	-	-	1,524	-	-
Water Supply System Total	<u>1,286</u>	<u>-</u>	<u>-</u>	<u>2,367</u>	<u>-</u>	<u>-</u>
Cost Reimbursable Operations:						
Debt service funds	2,328	-	-	2,408	-	-
Cost Reimbursable Operations Total	<u>2,328</u>	<u>-</u>	<u>-</u>	<u>2,408</u>	<u>-</u>	<u>-</u>
<b>TOTAL CURRENT RESTRICTED</b>	<u>\$ 3,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,775</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NONCURRENT RESTRICTED:</b>						
Water Supply System:						
Bond reserve funds	\$ -	\$ 1,421	\$ 3	\$ -	\$ 1,409	\$ 3
Repair and replacement funds	1,062	3,438	5	178	4,321	2
Other funds	331	275	-	349	229	-
Water Supply System Total	<u>1,393</u>	<u>5,134</u>	<u>8</u>	<u>527</u>	<u>5,959</u>	<u>5</u>
Cost Reimbursable Operations:						
Repair and replacement funds	1	499	1	2	498	1
Cost Reimbursable Operations Total	<u>1</u>	<u>499</u>	<u>1</u>	<u>2</u>	<u>498</u>	<u>1</u>
<b>TOTAL NONCURRENT RESTRICTED</b>	<u>\$ 1,394</u>	<u>\$ 5,633</u>	<u>\$ 9</u>	<u>\$ 529</u>	<u>\$ 6,457</u>	<u>\$ 6</u>

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**4. CAPITAL ASSETS**

A summary of changes in capital assets for August 31, 2017 follows:

<b>Classification</b>	<b>Balance at August 31, 2016</b>	<b>Additions and Transfers</b>	<b>Deletions and Transfers</b>	<b>Balance at August 31, 2017</b>
Capital assets, not being depreciated/amortized:				
Land, storage and water rights	\$ 90,233	\$ 16,660	\$ -	\$ 106,893
Construction in progress	<u>34,575</u>	<u>4,049</u>	<u>(22,469)</u>	<u>16,155</u>
Total capital assets, not being depreciated/amortized	<u>124,808</u>	<u>20,709</u>	<u>(22,469)</u>	<u>123,048</u>
Capital assets, being depreciated/amortized:				
Reservoirs, water treatment and sewerage facilities	139,472	-	-	139,472
Buildings, structures and improvements	105,160	5,532	(41)	110,651
Vehicles	2,979	441	(277)	3,143
Furniture	776	-	-	776
Computers	5,249	424	(1,605)	4,068
Tools and heavy equipment	<u>8,516</u>	<u>806</u>	<u>(411)</u>	<u>8,911</u>
Total capital assets, being depreciated/amortized	<u>262,152</u>	<u>7,203</u>	<u>(2,334)</u>	<u>267,021</u>
Total Capital Assets	<u>\$ 386,960</u>	<u>\$ 27,912</u>	<u>\$ (24,803)</u>	<u>\$ 390,069</u>
Less accumulated depreciation/amortization:				
Reservoirs, water treatment and sewerage facilities	\$ 50,499	\$ 2,869	\$ -	\$ 53,368
Buildings, structures and improvements	38,887	4,528	(5)	43,410
Vehicles	2,487	219	(219)	2,487
Furniture	746	7	-	753
Computers	3,841	343	(1,605)	2,579
Tools and heavy equipment	<u>6,067</u>	<u>396</u>	<u>(392)</u>	<u>6,071</u>
Total accumulated depreciation/amortization	<u>\$ 102,527</u>	<u>\$ 8,362</u>	<u>\$ (2,221)</u>	<u>\$ 108,668</u>
Net Capital Assets	<u>\$ 284,433</u>	<u>\$ 19,550</u>	<u>\$ (22,582)</u>	<u>\$ 281,401</u>

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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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**5. UNEARNED REVENUES**

Amounts collected from contracting parties relating to long-term contracts are recorded as noncurrent unearned revenues and are amortized to income over periods equal to the lives of the assets being used to provide services under the long-term contracts on a straight-line basis. Amounts collected in advance from contracting parties that do not yet meet the criteria for revenue recognition are recorded as current unearned revenues until eligible costs are incurred. Unearned revenues at August 31, 2017 and 2016 were as follows:

	2017		2016	
	Current Unearned Revenues	Noncurrent Unearned Revenues	Current Unearned Revenues	Noncurrent Unearned Revenues
<b>Unrestricted</b>				
Water Supply System:				
Lake Granbury	\$ 101	\$ -	\$ 264	\$ -
Lake Limestone	814	-	220	-
Possum Kingdom Lake	298	-	115	-
Federal Reservoirs	5,038	-	6,639	-
Other Water Supply System	133	-	349	-
Total Water Supply System	<u>6,384</u>	<u>-</u>	<u>7,587</u>	<u>-</u>
Cost Reimbursable Operations:				
Williamson County RRWL	1,126	316	487	360
Temple-Belton WWTP	937	-	669	-
Clute-Richwood RWS	383	-	251	-
Hutto WWS	867	-	446	-
Brushy Creek RWS	979	-	930	-
Total Cost Reimbursable Operations	<u>4,292</u>	<u>316</u>	<u>2,783</u>	<u>360</u>
Total Unrestricted	<u>\$ 10,676</u>	<u>\$ 316</u>	<u>\$ 10,370</u>	<u>\$ 360</u>
<b>Restricted</b>				
Cost Reimbursable Operations:				
Williamson County RRWL	\$ 726	\$ -	\$ 805	\$ -
Total Restricted	<u>\$ 726</u>	<u>\$ -</u>	<u>\$ 805</u>	<u>\$ -</u>

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**6. NONCURRENT LIABILITIES**

**Revenue Bonds Payable**

Revenue bonds payable consists of the following at August 31, 2017:

	<b>Balance at August 31, 2016</b>	<b>Additions</b>	<b>Retired</b>	<b>Balance at August 31, 2017</b>	<b>Amount Due Within One Year</b>
<i>Water Supply System:</i>					
Series 2002 State Participation Loan	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ -
Series 2009 Revenue Bonds	15,625	-	1,075	14,550	1,085
Series 2015 Revenue Bonds	16,270	-	610	15,660	640
Total Water Supply System	<u>\$ 37,895</u>	<u>\$ -</u>	<u>\$ 1,685</u>	<u>\$ 36,210</u>	<u>\$ 1,725</u>
<i>Cost Reimbursable Operations:</i>					
Series 1999 State Participation Loan	\$ 14,955	\$ -	\$ -	\$ 14,955	\$ -
Series 2000 Capital Appreciation Bonds	852	32	300	584	300
Series 2011 Revenue Bonds	16,125	-	560	15,565	580
Total Cost Reimbursable Operations	<u>\$ 31,932</u>	<u>\$ 32</u>	<u>\$ 860</u>	<u>\$ 31,104</u>	<u>\$ 880</u>
<i>Net (Premium)/Discount on revenue bonds payable</i>	<u>\$ 648</u>	<u>\$ -</u>	<u>\$ 88</u>	<u>\$ 560</u>	<u>\$ -</u>
<i>Total Net Revenue Bonds Payable</i>	<u><u>\$ 70,475</u></u>	<u><u>\$ 32</u></u>	<u><u>\$ 2,633</u></u>	<u><u>\$ 67,874</u></u>	<u><u>\$ 2,605</u></u>

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

	<b>Balance at August 31, 2015</b>	<b>Additions</b>	<b>Retired</b>	<b>Balance at August 31, 2016</b>	<b>Amount Due Within One Year</b>
<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>

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Revenue bonds payable at August 31, 2017 and 2016 are further detailed as follows:

***Water Supply System:***

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

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, 2017 and 2016, the BRA's coverage rate was 6.47 and 4.50, respectively. The BRA was in compliance with this bond covenant.

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, 2017 and 2016 the cumulative unamortized deferred outflows of resources amounted to \$352 and \$376, respectively. The deferred amount resulted from refunding of debt in 2011 and 2015.

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Annual requirements to retire revenue bonds outstanding including interest at August 31, 2017 are:

	<b>Water Supply System</b>		<b>Cost Reimbursable Operations</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 1,725	\$ 1,454	\$ 880	\$ 1,788
2019	1,765	1,415	879	1,786
2020	1,805	1,371	910	1,741
2021	1,855	1,323	1,810	1,699
2022	2,170	979	1,915	1,446
2023-2027	11,940	3,811	11,215	5,529
2028-2032	9,575	1,959	13,040	2,098
2033-2036	5,375	479	455	28
Total	<u>\$ 36,210</u>	<u>\$ 12,791</u>	<u>\$ 31,104</u>	<u>\$ 16,115</u>

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

	<b>Water Supply System</b>		<b>Cost Reimbursable Operations</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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	2,086	153
Total	<u>\$ 37,896</u>	<u>\$ 14,281</u>	<u>\$ 31,932</u>	<u>\$ 17,952</u>

**BRAZOS RIVER AUTHORITY**  
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**Contracts Payable** consists of the following at August 31, 2017:

	<b>Balance at August 31, 2016</b>	<b>Retired/ (Additions)</b>	<b>Balance at August 31, 2017</b>	<b>Amts Due Within One Year</b>
\$5,124 to acquire water conservation storage space in the Belton Reservoir; due in annual installments of principal and interest of \$170 through 2006 and \$126 from 2007 through 2024; interest at 2.50% to 2.54%	\$ 905	\$ 103	\$ 802	\$ 106
\$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%	252	29	223	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%	544	268	276	276
\$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%	2,454	198	2,256	204
\$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%	10,406	261	10,145	269
\$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%	4,529	138	4,391	142
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc; due in annual installments of principal only of \$10 to \$45 through 2020	180	45	135	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%	4,549	118	4,431	123
Total	<u>\$ 23,819</u>	<u>\$ 1,160</u>	<u>\$ 22,659</u>	<u>\$ 1,194</u>

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

	<b>Balance at August 31, 2015</b>	<b>Retired/ (Additions)</b>	<b>Balance at August 31, 2016</b>	<b>Amts Due Within One Year</b>
\$5,124 to acquire water conservation storage space in the Belton Reservoir; due in annual installments of principal and interest of \$170 through 2006 and \$126 from 2007 through 2024; interest at 2.50% to 2.54%	\$ 1,006	\$ 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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Annual requirements to retire contracts payable outstanding, including interest at August 31, 2017, were:

	<b>Contracts Payable</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2018	\$ 1,194	\$ 757	\$ 1,951
2019	946	722	1,668
2020	974	694	1,668
2021	959	664	1,623
2022	989	634	1,623
2023-2027	4,887	2,689	7,576
2028-2032	4,033	1,942	5,975
2033-2037	4,546	1,191	5,737
2038-2042	<u>4,131</u>	<u>391</u>	<u>4,522</u>
Total	<u>\$ 22,659</u>	<u>\$ 9,684</u>	<u>\$ 32,343</u>

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

	<b>Contracts Payable</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2017	\$ 1,160	\$ 791	\$ 1,951
2018	1,194	757	1,951
2019	946	722	1,668
2020	974	694	1,668
2021	959	664	1,623
2022-2026	4,903	2,848	7,751
2027-2031	4,143	2,086	6,229
2032-2036	4,498	1,349	5,847
2037-2041	4,332	541	4,873
2042	<u>710</u>	<u>23</u>	<u>733</u>
Total	<u>\$ 23,819</u>	<u>\$ 10,475</u>	<u>\$ 34,294</u>

**BRAZOS RIVER AUTHORITY**  
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**Other Noncurrent Liabilities** Other noncurrent liability activity for the year ended August 31, 2017 was as follows:

	Balance at August 31, 2016	Additions	Reductions	Balance at August 31, 2017	Amounts Due Within One Year
Unearned Revenues:					
WCRRWL	\$ 406	\$ -	\$ 45	\$ 361	\$ 45
Total	<u>\$ 406</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 361</u>	<u>\$ 45</u>
Other Liabilities:					
Hydroelectric	\$ 324	\$ 3	\$ -	\$ 327	\$ -
Trans TX Phase II	210	-	-	210	-
Compensated Absences	199	-	19	180	13
Other	111	-	-	111	-
Total	<u>\$ 844</u>	<u>\$ 3</u>	<u>\$ 19</u>	<u>\$ 828</u>	<u>\$ 13</u>

	Balance at August 31, 2015	Additions	Reductions	Balance at August 31, 2016	Amounts Due Within One Year
Unearned Revenues:					
WCRRWL	\$ 451	\$ -	\$ 45	\$ 406	\$ 45
Total	<u>\$ 451</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 406</u>	<u>\$ 45</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:

	2017	2016
Net capital assets	\$ 281,401	\$ 284,433
Deferred outflows of resources	352	376
Revenue bonds payable - current & noncurrent	(67,874)	(70,475)
Capital Appreciation Bonds due from others	175	326
Construction contracts payable	(115)	(947)
Contracts payable, current & noncurrent	<u>(22,659)</u>	<u>(23,819)</u>
Total Net Position of investment in capital assets	<u>\$ 191,280</u>	<u>\$ 189,894</u>

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**8. RETIREMENT PLANS**

The BRA contributes to two employee retirement systems, the Retirement Plan for Employees of Brazos River Authority and the Texas County and District Retirement System. As of August 31, 2017, the BRA had the following balances related to its pension accounts:

	BRA Plan	TCDRS Plan	2017 Total
Net Pension Liability	\$ 10,084	\$ 2	\$ 10,086
Deferred Outflows of Resources	\$ 1,187	\$ 2,263	\$ 3,450
Deferred Inflows of Resources	\$ -	\$ 1,007	\$ 1,007

	BRA Plan	TCDRS Plan	2016 Total
Net Pension Liability	\$ 11,656	\$ 55	\$ 11,711
Deferred Outflows of Resources	\$ 3,341	\$ 2,606	\$ 5,947
Deferred Inflows of Resources	\$ -	\$ 1,100	\$ 1,100

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

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**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.
- (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, 2017, and March 1, 2016, is composed of the following:

Group	2017	2016
Retirees and beneficiaries currently receiving benefits	129	119
Terminated Plan members entitled to but not yet receiving benefits	113	116
Deferred beneficiaries	3	3
Transferred Canal Division employees*	5	5
Active Plan members	96	106
Total	346	349

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

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**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, 2017 and March 1, 2016 were performed by Arthur J. Gallagher & Co. A copy of the assumptions used and methods of determining the actuarial determined contribution for the fiscal years commencing September 1, 2016 and 2015 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 29, 2016 and February 28, 2015.

**Net Pension Liability**

The BRA’s net pension liability was measured as of March 1, 2017 and March 1, 2016, 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 March 1, 2017 and March 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Actuarial Valuation Information</b>		
	<b>2017</b>	<b>2016</b>
Actuarial valuation date	March 1, 2017	March 1, 2016
Actuarial cost method	Entry age	Entry age
<b>Actuarial Assumptions</b>		
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).

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Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of February 28, 2017 and February 29, 2016 are summarized in the following tables:

**February 28, 2017**

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
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 29, 2016**

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>
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%

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.

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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:

<b>Brazos River Authority's Net Pension Liability</b>			
	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
February 28, 2017	\$ 13,272	\$ 10,084	\$ 7,373
February 29, 2016	\$ 15,034	\$ 11,656	\$ 8,811

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at August 31, 2016	\$ 30,382	\$ 18,726	\$ 11,656
Changes for the year:			
Service cost	105	-	105
Interest	1,892	-	1,892
Differences between expected and actual experience	689	-	689
Change in assumptions	(455)	-	(455)
Benefit payment, including refunds of employee contributions	(1,892)	(1,892)	-
Employer contributions	-	911	(911)
Net investment income	-	2,972	(2,972)
Administrative expenses	-	(80)	80
Net changes	339	1,911	(1,572)
Balances at August 31, 2017	\$ 30,721	\$ 20,637	\$ 10,084

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at August 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
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 August 31, 2016	\$ 30,382	\$ 18,726	\$ 11,656

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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. 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.

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

Pension expense:

For the years ended August 31, 2017 and 2016, the Employer GASB 68 pension expense and the components of the expense were as followed:

	2017	2016
Service cost	\$ 105	\$ -
Interest	1,892	1,894
Amortization of differences between expected and actual experience	543	405
Amortization of changes of assumptions	394	520
Projected earnings on pension plan investments	(1,182)	583
Amortization of differences between projected and actual earnings	120	(1,392)
Pension plan administrative expenses	80	81
Other	(457)	-
Total pension expense	<u>\$ 1,495</u>	<u>\$ 2,091</u>

Deferred outflows and deferred inflows of resources

For the years ended August 31, 2017 and 2016, the BRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

August 31, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 545	\$ -
Change in assumptions	78	-
Net differences between projected and actual earnings on pension plan investments	<u>564</u>	<u>-</u>
Total	<u>\$ 1,187</u>	<u>\$ -</u>

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Deferred outflows and deferred inflows of resources - continued

August 31, 2016	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	<u>2,472</u>	<u>-</u>
Total	<u>\$ 3,341</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, 2017		Year ended August 31, 2016	
2018	\$ 614	2017	\$ 1,158
2019	570	2018	716
2020	361	2019	749
2021	(358)	2020	718
2022	-	2021	-
Thereafter	<u>-</u>	Thereafter	<u>-</u>
Total	<u>\$ 1,187</u>	Total	<u>\$ 3,341</u>

**Texas County and District Retirement System:**

**Plan Description**

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

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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.

**Employees covered by the Plan**

Participation in the Plan, as of December 31, 2016 and December 31, 2015, is composed of the following:

Group	2016	2015
Retirees and beneficiaries currently receiving benefits	52	40
Terminated Plan members entitled to but not yet receiving benefits	84	84
Active Plan members	231	235
Total	367	359

**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 2017 and 2016 was 7.08% and 7.13% 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.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016 (in thousands)**

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**Net Pension Liability**

The BRA's net pension liability was measured as of December 31, 2016 and December 31, 2015, 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, 2016 and the December 31, 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Actuarial Valuation Information</b>		
	<b>2017</b>	<b>2016</b>
Actuarial valuation date	December 31, 2016	December 31, 2015
Actuarial cost method	Entry age	Entry age
<b>Actuarial Assumptions</b>		
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 2017 and January 2016 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.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016 (in thousands)**

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**Long-term Expected rate of return by Asset Class**  
**Based on January 2017 information for a 7 -10 year time horizon**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
US Equities	13.50%	4.70%
Private Equities	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities-Developed	10.00%	4.70%
International Equities-Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
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%

Discount rate

The discount rate used to measure the total pension liability was 8 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.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016 (in thousands)**

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:

	<b>TCDRS net pension liability/(net pension asset)</b>		
	Current		
	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
December 31, 2016	\$ 3,221	\$ 2	\$ (2,668)
December 31, 2015	\$ 2,911	\$ 55	\$ (2,309)

**Changes in the Net Pension Liability / (Asset)**

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability/(Asset) (a) - (b)</b>
Balances at August 31, 2016	\$ 19,485	\$ 19,430	\$ 55
Changes for the year:			
Service cost	1,921	-	1,921
Interest	1,641	-	1,641
Differences between expected and actual experience	(154)	-	(154)
Benefit payment, including refunds of employee contributions	(349)	(349)	-
Employer contributions	-	1,002	(1,002)
Member contributions	-	843	(843)
Net investment income	-	1,448	(1,448)
Administrative expenses	-	(16)	16
Other	-	184	(184)
Net changes	<u>3,059</u>	<u>3,112</u>	<u>(53)</u>
Balances at August 31, 2017	<u>\$ 22,544</u>	<u>\$ 22,542</u>	<u>\$ 2</u>

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability/(Asset) (a) - (b)</b>
Balances at August 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	<u>1,457</u>	<u>1,128</u>	<u>329</u>
Balances at August 31, 2016	<u>\$ 19,485</u>	<u>\$ 19,430</u>	<u>\$ 55</u>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016 (in thousands)**

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.

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

Pension expense:

For the years ended August 31, 2017 and 2016, the Employer GASB 68 pension expense and the components of the expense were as followed:

	2017	2016
Service cost	\$ 1,921	\$ 1,682
Interest	1,641	1,511
Member contributions	(843)	(827)
Effect of plan changes	-	(326)
Amortization of differences between expected and actual experience	(240)	(215)
Amortization of changes of assumptions	27	27
Projected earnings on pension plan investments	(1,640)	(1,557)
Amortization of differences between projected and actual earnings	492	454
Pension plan administrative expenses	16	14
Other *	(184)	24
Total pension expense	<u>\$ 1,190</u>	<u>\$ 787</u>

\* Relates to allocation of system-wide items.

Deferred outflows and inflows of resources:

For the years ended August 31, 2017 and 2016, the BRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

August 31, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16	\$ 1,007
Change in assumption	109	-
Net difference between projected and actual earnings on pension plan investments	1,457	-
BRA's contributions subsequent to the measurement date *	681	-
Total	<u>\$ 2,263</u>	<u>\$ 1,007</u>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016 (in thousands)**

Deferred outflows and deferred inflows of resources - continued

<b>August 31, 2016</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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>

\*For Fiscal Years ending August 31, 2017 and 2016, a total of \$681 and \$690 was contributed subsequent to the measurement date of the net pension liability, respectively. The amounts are recorded in deferred outflows of resources that will be recognized as a decrease in the net pension liability in the Fiscal Years ending August 31, 2018 and 2017 respectively.

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

<b>Year ended August 31, 2017</b>			<b>Year ended August 31, 2016</b>		
2018	\$	280	2017	\$	267
2019		280	2018		267
2020		220	2019		267
2021		(180)	2020		207
2022		(25)	2021		(192)
Thereafter		-	Thereafter		-
Total	<u>\$</u>	<u>575</u>	Total	<u>\$</u>	<u>816</u>

**9. FINANCING ARRANGEMENTS**

The BRA has an agreement with a company related to the issuance of tax-exempt debt that was used to provide for the construction of the specified capital improvements (pollution control and waste disposal facilities). The BRA charged the company an issuance fee based on the size of the bond issue, but has no liability for repayment of the debt. The company makes payments (in the form of installment purchase agreements) to the bond trustee in amounts sufficient to service the debt.

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

<b>Year Issued</b>	<b>Original Amount</b>	<b>Year of Maturity</b>	<b>Interest Rate %</b>	<b>Balance at August 31, 2017</b>
1997	50,000	2018	5.050	<u>\$ 50,000</u>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016 (in thousands)**

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The BRA has also entered into an inter-local agreement with a utility district (contracting party) for the issuance of tax-exempt debt for the benefit of the contracting party to provide for construction of sewerage treatment and water supply systems. The contracting party then makes payments to the BRA in amounts sufficient to service the debt.

The BRA has no liabilities for repayment of the bonds. The contracting party is liable for the repayments of the bonds and has pledged revenues from the project as security for the bondholders.

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

<b>Contracting Party</b>	<b>Date of Issue</b>	<b>Original Amount</b>	<b>Date of Maturity</b>	<b>Interest Rate</b>	<b>Balance at August 31, 2017</b>
Jonah Water SUD	2007	\$ 3,170	2009-2028	4.0% to 4.5%	\$ 2,045
Jonah Water SUD	2008	\$ 2,630	2010-2029	3.0% to 5.0%	1,835
Jonah Water SUD	2012	\$ 5,090	2015-2032	3.0% to 5.0%	4,435
Total					<u>\$ 8,315</u>

**10. COMMITMENTS & CONTINGENCIES**

**Deferred Compensation Plans**

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

All regular full-time and part-time employees who contribute to the 457 Deferred Compensation Plan are eligible for employer contributions to the 401(a) plan. The employer contribution is based on 50% of the employee's 457 semi-monthly deferral (maximum employer contribution is 3% of the employee's semi-monthly gross compensation). Employees are vested in the employer contribution and related investment earnings (losses) after completing five or more years of continuous BRA service. Non-vested employer contributions are deposited into the Mass Mutual Sagic Diversified Bond II II7 Fund until vesting occurs. Total deposits into the non-vested account for the twelve months ended August 31, 2017 and August 31, 2016 were \$18 and \$24, 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.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016 (in thousands)**

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**Other**

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

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

**Construction Projects**

The BRA has several construction contracts related to the capital improvement plan, approved by the Board of Directors. As of August 31, 2017 the BRA had approximately \$10,636 in open contract commitments, including change orders. The BRA has recorded construction in progress (CIP) related to these contracts totaling \$16,155. The following identifies some of those projects and selected details regarding the commitments.

Name	Construction In Progress at August 31, 2017	Total Project Budgeted Cost	Estimated Project Comp. Date
Graham Flood Control *	5,163	6,843	2018
DeCordova Bend Dam Low Flow Facility	3,855	4,116	2018
PK Dam Improvement Projects	1,675	7,171	2018+
Trinity Groundwater	2,684	20,817	2020
Lake Limestone Improvement Projects	1,354	23,369	2020+
Lake Granbury Improvement Projects	745	5,622	2018+
Allens Creek Reservoir	464	99,998	2024
Other	215	-	various
Total	<u>\$ 16,155</u>		

\* In late December 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 2018. 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 record an expense for the transfer of the \$5,163 balance in the CIP account.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016 (in thousands)**

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**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.

Prior to January 1, 2016, the BRA has maintained a partially self-insured plan for medical and dental beginning in 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 expenses 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:

<b>Fiscal Year Ended</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
August 31, 2015	\$ 444	\$ 3,816	\$ (3,933)	\$ 327
August 30, 2016	\$ 327	\$ 2,782	\$ (3,015)	\$ 94
August 30, 2017	\$ 94	\$ -	\$ (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.

**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 balances of those reserves at August 31, 2017 are represented as follows:

Working Capital Reserve	\$ 8,019
Contingency Reserve Fund	5,000
Self Insurance Fund	500
Rate Stabilization Reserve Fund	<u>63,750</u>
Total	<u>\$ 77,269</u>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016 (in thousands)**

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**13. RECENTLY ISSUED GASB STATEMENTS**

In March 2016, the GASB issued Statement No 82, *Pension Issues—an amendment of GASB Statement No. 67, No. 68 and No. 73*. The primary objective of this Statement is to address certain issues that have been raised with respect to the aforementioned Statements. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviation from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

In November 2016, the GASB issued Statement No 83, *Certain Asset Retirement Obligations*. The primary objective of this Statement is to provide financial statement users with information about Asset Retirement Obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No 84, *Fiduciary Activities*. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018.

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***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\***

	<u>2/28/2017</u>	<u>2/29/2016</u>	<u>2/28/2015</u>
Total pension liability			
Service cost	\$ 105	\$ -	\$ -
Interest	1,892	1,894	1,765
Differences between expected and actual experience	689	225	638
Change of assumptions	(455)	-	1,259
Benefit payment, including refunds of member contributions	<u>(1,892)</u>	<u>(1,713)</u>	<u>(1,656)</u>
Net change in total pension liability	339	406	2,006
Total pension liability --beginning	<u>30,382</u>	<u>29,976</u>	<u>27,970</u>
Total pension liability --ending (a)	<u>\$ 30,721</u>	<u>\$ 30,382</u>	<u>\$ 29,976</u>
Plan fiduciary net position			
Employer contributions	\$ 911	\$ 826	\$ 682
Net investment income	2,972	(2,201)	1,226
Benefit payment, including refunds of member contributions	(1,892)	(1,713)	(1,656)
Administrative expenses	<u>(80)</u>	<u>(81)</u>	<u>(79)</u>
Net change in plan fiduciary net position	1,911	(3,169)	173
Plan fiduciary net position -- beginning	<u>18,726</u>	<u>21,895</u>	<u>21,722</u>
Plan fiduciary net position -- ending (b)	<u>\$ 20,637</u>	<u>\$ 18,726</u>	<u>\$ 21,895</u>
BRA's net pension liability -- (a) - (b)	<u>\$ 10,084</u>	<u>\$ 11,656</u>	<u>\$ 8,081</u>
Plan fiduciary net position as a percentage of the total pension liability	67.18%	61.64%	73.04%
Covered - employee payroll	\$ 7,674	\$ 7,990	\$ 7,962
Net pension liability as a percentage of covered- employee payroll	131.40%	145.88%	101.49%

\* Fiscal Year 2015 was the first year of implementation of GASB 68, therefore, only three 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>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 1,921	\$ 1,682	\$ 1,615
Interest	1,640	1,511	1,296
Effect of plan changes	-	(326) <sup>(1)</sup>	-
Differences between expected and actual experience	(153)	(1,320)	32
Change of assumptions	-	164	-
Benefit payment, including refunds of member contributions	<u>(349)</u>	<u>(254)</u>	<u>(225)</u>
Net change in total pension liability	3,059	1,457	2,718
Total pension liability --beginning	<u>19,485</u>	<u>18,028</u>	<u>15,310</u>
Total pension liability --ending (a)	<u>\$ 22,544</u>	<u>\$ 19,485</u>	<u>\$ 18,028</u>
 Plan fiduciary net position			
Employer contributions	\$ 1,002	\$ 1,010	\$ 1,023
Member contributions	843	827	789
Net investment income	1,448	(418)	1,049
Benefit payment, including refunds of member contributions	(349)	(254)	(225)
Administrative expenses	(16)	(13)	(13)
Other	<u>184</u>	<u>(24)</u>	<u>6</u>
Net change in plan fiduciary net position	3,112	1,128	2,629
Plan fiduciary net position -- beginning	<u>19,430</u>	<u>18,302</u>	<u>15,673</u>
Plan fiduciary net position -- ending (b)	<u>\$ 22,542</u>	<u>\$ 19,430</u>	<u>\$ 18,302</u>
 BRA's net pension (asset) / liability -- (a) - (b)	<u>\$ 2</u>	<u>\$ 55</u>	<u>\$ (274)</u>
 Plan fiduciary net position as a percentage of the total pension liability	99.99%	99.72%	101.52%
 Covered - employee payroll	\$ 14,049	\$ 13,783	\$ 13,148
 Net pension (asset) / liability as a percentage of covered- employee payroll	0.02%	0.40%	-2.08%

\* Fiscal Year 2015 was the first year of implementation of GASB 68, therefore only three years are shown.(1) Reflects new annuity purchase rates applicable to all TCDRS eméoyers 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
2017	\$911,424	\$911,424	-	\$ 7,412,926	12.30%
2016	\$826,368	\$826,368	-	\$ 7,887,499	10.48%
2015	\$682,436	\$682,436	-	\$ 8,028,405	8.50%
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%

**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
2017	\$1,014,973	\$1,014,973	-	\$14,302,486	7.10%
2016	\$1,004,040	\$1,004,040	-	\$13,952,415	7.20%
2015	\$1,019,633	\$1,019,633	-	\$ 13,636,040	7.48%
2014	\$1,013,122	\$1,013,122	-	\$ 12,983,412	7.80%
2013	\$1,011,451	\$1,011,451	-	\$ 12,879,290	7.85%
2012	\$1,037,780	\$1,037,780	-	\$ 13,175,002	7.88%
2011	\$1,020,002	\$1,020,002	-	\$ 13,057,123	7.81%
2010	\$1,029,498	\$1,029,498	-	\$ 13,321,019	7.73%
2009	\$1,086,803	\$1,086,803	-	\$ 13,570,496	8.01%
2008	\$ 956,720	\$956,720	-	\$ 11,825,961	8.09%

**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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Actuarial cost method	Entry age method	Entry age 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, 2017 (in thousands)**

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	<b>Balance August 31, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance August 31, 2017</b>
<u>Jonah Water SUD Agency Fund</u>				
<b>ASSETS</b>				
Cash	\$ 66	\$ 1,780	\$ (1,540)	\$ 306
Investments	836	599	(841)	594
Accrued interest	1	7	(7)	1
<b>TOTAL ASSETS</b>	<u>\$ 903</u>	<u>\$ 2,386</u>	<u>\$ (2,388)</u>	<u>\$ 901</u>
<b>LIABILITIES</b>				
Held for future debt service	\$ 903	\$ 822	\$ (824)	\$ 901
<b>TOTAL LIABILITIES</b>	<u>\$ 903</u>	<u>\$ 822</u>	<u>\$ (824)</u>	<u>\$ 901</u>

**BRAZOS RIVER AUTHORITY**  
**SUPPLEMENTAL INFORMATION**  
**COMPARISON OF BUDGETED REVENUES AND EXPENSES TO ACTUAL**  
**(NON-GAAP BUDGETARY BASIS)**  
**YEAR ENDED AUGUST 31, 2017 (in thousands)**

	<b>2017</b>	<b>2017</b>	<b>Variance</b>	
	<b>Budget</b>	<b>Actual</b>		
<b>OPERATING REVENUES:</b>				
Water Supply System:				
Raw water sales	\$ 34,265	\$ 39,074	\$ 4,809	1
Treated water	2,113	2,862	749	
Wastewater treatment	2,270	2,119	(151)	
Lake operations	360	523	163	
Grants	513	1,055	542	
Other	653	1,044	391	
Cost Reimbursable Operations:				
Water conveyance	3,985	2,794	(1,191)	2
Water treatment	1,196	1,208	12	
Wastewater treatment	<u>12,272</u>	<u>9,285</u>	<u>(2,987)</u>	3
<b>TOTAL OPERATING REVENUES</b>	<u>57,627</u>	<u>59,964</u>	<u>2,337</u>	
<b>OPERATING EXPENSES:</b>				
Personnel services	22,251	20,346	1,905	4
Materials and supplies	2,706	2,198	508	
Utilities	3,999	2,589	1,410	5
Depreciation and amortization	-	8,362	(8,362)	6
Outside services	6,391	5,489	902	
Repair and maintenance	3,353	2,198	1,155	7
Landfill & sludge hauling	2,504	2,366	138	
Purchased water	2,269	2,267	2	
Other	<u>3,382</u>	<u>2,112</u>	<u>1,270</u>	8
<b>TOTAL OPERATING EXPENSES</b>	<u>46,855</u>	<u>47,927</u>	<u>(1,072)</u>	
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment income	455	975	520	
Interest expense	(4,360)	(4,020)	340	
Other expenses	-	(153)	(153)	
Gain on sale of capital assets	-	65	65	
Debt service - principal	<u>(3,445)</u>	<u>-</u>	<u>3,445</u>	9
<b>TOTAL NET NON-OPERATING REVENUES/ (EXPENSES)</b>	<u>(7,350)</u>	<u>(3,133)</u>	<u>4,217</u>	
<b>CHANGE IN NET ASSETS</b>	<u>\$ 3,422</u>	<u>\$ 8,904</u>	<u>\$ 5,482</u>	

- 1 Higher than expected interruptible water sales
- 2 Less water than anticipated 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 Cost savings across most departments, particularly in the unexpected repairs at the wastewater facilities
- 8 Budget column includes items subsequently reclassified to an asset for the preparation of the CAFR
- 9 Debt service principal payments are not GAAP expenditures

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# *Statistical Section*

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**BRAZOS RIVER AUTHORITY**  
**STATISTICAL SECTION**

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

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b> These schedules contain information to assist the reader in obtaining a better understanding of how the BRA's financial performance and well-being have changed over time.	92 - 94
<b>Revenue Capacity</b> These schedules contain information to assist the reader in obtaining a better understanding of the BRA's significant revenue sources, water sales and cost reimbursable operations.	95 - 99
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the BRA's current levels of outstanding debt, the BRA's ability to issue additional debt in the future, and to provide information to comply with the continuing disclosure requirements of SEC Rule 15c2-12.	100 - 103
<b>Demographic and Economic information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the BRA operates and the geographic regions the BRA manages, each with distinctive climate, topography and water needs.	104 - 110
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the BRA's financial report relates to the services the BRA provides and the activities it performs.	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			
	2017	2016	2015	2014
OPERATING REVENUES:				
Water Supply System:				
Raw water	\$ 39,074	\$ 35,209	\$ 34,133	\$ 31,420
Treated water	2,862	2,388	2,208	1,790
Wastewater treatment	2,119	2,108	1,992	2,095
Lake operations	523	663	1,025	934
Hydroelectric	-	-	-	-
Grants	1,055	644	1,419	988
Other	1,044	997	1,011	930
Cost Reimbursable Operations:				
Water conveyance	2,794	2,394	3,230	3,453
Water treatment	1,208	1,232	1,225	1,102
Wastewater treatment	9,285	8,982	8,685	8,316
<b>TOTAL OPERATING REVENUES</b>	<b>59,964</b>	<b>54,617</b>	<b>54,928</b>	<b>51,028</b>
OPERATING EXPENSES:				
Personnel services	20,346	19,881	18,675	17,693
Materials and supplies	2,198	2,130	2,168	2,101
Utilities	2,589	2,606	3,814	4,329
Depreciation and amortization	8,362	8,279	7,244	7,274
Outside services	5,489	4,610	4,697	4,572
Repair and maintenance	2,198	2,207	2,281	2,260
Landfill and sludge hauling	2,366	2,561	2,280	2,236
Purchased water	2,267	2,423	2,610	2,360
Other	2,112	2,100	1,239	1,028
<b>TOTAL OPERATING EXPENSES</b>	<b>47,927</b>	<b>46,797</b>	<b>45,008</b>	<b>43,853</b>
<b>OPERATING INCOME</b>	<b>12,037</b>	<b>7,820</b>	<b>9,920</b>	<b>7,175</b>
NON-OPERATING REVENUES (EXPENSES):				
Investment income	975	660	493	470
Interest expense	(4,020)	(4,167)	(4,367)	(4,283)
Other income (a)	-	-	-	-
Other expenses	(153)	(371)	(268)	(107)
Gain/(Loss) on sale of capital assets (b),(c),(d),(e)	65	10,272	820	(1,466)
<b>TOTAL NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>(3,133)</b>	<b>6,394</b>	<b>(3,322)</b>	<b>(5,386)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS &amp; SPECIAL ITEMS:</b>	<b>8,904</b>	<b>14,214</b>	<b>6,598</b>	<b>1,789</b>
CAPITAL CONTRIBUTIONS	-	415	874	479
SPECIAL ITEMS (f)	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<b>\$ 8,904</b>	<b>\$ 14,629</b>	<b>\$ 7,472</b>	<b>\$ 2,268</b>

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

2013	Restated 2012	2011	2010	Restated 2009	2008
\$ 31,915	\$ 32,795	\$ 33,672	\$ 28,640	\$ 29,529	\$ 26,093
1,588	2,019	1,623	1,571	1,232	1,022
3,585	3,424	3,335	3,285	3,012	2,989
1,638	1,739	2,095	4,492	3,243	3,181
-	-	-	-	514	631
800	902	778	1,552	1,578	1,264
867	1,149	1,103	927	1,466	1,356
3,557	3,826	3,037	1,853	3,235	2,346
994	7,052	8,938	8,221	8,953	8,174
7,892	7,631	7,860	8,045	7,733	7,827
<u>52,836</u>	<u>60,537</u>	<u>62,441</u>	<u>58,586</u>	<u>60,495</u>	<u>54,883</u>
15,540	16,054	15,740	16,615	16,355	15,271
2,206	2,598	2,990	2,769	3,011	2,613
3,792	4,267	4,981	4,506	5,121	4,836
9,297	8,745	9,376	9,789	9,905	8,804
4,578	3,426	4,372	5,422	4,525	4,993
2,638	3,175	2,655	2,122	2,035	1,896
2,355	3,251	2,529	2,289	2,140	2,355
2,361	2,360	2,291	2,156	2,094	1,969
1,123	1,132	1,088	1,012	1,048	805
<u>43,890</u>	<u>45,008</u>	<u>46,022</u>	<u>46,680</u>	<u>46,234</u>	<u>43,542</u>
<u>8,946</u>	<u>15,529</u>	<u>16,419</u>	<u>11,906</u>	<u>14,261</u>	<u>11,341</u>
592	1,074	1,223	891	1,329	2,187
(4,183)	(5,801)	(7,166)	(7,341)	(7,419)	(5,848)
-	-	-	-	-	4,125
(1,165)	(2,286)	(147)	(735)	(303)	(292)
<u>(547)</u>	<u>(11,117)</u>	<u>48,865</u>	<u>38</u>	<u>(107)</u>	<u>(391)</u>
<u>(5,303)</u>	<u>(18,130)</u>	<u>42,775</u>	<u>(7,147)</u>	<u>(6,500)</u>	<u>(219)</u>
3,643	(2,601)	59,194	4,759	7,761	11,122
892	1	636	1,203	1,035	661
-	(2,400)	-	-	-	-
<u>\$ 4,535</u>	<u>\$ (5,000)</u>	<u>\$ 59,830</u>	<u>\$ 5,962</u>	<u>\$ 8,796</u>	<u>\$ 11,783</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
8/31/2008	\$ 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
8/31/2017	\$ 191,280	\$ 7,667	\$ 71,893	\$ 270,840

- 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 PK 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, of 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	
	Acres	Avg Price	Feet	Acres	Avg Price	Feet	Acres	Avg Price	Feet	Acres	Avg Price	Feet	Acres	Avg Price	Feet	Acres	Avg Price	Feet	Acres	Feet
2008	243,481	54.50	9,990	39.75	103,838	16.59	33,583	17.52	21,528	67.73	18.18	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	16.10	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	16.42	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	16.10	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	15.46	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	18.36	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	12.30	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	11.04	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	12.61	180,447 a	12.61	669,294						
2017	371,422	72.00	10,285	50.40	98,999	17.25	33,778	18.96	25,000	79.72	18.58	97,000 b	18.58	636,484						

Source: Brazos River Authority Annual Operating Plan.

a - Twenty five thousand acre feet, consisting of a Utility Contract, expired and was contracted under a System Rate contract.

b - Eighty three thousand acre feet, consisting of a Utility Contract, expired and a portion was contracted under a System Rate contract.

**Note:** The BRA had 656,949 acre-feet of water committed under long-term contracts as of August 31, 2017. No additional water is currently available for contracting on a long-term basis.

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 2017			Fiscal Year 2016		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
City of Round Rock	\$ 8,496	14.17	City of Round Rock	\$ 9,303	16.94
City of Georgetown	5,561	9.27	City of Georgetown	5,333	9.71
Gulf Coast Water Authority	5,163	8.61	Gulf Coast Water Authority	4,929	8.97
Luminant (TXU/Oakgrove)	5,145	8.58	NRG Texas Power, LLC.**	3,375	6.14
City of Temple	3,066	5.11	City of Temple	3,114	5.67
NRG Texas Power, LLC.**	2,985	4.98	Dow Chemical Company	2,845	5.18
Bell County Water C.I.D. #1	2,960	4.94	City of Sugar Land	2,529	4.60
Dow Chemical Company	2,908	4.85	Luminant (TXU/Oakgrove)	2,216	4.03
City of Sugar Land	2,615	4.36	Bell County Water C.I.D. #1	1,981	3.61
Jonah Water S.U.D.	2,076	3.46	Jonah Water S.U.D.	1,612	2.94
	<b>\$ 40,975</b>	<b>68.33</b>		<b>\$ 37,237</b>	<b>67.79</b>

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

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

Fiscal Year 2011		
Customer	Revenues	% of Total Operating Revenues
City of Round Rock	\$ 7,167	11.48
Gulf Coast Water Authority	6,821	10.93
Johnson County S.U.D.*	5,611	8.99
City of Georgetown	4,968	7.96
NRG Texas Power, LLC.**	2,594	4.16
City of Temple	2,350	3.77
City of Sugar Land	1,994	3.19
Dow Chemical Company	1,928	3.09
Bell County Water C.I.D. #1	1,813	2.90
TXU Electric / Oakgrove	1,450	2.32
	<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 Water 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 Water C.I.D. #1	1,727	2.85
	<u>\$ 36,265</u> (1)	<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 Water C.I.D. #1	1,692	3.08
City of Sugar Land	1,622	2.96
	<u>\$ 32,134</u>	<u>58.54</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)**

<b>Fiscal Year 2017</b>		
<b>Customer</b>	<b>Revenues</b>	<b>% of Total WSS Revenues</b>
Gulf Coast Water Authority	\$ 5,163	11.17
Luminant (TXU/Oakgrove)	5,145	11.13
City of Round Rock	3,468	7.50
City of Georgetown	3,291	7.12
NRG Texas Power LLC *	2,985	6.46
Bell County Water C.I.D. #1	2,960	6.40
Dow Chemical Company	2,908	6.29
City of Sugar Land	2,615	5.66
City of Taylor	1,599	3.46
Jonah Water SUD	1,264	2.73
	<b>\$ 31,398</b>	<b>67.92</b>

<b>Fiscal Year 2016</b>		
<b>Customer</b>	<b>Revenues</b>	<b>% of Total WSS Revenues</b>
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
	<b>\$ 27,185</b>	<b>65.74</b>

<b>Fiscal Year 2015</b>		
<b>Customer</b>	<b>Revenues</b>	<b>% of Total WSS Revenues</b>
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
	<b>\$ 23,765</b>	<b>57.46</b>

<b>Fiscal Year 2014</b>		
<b>Customer</b>	<b>Revenues</b>	<b>% of Total WSS Revenues</b>
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
	<b>\$ 21,089</b>	<b>55.27</b>

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

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

Fiscal Year 2011			Fiscal Year 2010		
Customer	Revenues	% of Total WSS Revenues	Customer	Revenues	% of Total WSS Revenues
Gulf Coast Water Authority	\$ 6,821	16.02	City of Georgetown	\$ 3,489	8.62
City of Georgetown	3,582	8.41	City of Round Rock	3,062	7.57
City of Round Rock	3,301	7.75	NRG Texas Power, LLC.*	2,629	6.50
NRG Texas Power LLC *	2,594	6.09	Gulf Coast Water Authority	2,513	6.21
City of Sugar Land	1,998	4.69	Bell County Water C.I.D. #1	1,782	4.40
Dow Chemical Company	1,928	4.53	City of Sugar Land	1,743	4.31
Bell County Water C.I.D. #1	1,813	4.26	TXU Electric / Oakgrove	1,545	3.82
TXU Electric / Oakgrove	1,450	3.41	City of Taylor	1,262	3.12
City of Taylor	1,262	2.96	Texas Water Development Board	1,028	2.54
City of Cleburne	938	2.20	City of Cleburne	908	2.24
	<u>\$ 25,687</u> (1)	<u>60.32</u>		<u>\$ 19,961</u>	<u>49.33</u>

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

\*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		
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	
2022	750	387	1,160	241	1,910	628	2,538	29.99
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	
2027	875	260	1,310	92	2,185	352	2,537	64.37
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	
2032	1,015	118	-	-	1,015	118	1,133	89.24
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	<u>\$ 15,660</u>	<u>\$ 4,786</u>	<u>\$ 14,550</u>	<u>\$ 2,259</u>	<u>\$ 30,210</u>	<u>\$ 7,045</u>	<u>\$ 37,256</u>	

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 2009 AND SERIES 2015  
COVERAGE AND ACCOUNT BALANCES  
AUGUST 31, 2017 (unaudited) (in thousands)**

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Average Annual Principal and Interest Requirements, 2018 - 2035	\$ 2,070
Coverage of Average Requirements by August 31, 2017 Net Revenues	7.93
Maximum Principal and Interest Requirements, 2019	\$ 2,537
Coverage of Maximum Requirements by August 31, 2017 Net Revenues	6.47
System Revenue Bonds Outstanding, August 31, 2017	\$ 30,210
Interest and Sinking Account Balance, August 31, 2017	\$ 863 <sup>1</sup>
Reserve Account Balance, August 31, 2017 (Series 2009)	\$ 1,421 <sup>2</sup>

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

<sup>2</sup> At August 31, 2017, 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, 2017 (unaudited) (in thousands)**

	Fiscal Year Ended August 31				
	2017	2016	2015	2014	2013
Gross Revenues:					
Raw water	\$ 39,074	\$ 35,209	\$ 31,584	\$ 30,460	\$ 30,955
Treated water	2,862	2,388	2,208	1,790	1,588
Wastewater treatment	2,119	2,108	1,992	2,095	3,585
Lease income	523	663	1,024	934	1,638
Other	589	560	580	574	518
Interest	947	644	485	457	573
Grants	<u>1,055</u>	<u>644</u>	<u>1,419</u>	<u>988</u>	<u>800</u>
<b>TOTAL GROSS REVENUES</b>	<u><b>\$ 47,169</b></u>	<u><b>\$ 42,216</b></u>	<u><b>\$ 39,292</b></u>	<u><b>\$ 37,298</b></u>	<u><b>\$ 39,657</b></u>
Operation & Maintenance Expenses:					
Personnel services	\$ 16,202	\$ 15,889	\$ 14,990	\$ 13,825	\$ 12,969
Materials, supplies & services	1,420	1,310	1,377	1,275	1,417
Utilities	844	854	1,011	1,043	922
Outside services	4,542	3,732	3,901	2,973	3,937
Repair and maintenance	1,337	1,211	1,230	1,228	1,617
Landfill and sludge hauling	216	355	361	361	717
Purchased water	2,143	2,225	2,261	2,258	2,361
Other	795	1,624	1,634	3,348	1,636
Other non-operating	21	26	216	44	32
Program and project expenditures	599	919	299	48	232
Other debt service (1)	<u>2,638</u>	<u>2,638</u>	<u>2,834</u>	<u>2,232</u>	<u>2,232</u>
<b>TOTAL OPERATION &amp; MAINTENANCE</b>	<u><b>\$ 30,757</b></u>	<u><b>\$ 30,783</b></u>	<u><b>\$ 30,114</b></u>	<u><b>\$ 28,635</b></u>	<u><b>\$ 28,072</b></u>
<b>NET REVENUES AVAILABLE TO PAY DEBT SERVICE</b>	<u><b>\$ 16,412</b></u>	<u><b>\$ 11,433</b></u>	<u><b>\$ 9,178</b></u>	<u><b>\$ 8,663</b></u>	<u><b>\$ 11,585</b></u>
<b>DEBT SERVICE WATER SUPPLY SYSTEM BONDS</b>	<u><b>\$ 2,537</b></u>	<u><b>\$ 2,540</b></u>	<u><b>\$ 2,603</b></u>	<u><b>\$ 2,974</b></u>	<u><b>\$ 2,974</b></u>
<b>COVERAGE PERCENTAGE</b>	6.47	4.50	3.53	2.91	3.90

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

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

**BRAZOS RIVER AUTHORITY**  
**SCHEDULE OF DEBT BY TYPE (in thousands)**  
**LAST TEN FISCAL YEARS (unaudited)**

Fiscal Year	Water Supply Revenue Bonds	Contract Revenue Bonds (l)	US Army Corps of Engineers		Conduit Debt	
			Contracts Payable	Contracting Parties	Pollution Control	
2008	\$ 65,415	\$ 64,329	\$ 37,200	\$ 6,720	\$ 2,227,195	
2009	\$ 85,235 a	\$ 61,247	\$ 36,097	\$ 6,530	\$ 2,227,195	
2010	\$ 82,615	\$ 58,032	\$ 34,951	\$ 5,500	\$ 2,227,195	
2011	\$ 73,735 b	\$ 60,503 c	\$ 33,766	\$ 5,295	\$ 2,227,195	
2012	\$ 52,985 d	\$ 33,424 e	\$ 23,724 f	\$ 10,170 g	\$ 2,193,725	
2013	\$ 51,550	\$ 33,015	\$ 28,047	\$ 9,950	\$ 2,101,780	
2014	\$ 41,565 h	\$ 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 i	
2017	\$ 36,210	\$ 31,104	\$ 22,659	\$ 8,315	\$ 50,000	

a 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.

b 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.

c During FY 2011, the BRA issued the Brazos River Authority Contract Revenue and Refunding Bonds, Series 2011 (WCRRWL). 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 BRA'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.

d During FY 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.

e During FY 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.

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

g 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.

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

i With the reorganization of Texas Complete 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.

(l) 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, 2017 (unaudited)**

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

**Year created:** 1929  
**Domicile:** Waco, Texas  
**Last revision of Enabling Act:** 2001  
**Last revision of Bylaws:** 2015  
**Population of District:** 1,800,000 (TWDB)  
**Area of District:** 42,800 square miles  
**Brazos River**  
Total river miles: 840 miles  
Average discharge: 6,000,000 acre feet

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

**Number of employees:** 250 Full-time, 20 Part-time (per FY 2017 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
- Operations office - Hutto, Texas

**BRAZOS RIVER AUTHORITY  
 MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
 AUGUST 31, 2017 (unaudited)**

<b>Brazos River Authority Operating Statistics:</b> (water/wastewater treated in thousands of gallons)	<b>Years Ended August 31</b>	
	<b>2017</b>	<b>2016</b>
	Temple Belton Wastewater Treatment Plant	2,539,030
Sugar Land Regional Sewerage System	3,218,501	2,935,976
Brushy Creek Regional Wastewater System	6,671,116	6,316,423
Hutto Wastewater System	461,994	479,126
Clute/Richwood Regional Sewerage System	877,140	870,510
Sandy Creek Regional Water Treatment Plant	1,178,400	1,219,232
East Williamson County Water Treatment System	1,240,729	1,173,639
Doshier Farm Wastewater Treatment Plant	837,090	1,172,350

<b>Brazos River Authority Dams and Reservoirs:</b>	
<b>Possum Kingdom</b>	(TWDB Survey January 2005)
Capacity - 540,340 acre-feet	
Surface Area - 16,716 acres	
Elevation - 1,000.0 ft-msl	
Permitted Yield - 230,750 acre-feet	
<b>Limestone</b>	(TWDB Survey June 2014)
Capacity - 203,780 acre-feet	
Surface Area - 12,486 acres	
Elevation - 363.0 ft-msl	
Permitted Yield - 65,074 acre-feet	
<b>Granbury</b>	(TWDB Survey July 2016)
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, 2017 (unaudited)**

<b>U. S. Army Corps of Engineers Dams and Reservoirs</b>		
<b>Aquilla</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	43,293 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
<b>Belton</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	432,631 acre-feet	1,072,631 acre-feet
Surface Area	12,445 acres	23,915 acres
Elevation	594.0 ft-msl	631.0 ft-msl
Permitted Yield - 100,257 acre-feet		TWDB Survey October 2015
<b>Granger</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
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
<b>Georgetown</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	38,068 acre-feet	131,793 acre-feet
Surface Area	1,307 acres	3,220 acres
Elevation	791.0 ft-msl	834.0 ft-msl
Permitted Yield - 13,610 acre-feet		TWDB Survey December 2015
<b>Proctor</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	54,760 acre-feet	314,740 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 June 2014
<b>Somerville</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	147,100 acre-feet	494,500 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 June 2012
<b>Stillhouse Hollow</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	229,881 acre-feet	624,581 acre-feet
Surface Area	6,429 acres	11,830 acres
Elevation	622.0 ft-msl	666.0 ft-msl
Permitted Yield - 67,768 acre-feet		TWDB Survey December 2015
<b>Waco</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
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
<b>Whitney</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	554,203 acre-feet	1,926,673 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

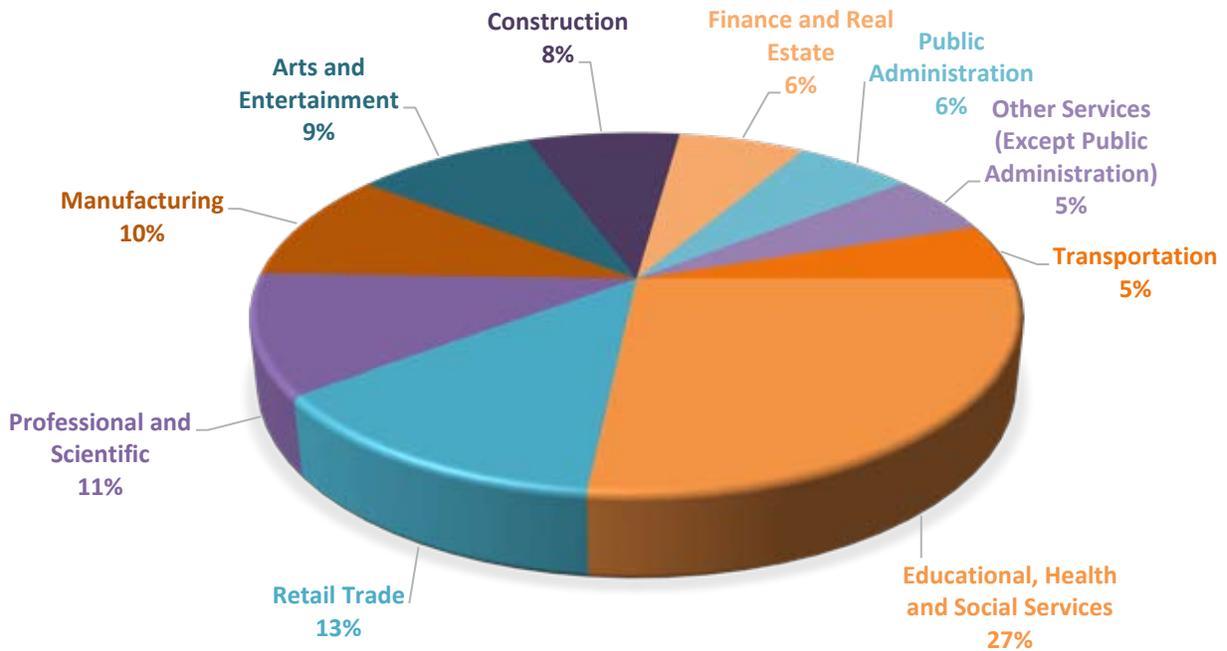
Source: Brazos River Authority Water Services Department

**BRAZOS RIVER AUTHORITY  
 MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
 AUGUST 31, 2017 (unaudited)**

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**Brazos Basin Geographic Area  
 Ten Largest Industries**

<b>Industry</b>	<b>Number of Entities in Category</b>
Educational, Health and Social Services	376,345
Retail Trade	184,117
Professional and Scientific	151,056
Manufacturing	139,252
Arts and Entertainment	127,813
Construction	108,623
Finance and Real Estate	90,007
Public Administration	82,980
Other Services (Except Public Administration)	76,804
Transportation	72,093

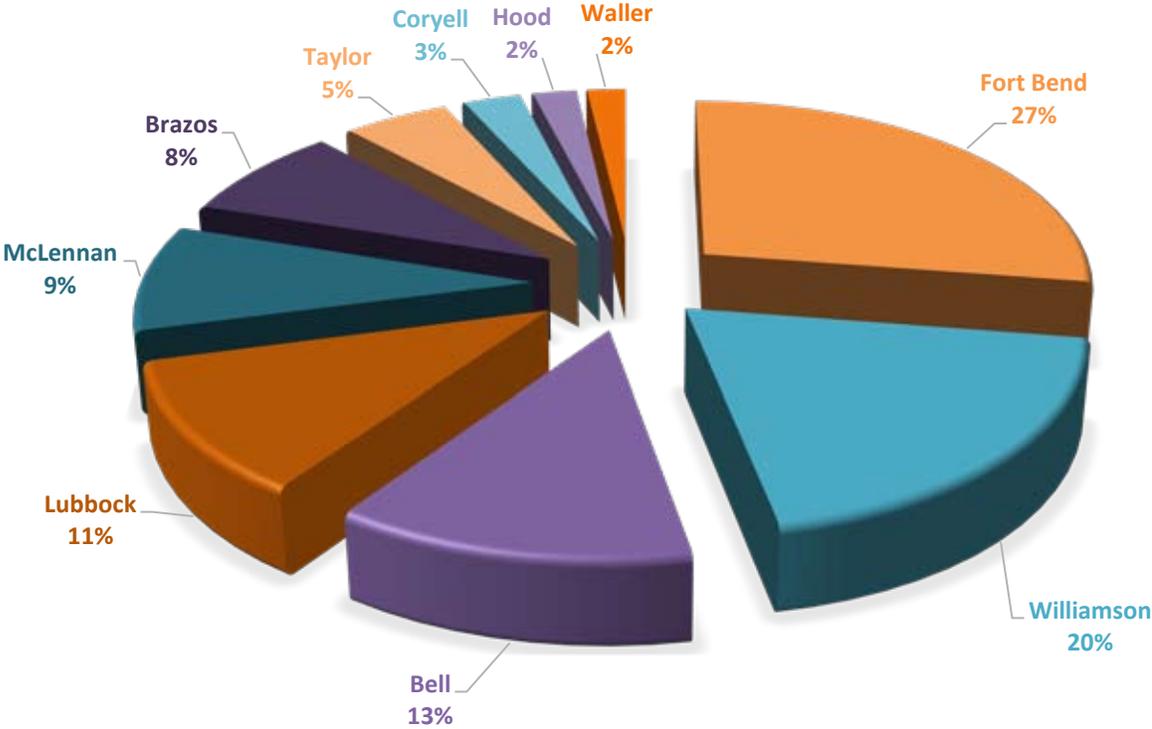


Source: U.S. Census Bureau, 2011-2015 5-year American Community Survey

**BRAZOS RIVER AUTHORITY  
 MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
 AUGUST 31, 2017 (unaudited)**

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

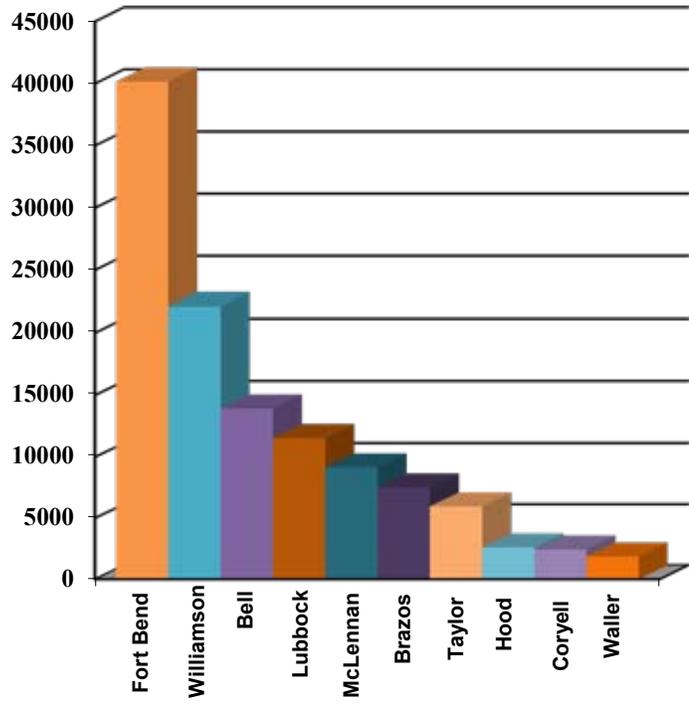
County	Population
Fort Bend	741,237
Williamson	528,718
Bell	340,411
Lubbock	303,137
McLennan	247,934
Brazos	220,417
Taylor	136,535
Coryell	74,686
Hood	56,857
Waller	50,115



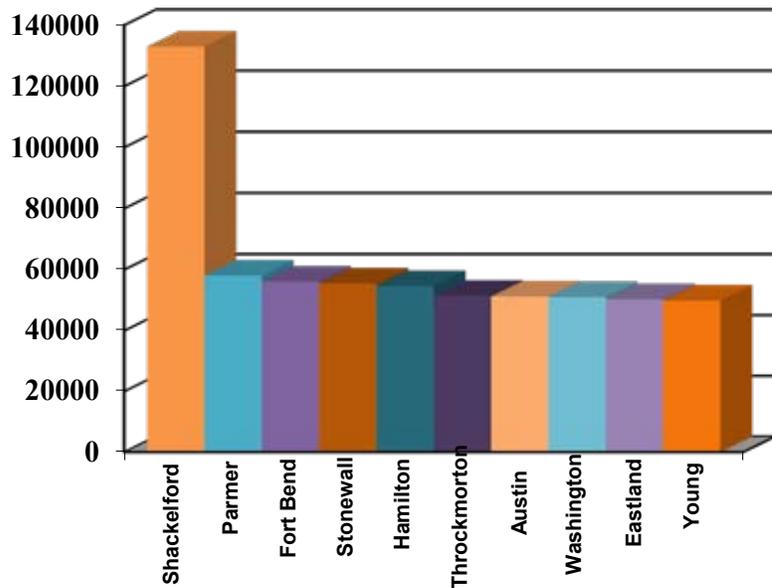
Source: U.S. Census Bureau, Annual Estimate of the Resident Population as of July 1, 2016

**BRAZOS RIVER AUTHORITY  
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
AUGUST 31, 2017 (unaudited)**

<b>County (Top Ten)</b>	<b>Total Personal Income (in millions)</b>
Fort Bend	40,162
Williamson	22,119
Bell	13,925
Lubbock	11,546
McLennan	9,154
Brazos	7,519
Taylor	5,967
Hood	2,610
Coryell	2,441
Waller	1,867



<b>County (Top Ten)</b>	<b>Total Per Capita (in thousands)</b>
Shackelford	132,989
Parmer	58,088
Fort Bend	56,086
Stonewall	55,528
Hamilton	54,640
Throckmorton	51,480
Austin	51,260
Washington	51,080
Eastland	50,345
Young	49,954

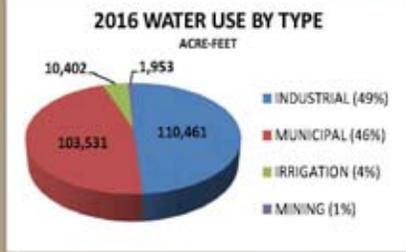


Source: Bureau of Economic Analysis, Updated November 2016

**BRAZOS RIVER AUTHORITY  
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION  
AUGUST 31, 2017 (unaudited)**

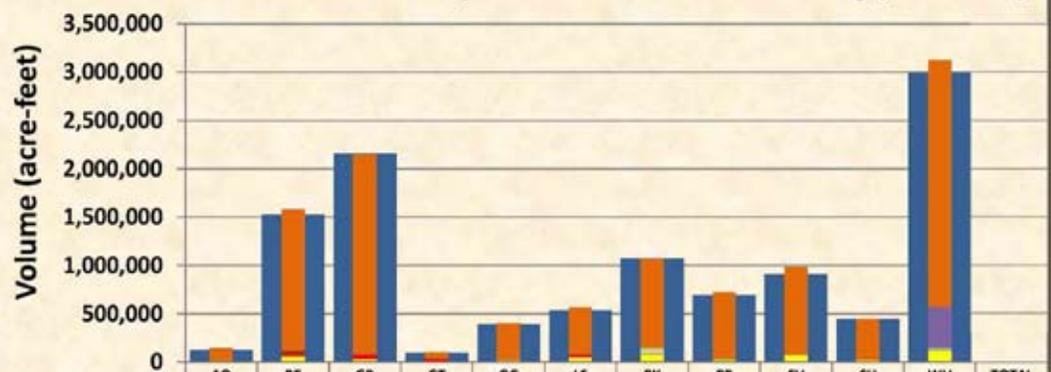
**Brazos River Authority 2016  
Customer Water Use and  
Reservoir Accounting Summary**

**2015 TOTAL WATER USE  
226,348 Acre-Feet**



- 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

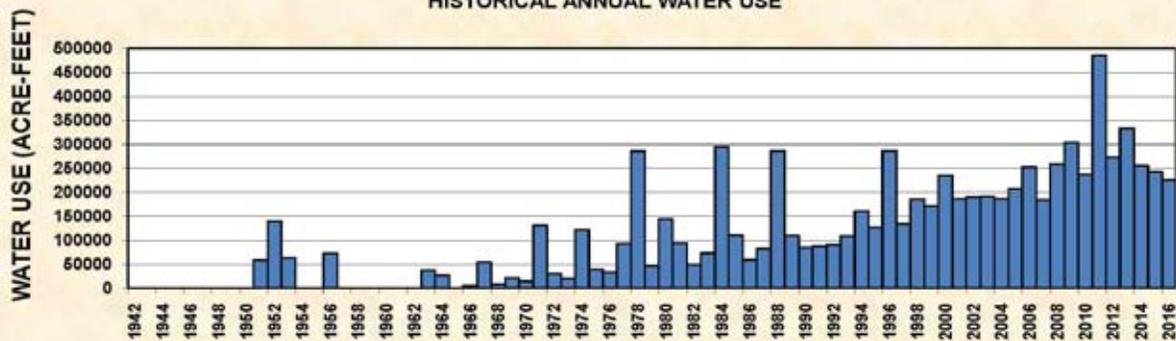
**Brazos River Authority 2016 Reservoir Accounting (acre-feet)**



	AQ	BE	GB	GT	GG	LS	PK	PR	SV	SH	WH	TOTAL
Inflow	128,403	1,525,960	2,153,548	98,271	392,134	536,155	1,074,225	693,671	906,845	446,936	2,990,601	10,946,750
Pumped in from Stillhouse				0								0
Flood Release	125,800	1,462,550	2,058,602	61,385	375,523	474,177	921,557	689,518	909,848	406,804	2,549,655	10,035,419
Pumped out to Georgetown										0		0
Balancing Release to GB							0					0
Hydro Electric Release											432,653	432,653
Undedicated Release (Leakage and/or Environmental Release)*	724	1,678	3,335			3,456	52,459		724	706	12,843	75,925
Undedicated Release used for Water Supply		13,180	263			970	1,459			18	5,257	21,147
Water Supply Release**		3,236						2,081				5,316
Lakeside Water Use	3,155	38,874	53,693	34,079	3,961	31,729	5,427	2,890	2,567	7,758	1,069	185,202
Evaporation	17,319	61,957	33,931	5,097	22,157	54,878	85,176	27,870	68,911	30,560	127,471	535,326

\* Leakage has not been quantified by the US Army Corp of Engineers for Lakes Georgetown, Granger and Proctor.  
 \*\*12,500 acre-feet of the 16,416 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-feet is not reflected in BRA's water use total for 2016.  
 \*\*\*27,183 acre-feet of water used under NRG's BRA contract was pumped at their downstream pumping point near the City of Richmond under the BRA'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 (185,202 acre-feet) + Water Supply Release (5,316 acre-feet) + Undedicated Release used for Water Supply (21,147 acre-feet) - Temple Water Right (12,500 acre-feet) + Excess Flows (27,183 acre-feet)] = Total 2016 BRA Water Use (226,348 acre-feet)

**HISTORICAL ANNUAL WATER USE**



**BRAZOS RIVER AUTHORITY**  
**SCHEDULE OF CAPITAL ASSETS – NET ADDITIONS/ (DELETIONS) BY OPERATIONS**  
**AUGUST 31, 2017 (unaudited) (in thousands)**  
**(accrual basis of accounting)**

**Last Ten Fiscal Years**

Year	Water Supply	SWATS	WCRRWL	TBRSS	BCRWS	Hutto	Sandy Creek	Clute-Richwood	Total
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)
2017	21,470	-	-	-	59	-	-	-	21,529
	\$ 96,149	\$ (18,842)	\$ 5,292	\$ (714)	\$ (227)	\$ (11)	\$ 8	\$ (139)	\$ 81,516

**BRAZOS RIVER AUTHORITY**  
**SCHEDULE OF CAPITAL ASSETS – NET ADDITIONS/ (DELETIONS) BY CLASSIFICATION**  
**AUGUST 31, 2017 (unaudited) (in thousands)**  
**(accrual basis of accounting)**

**Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Land, storage and water rights	\$ -	\$ -	\$ -	\$ (73)	\$ (630)	\$ (550)	\$ (542)	\$ 278	\$ (29)	\$ 16,660	\$ 15,114
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	24,450	17,386	1,150	(278)	(12,594)	24,490	(3,543)	(13,542)	(10)	5,491	43,000
Vehicles, furniture and equipment	1,067	1,217	584	(12,299)	(772)	1,811	(1,142)	1,492	(489)	(622)	1,847
<b>Total</b>	<b>\$ 33,352</b>	<b>\$ 20,514</b>	<b>\$ 1,734</b>	<b>\$ 5,002</b>	<b>\$ (32,486)</b>	<b>\$ 30,283</b>	<b>\$ 329</b>	<b>\$ 1,748</b>	<b>\$ (489)</b>	<b>\$ 21,529</b>	<b>\$ 81,516</b>

**BRAZOS RIVER AUTHORITY  
SCHEDULE OF INSURANCE  
AS OF AUGUST 31, 2017 (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	10/1/2016 10/1/2017
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	10/1/2016 10/1/2017
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	10/1/2016 10/1/2017
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	10/1/2017
Fiduciary and Employee Benefits	Great American Insurance	MEP4387691	Annual Aggregate Per Occurrence Deductible: \$10,000	\$5,000,000 \$5,000,000	12/31/2016 12/31/2017
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	10/1/2016 10/1/2017
Marine and Hull/ Mobile Equipment	Texas Municipal League	1970-14	Coverage for Boats, Motors and Mobile Equipment Deductible: \$10,000	\$6,017,471	10/1/2016 10/1/2017
Law Enforcement Liability	Texas Municipal League	1970-14	Each Occurrence Annual Aggregate Deductible: \$2,500	\$5,000,000 \$10,000,000	10/1/2016 10/1/2017
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	10/1/2016 10/1/2017

**BRAZOS RIVER AUTHORITY  
SCHEDULE OF INSURANCE  
AS OF AUGUST 31, 2017 (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	10/1/2016 10/1/2017
Public Officials Bond	Insurors of Texas	CMB-06-0005836	Treasurer's Bond Deductible - None	\$100,000	4/18/2017 4/18/2018
Public Officials Bond	Insurors of Texas/ C N A Surety Group	71252612	Board of Director's Bond Deductible - None	\$105,000	5/10/2017 5/10/2018
Peace Officer Bond	Insurors of Texas/ Hartford Insurance Group	46BSBAE6365	Peace Officer Bond Deductible - None	\$15,000	2/1/2017 2/1/2018
Travel Accident	Insurors of Texas/ Hartford Life	ETB-4333	Aggregate for Hazard Excludes Personal Aircraft Deductible - None	\$5,000,000	11/1/2016 11/1/2017
Workers' Compensation	Texas Water Conservation Association	99	Self-insured for first \$ 50,000 per occurrence	Aggregate Deduct \$150,000	9/1/2016 8/31/2017

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

	<b>Full-Time Equivalent Employees Per Annual Operating Plan</b>									
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Upper Basin										
Management	4	4	4	4	4	4	4	4	4	4
Possum Kingdom	42	44	48	48	51	51	53	54	57	57
SWATS (a)	0	0	0	0	0	18	18	18	17	15
Lake Granbury	15	15	15	15	15	14	12	12	12	12
Central Basin										
Management & Lab	24	24	24	25	24	25	23	21	23	20
Temple-Belton WWTP	16	16	17	10	10	10	10	11	10	10
Brushy Creek RWS	17	17	17	17	17	17	17	17	16	13
Georgetown WWTP (a)	0	0	0	8	8	8	8	9	8	7
Sandy Creek WTP	4	4	4	5	5	5	5	5	6	6
Hutto WWS	2	2	0	0	0	0	0	0	0	1
East Williamson RWS	6	6	6	6	6	5	5	5	5	4
Lower Basin										
Management	0	0	0	0	0	0	4	4	4	4
Lake Limestone	11	10	10	10	9	9	9	9	9	9
SLRSS	10	10	10	10	10	10	10	11	11	11
Clute	4	4	4	4	4	4	4	4	4	4
Liberty Hill	0	0	0	1	1	1	1	1	1	1
Central Office										
General Administration	2	2	3	3	3	4	4	4	4	4
Legal Services	4	4	4	4	4	4	4	4	4	4
Financial Services	15	15	15	15	17	17	17	17	17	17
Human Resources	5	5	5	4	4	4	4	4	4	4
Gov. Cus. Relations	7	7	7	7	7	7	7	7	7	6
Information Technology	14	14	14	13	13	12	12	12	12	12
Planning & Development	2	2	2	1	1	1	1	1	1	1
Strategic Planning	0	0	0	2	2	2	2	2	3	2
Technical Services	46	43	41	41	40	40	42	37	40	37
	<u>250</u>	<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>

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

Source: Brazos River Authority Annual Operating Plan

***Back Cover: Photo by David Coston, Lake Ranger, Possum Kingdom Lake***

The ***Great Egrets*** are tall, slender, elegant, long-legged wading birds with S-curved necks and dagger-like bills. When in flight, their long neck is tucked in and their legs extended beyond the tip of the short tail. They wade in shallow water, both fresh and salt, to hunt for fish, frogs and other aquatic animals. Typically, they will stand still and wait for unsuspecting prey to pass by. Then they strike with lightening speed with their long neck and bill. The Great Egrets nests high in trees away from predators such as racoons. The male builds the nest from long sticks and twigs before pairing up with a female. The nest is approximately three feet across and one foot deep and is not reused year after year. The dominant chicks sometimes stab the youngest chicks to death and will also threaten and attack intruders. Egrets are the symbol of the National Audubon Society, the oldest environmental organization in North America. During breeding season, a patch of skin on its face turns neon green and long plumes called aigrettes grows from its back. These plumes once adorned the hats of nineteenth century ladies. Great Egrets fly slowly and powerful. Their cruising speed is approximately 25 miles per hour with only two wing beats per second. The oldest known Great Egret was 22 years, 10 months.

The ***Snowy Egret*** is the medium sized bird of the heron family with long, thin legs, long slender black colored bills, long thin neck, black legs and yellow feet. They may be seen standing still waiting for their prey or sometimes are more animated running back and forth through the water with their wings spread chasing their prey. Snowy Egrets have been known to mate with other heron species such as the Tricolored Herons, Little Blue Herons and Cattle Egrets to produce a hybrid offspring. At the height of the breeding season, their feet turn to an orange-yellow hue and the bare skin on their face goes from yellow to reddish. They nest in colonies in the top or outer branches of a woody vine, shrub or tree in isolated areas such as barrier islands, salt marsh islands, marshes and freshwater swamps. The male starts working on the nest before finding a mate then the female takes over and ends up doing most of the nest building with the materials supplied by the male. The nests are approximately 14 to 18 inches across and eight to thirteen inches high. They eat mostly aquatic animals, including fish, frogs, worms, crustaceans and insects.

*Information regarding indigenous birds of the Brazos River basin included in this publication was obtained from the following websites:*

*Cornell Lab of Ornithology (2017) - Retrieved from various pages <https://www.allaboutbirds.org>*

*National Audubon Society (2017) - Retrieved from various pages <https://www.audubon.org>*

**BOAT LAUNCHING  
DOCKING AREA**  
SWIMMING / FISHING BY  
DOCK OR RAMP PROHIBITED  
ONLY BOATS UNLOADING OR  
LOADING MAY SECURE TO DOCK  
15 Minutes Max



Brazos River Authority  
P.O. Box 7555 - Waco, TX 76710  
[www.brazos.org](http://www.brazos.org)