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# *The Brazos River Authority*

*A River Authority of the State of Texas*

## **CELEBRATING 90 YEARS**

1929 - 2019



*Comprehensive Annual Financial Report  
For the Fiscal Years Ended August 31, 2019 and 2018*

*Prepared by the Finance and Administration Department*



**BRAZOS RIVER AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED AUGUST 31, 2019 and 2018**

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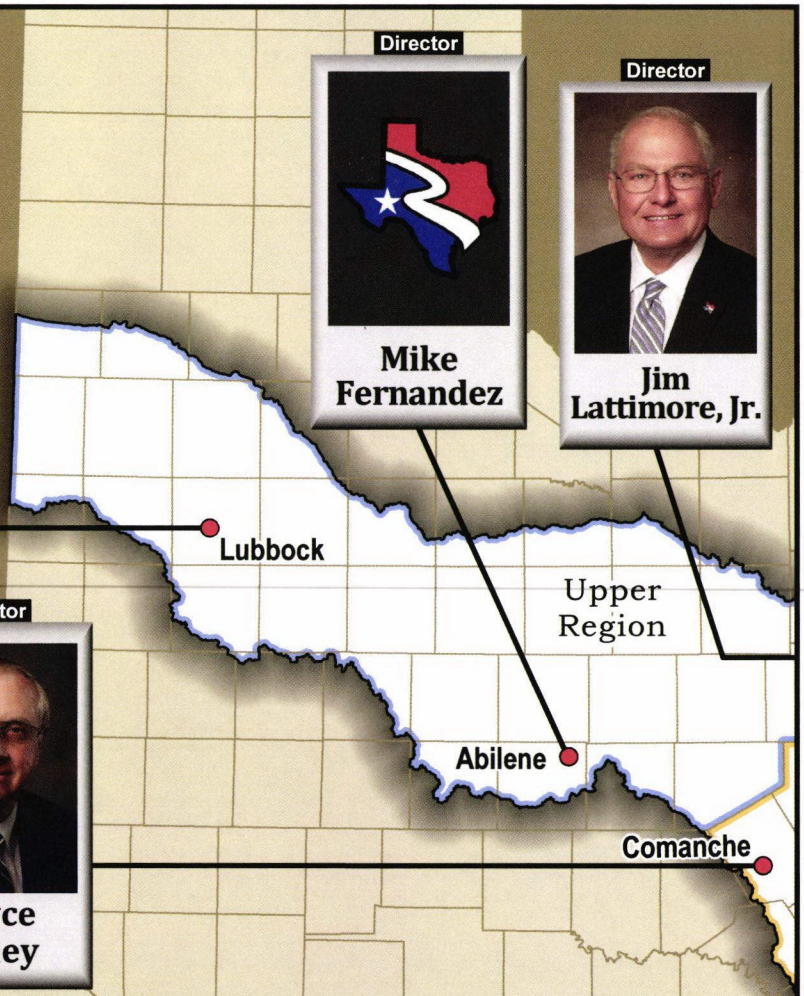
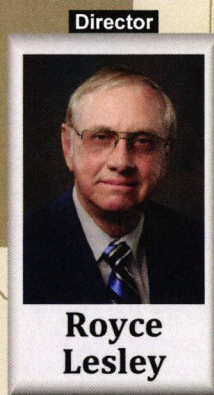
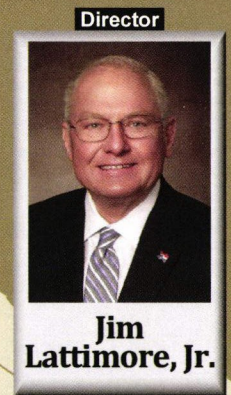


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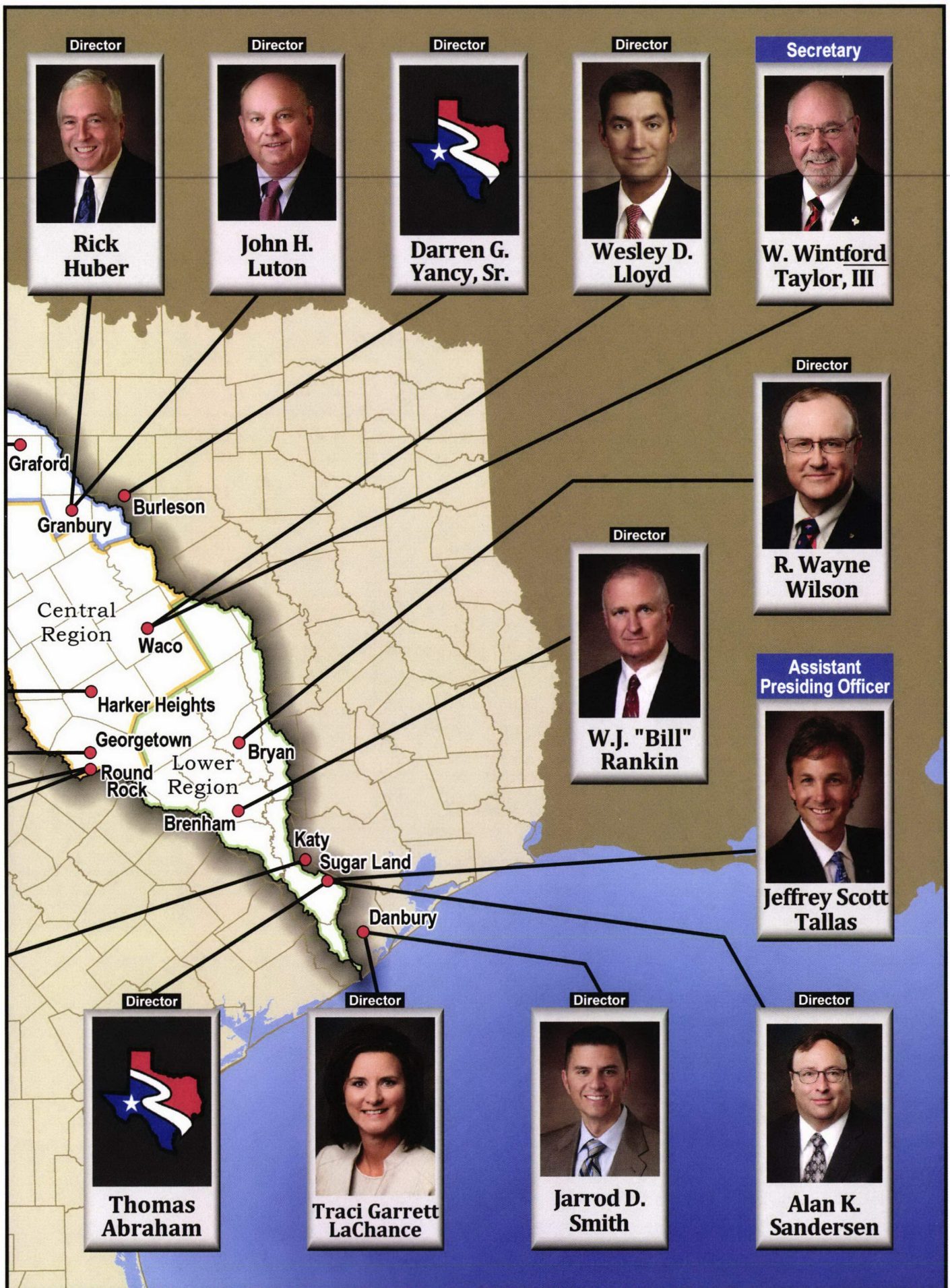
# *Introductory Section*





# Brazos River Authority Board of Directors



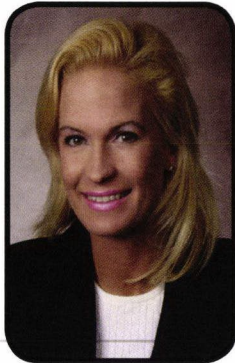




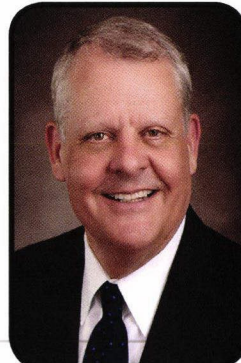
# MANAGEMENT TEAM



Aaron Abel  
Water Services  
Manager



Lauralee Vallon  
General Counsel



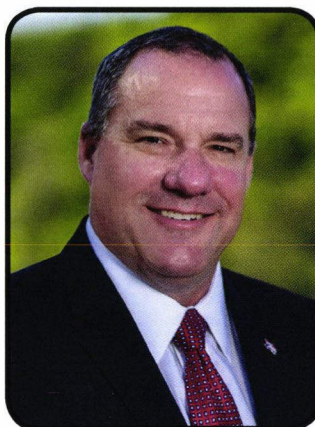
David Thompson  
Chief Financial Officer



Monica Wheelis  
Human Resources  
Manager

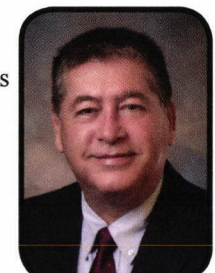


Brad Brunett  
Central & Lower  
Basin Regional  
Manager



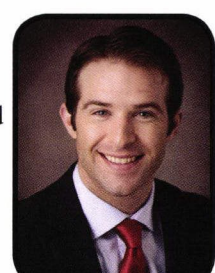
David Collinsworth  
General Manager/CEO

Robert Starnes  
Emergency,  
Safety &  
Security  
Program  
Manager



Courtney  
Dobogai  
Information  
Technology  
Manager

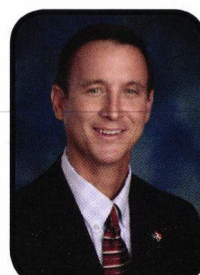
Matt Phillips  
Legislative and  
Governmental  
Affairs  
Manager



Jim Forte  
Planning and  
Development  
Manager



Blake Kettler  
Technical Services  
Manager



Mike McClendon  
Upper Basin  
Regional Manager

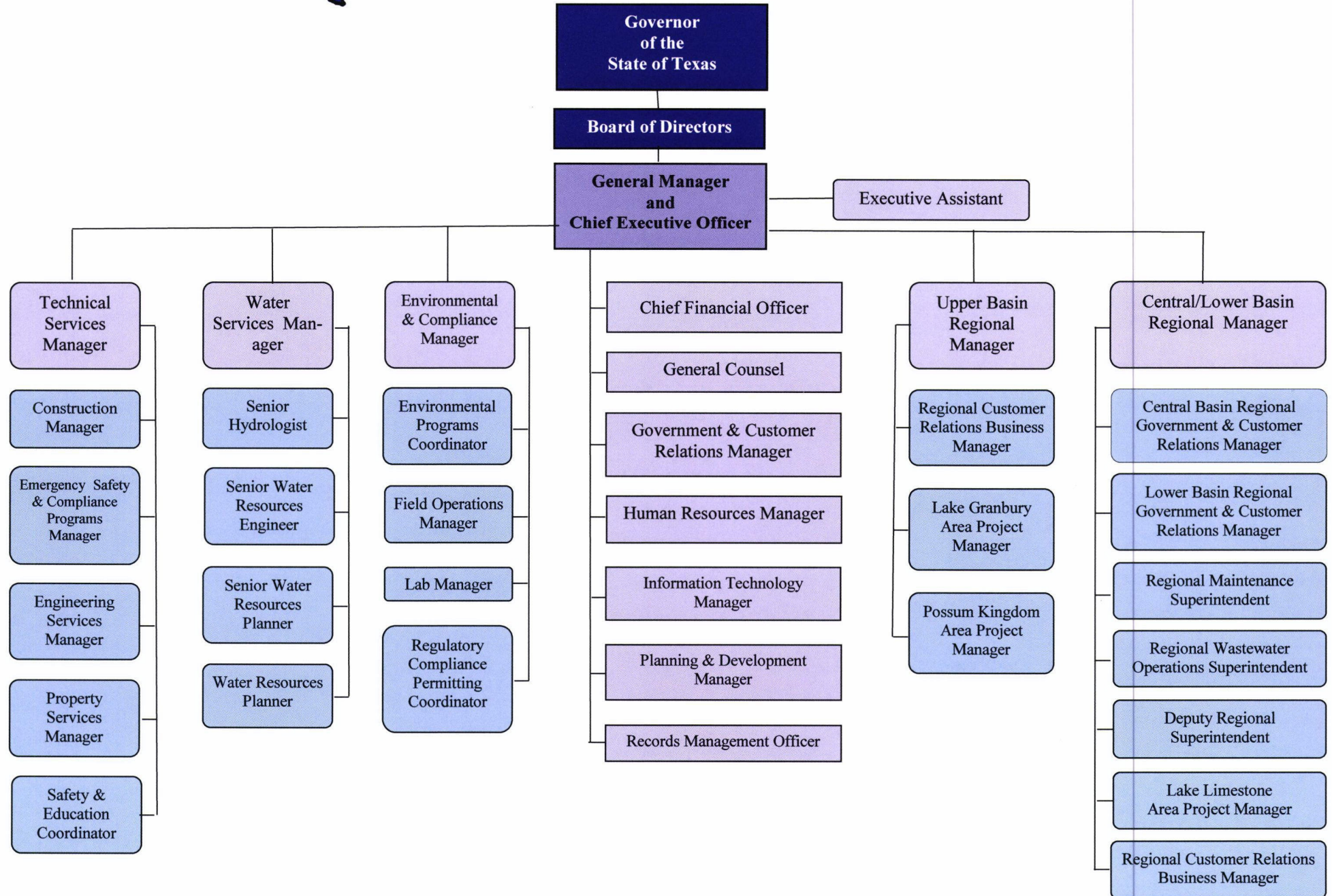


Tiffany Morgan  
Environmental  
and Compliance  
Manager





# Brazos River Authority Organizational Chart







## Brazos River Authority



January 27, 2020

Mrs. Cynthia Flores, Presiding Officer  
And Members of the Board of Directors  
Brazos River Authority  
4600 Cobbs Drive  
Waco, TX 76710

Directors:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Brazos River Authority (BRA) for the Fiscal Year ended August 31, 2019. The purpose of the report is to provide the Board of Directors, our customers, stakeholders, and other interested parties with reliable financial information about the BRA. The BRA's Finance Department has prepared the CAFR in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the BRA management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the BRA.

The BRA's financial statements for the Fiscal Years ended August 31, 2019 have been audited by Baker Tilly Virchow Krause, 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, 2019 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, 2019 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 require that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The BRA's MD&A can be found immediately following the report of the independent auditors.



## **PROFILE OF THE BRA**

The BRA was established by the Texas Legislature in 1929 as the first 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 1.9 million acre-feet of water. 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 BRA's customers 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 outcome of this 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.

The Permit became uncontested in September 2018. BRA commissioned the development of a Contract Analysis Tool (CAT) to analyze the entire Water Supply System to determine the volume of firm water that could be contracted for from the Permit. At the April 2019 Board of Directors meeting, the GM/CEO was authorized to enter into new water contracts for an amount not to exceed 106,031 acre-feet. These contracts would be effective beginning FY2020.

### ***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 was treated and discharged by the BRA at eleven sewerage systems that it operated within the basin during Fiscal Year 2019: Temple-Belton, Doshier Farm, Sugar Land North and South, Sugar Land Greatwood, Sugar Land New Territory, Brushy Creek East and West, Clute, Hutto Central and Hutto South. In addition to the treatment plants, BRA operations at some of these facilities includes lift stations and reuse installations. At the Temple-Belton plant sludge, which is a by-product of the treatment process, is composted with wood chips and sold as fertilizer and soil enhancers to local municipalities and individuals.

### ***Water Quality***

Water quality is a high priority for the BRA. Staff charged with environmental responsibilities work to monitor the quality of water resources and the health of aquatic communities in the Brazos River basin through sampling and analysis. Since 1991, the BRA has partnered with the TCEQ to conduct the Clean Rivers Program for the basin. The BRA, working with other agencies and basin residents, identifies and evaluates water quality, the status of instream biological communities, 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, and BRA has a voting member on each of the planning groups for Regions O, G, and H. The next cycle of the regional water planning process will be completed in 2021, culminating in the 2022 State Water Plan.

## **ECONOMIC CONDITION AND OUTLOOK**

The fiscal year ending August 31, 2019 demonstrated an economy that experienced a moderation in growth. The employment situation remained strong throughout the year and there continue to be more jobs available than there are job seekers. The unemployment rate has reached a fifty-year low. U.S. Gross Domestic Product (GDP) rose during the period, beginning with a modest 2.2% increase during the final quarter of calendar year 2018. First quarter GDP for 2019 was +3.1% and then reported a +2.0% during the second quarter of 2019. The housing market softened during the first part of the year but has begun to respond favorably to lower mortgage rates during the last few months. The trade war and related tariffs have brought uncertainty to the markets causing the yield curve to invert between the short-term and longer-term maturities. Global stress caused by Brexit uncertainty and economic malaise in the European Union and China have negatively impacted the domestic economic outlook.

The Federal Open Market Committee (FOMC) enacted two rate increases in late 2018 and then two rate decreases during 2019, all in 25 basis-point increments. The first increase was implemented in September 2018, the second during December 2018 followed by decreases during July 2019 and September 2019.

The rate ended the fiscal year at the same range of 1.75% to 2.00% where it began. It had reached a high range of 2.25% to 2.50% during the fiscal year.

The housing market struggled during the early months of the fiscal year but has been stimulated by interest rate declines in more recent months. Home prices have continued to escalate during the year. The employment sector remained strong during the BRA's fiscal year and added over 2.1 million jobs. The Unemployment Rate ended the fiscal year at 3.7% after ending last year at 3.9%. The stock market has had a volatile year but ended the fiscal year approximately 2% higher than the past year.

The Texas economy has performed well relative to the national economy. The unemployment rate in Texas fell from 3.9% in August 2018 to 3.4% in August 2019, lower than the national rate of 3.7% at the end of the period. Texas increased the number of jobs by 2.4% during the year. By comparison, California has experienced an increase of 1.8%, New York has increased 1.0% and Florida has increased 2.5%. Texas sales tax revenues rose 6.5% during the fiscal year. Unlike the national experience, Texas has seen a favorable housing sector throughout the year.

The outlook for fiscal year 2020 is for slower growth. The market is anticipating that the FOMC may lower the Fed Funds rate two more times in 2019 and then remain stable during 2020. The market anticipates that the Fed Funds rate could fall from the current range of 1.75% to 2.00% and reach a new range of 1.25% to 1.50% by the beginning of 2020. Falling interest rates will result in lower interest income for the BRA during the upcoming year.

Interest rates for investments allowed by the BRA's Investment Policy and State Law rose early in the year before falling by year-end. Despite the recent declines, Local Government Investment Pool rates are higher than they were at the end of August 2018. Pool rates were 2.164% at the end of August 2019, improved from the 1.967% yield at the end of August 2018. Pool rates hit a high of approximately 2.50% during the year. Rates for Certificates of Deposit (CD) were unchanged at year-end. At the end of August 2019, a one-year CD yielded 2.73%, the same as at the end of August 2018. CDs and other financial institution deposits remain significantly more attractive than alternative Treasury and Agency positions.

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

In July 2019, the BRA's Board reviewed the Fiscal Year 2020 Long Range Financial Plan. This looks 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.

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, 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 2019, the BRA Board of Directors re-adopted the Strategic Plan with updates reflecting changes from the version adopted in 2018, and enhancements to reflect initiatives funded in the FY2020 AOP.



## 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 Fiscal Year 2019, 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, (2) initiate permitting and design of Allens Creek Reservoir, and (3) pursue other long-term water supply projects. Approval of the System Operation Permit in September 2016 and subsequent resolution of remaining legal challenges in 2018 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 Fiscal Year 2019:

### WATER SUPPLY

- ***Water Supply Operations and Flood Management***

Fiscal Year 2019 began with the BRA water supply system experiencing the first drought period since the historic drought that impacted the basin between 2011 and 2015. BRA's water supply storage was 81 percent full at the beginning of Fiscal Year 2019 with most of the reservoirs within the system having entered into some form of drought designation under the BRA's Drought Contingency Plan. Starting in late September into October of 2018 substantial rainfall began impacting the basin and continued into June of 2019 and provided significant inflows into the BRA system of reservoirs for a prolonged period of time. Approximately 6 million acre-feet of floodwater was released through the three BRA owned and operated reservoirs of Possum Kingdom Reservoir, Lake Granbury, and Lake Limestone. At the end of Fiscal Year 2019 the BRA's water supply storage was 97 percent full. .

- ***Water Conservation***

BRA continued on-going efforts to develop and encourage water conservation practices in Fiscal Year 2019. These efforts included public education and outreach through BRA's website, social media pages, 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.

- ***Water Storage Reallocation in Federal Reservoirs***

BRA has been pursuing reallocation studies in two of the eight US Army Corps of Engineers' reservoirs in which it contracts for water supply storage. Additional water supply can potentially be developed in cases where reservoir storage historically reserved for other purposes, such as flood control or hydroelectric power generation, can be reallocated to water supply. The two reservoirs being considered are Lakes Whitney and Aquilla, with the Aquilla study being recently completed and the Whitney study in its formative stages. Unfortunately, the Assistant Secretary of the Army for Civil Works recently denied the request for reallocation at Lake Aquilla due to concern over the loss of flood storage. However, efforts are still underway to initiate a reallocation study at Lake Whitney..

- ***Allens Creek Reservoir***

Allens Creek Reservoir is a planned off-channel water storage reservoir that will be constructed on Allens Creek, a tributary of the Brazos River, in Austin County. An off-channel reservoir impounds water pumped from an adjacent river or stream when flows are adequate for storage and subsequent use. The dam for Allens Creek Reservoir will be located on Allens Creek; however, the primary water source for the reservoir will be flows pumped from the Brazos River.

Currently, the BRA, the City of Houston, and the TWDB are partners in the project. However, the 86<sup>th</sup> Texas Legislature passed House Bill 2846 earlier this year, which requires the City of Houston to sell its interest in the reservoir to BRA for \$23 million by January 2020. The BRA and some of its water customers were active in support of this bill during the legislative session. Governor Greg Abbott signed the bill into law, but the City has filed a lawsuit challenging the constitutionality of the law. BRA will continue to work through the legal process with the City and the State of Texas, with the goal of moving this project forward to construction as quickly as possible.

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

The BRA has been actively engaged in groundwater development efforts in Williamson County. In 2019, the BRA completed near completion. its first Trinity aquifer groundwater well at the EWCWRS treatment plant adjacent to Lake Granger. The groundwater will be conjunctively used with Lake Granger surface water to help supply the rapidly growing communities along the Interstate 35 and State Highway 130 corridors in Williamson County. The well is expected to be placed into service in Fiscal Year 2020, and additional well sites are planned to be added in the future as water needs increase.

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

The BRA received grant funding from the TWDB in both Fiscal Year 2014 and Fiscal Year 2015 to conduct a flood protection planning study for the lower Brazos River. Matching funds for the TWDB grants were provided by a number of lower Brazos River basin entities and the BRA. The study was completed in Fiscal Year 2019 and resulted in new, comprehensive hydrologic and hydraulic models of the lower Brazos River watershed. These models can now 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 are also being used as a source of information for river forecasts and inundation areas during flood events.

- ***On-Going Identification, Quantification and Assessment of Water Supply Strategies***

The BRA is constantly reviewing potentially feasible water supply strategies to address the future needs of the Brazos River basin. There are a wide variety of strategies available, including not only evolving technologies such as seawater and/or brackish groundwater desalination and aquifer storage and recovery, as well as the more traditional approaches of surface water reservoir construction and groundwater well completions. For FY2020, the BRA will begin development of a comprehensive Integrated Water Resources Plan (IWRP) designed to identify and assess the strategies available to meet future needs.

## **WATER TREATMENT**

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

The EWCWRS and its associated 12.8 million gallons per day (MGD) water treatment plant currently supplies treated drinking water to the City of Taylor, the City of Hutto, and the Jonah Special Utility District. Additional customers, such as the Lone Star Regional Water Authority,

are expected to connect to the system in the future to meet water needs in rapidly growing Williamson County. The BRA has invested in significant upgrades to the EWCWRS since acquiring the water treatment plant from the City of Taylor in 2008, and additional expansions are planned for the future.

## **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 City of Georgetown, the City of Round Rock, and the Brushy Creek Municipal Utility District. The line delivers water from Lake Stillhouse Hollow in Bell County to Lake Georgetown in Williamson County and is vital for meeting these customers' water needs during dry times. BRA determines when to pump water based on lake elevation trigger levels. Due to abundant rainfall and natural inflow into Lake Georgetown in the fall of 2018 and the first half of 2019, the pumps that supply the pipeline were off for almost all of Fiscal Year 2019.

- ***Pipeline Connecting Lake Belton to Lake Stillhouse Hollow***

The BRA has been planning for a new pipeline to connect Lake Belton to Lake Stillhouse Hollow to help meet the growing water needs of customers that divert water from Lake Stillhouse Hollow. These lakes are less than ten miles apart, and this connection will help BRA better manage water supplies in this part of the basin. Preliminary engineering work for this pipeline and its associated intake and outfall infrastructure began in Fiscal Year 2019. The current timeframe for the pipeline to be operational is the year 2025.

## **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 completed negotiations and reached a settlement agreement with all parties, recovering sufficient funding to complete the project. BRA's new consulting engineer is currently working on completion of the design remediation. We are proceeding with other dam projects at DeCordova Bend Dam, including the stop log trolley replacement 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 with BRA's Reservoir System Maintenance Unit (RSMU) group actively coordinating remediation activities. Additionally, a contract was executed with Gannett Fleming, in which the firm provided design drawings/specifications to BRA to be utilized in the self-performance of maintenance improvements to Morris Sheppard Dam's nine spillway gates. Lastly, Gannett Fleming has also begun and almost completed Phase I of a four phase project to review and assess the dam's concrete components and potential concrete remediation activities.

The BRA has also begun a series of comprehensive studies to determine the need for future rehabilitation projects on the forty year old Sterling C. Robertson Dam at Lake Limestone. This is a multi-year effort that initially includes replacement of the five Tainter gates that are used to pass floodwater through the dam. Engineering design work for the tainter gate replacement project reached 30 percent complete in Fiscal Year 2019. Design completion is expected in 2020 with new gate fabrication and construction beginning in Fiscal Year 2021.



### ***Internal Engineering Design and Project Oversight***

The BRA Water Supply System's most critical assets are the three dams which impound the self-owned and operated reservoirs. In the past, BRA has relied heavily on outside consultants to deliver all services related to the investigation, maintenance and rehabilitation of these facilities. While we will continue to use consultants to augment resource needs and staff capabilities, we will continue to perform services and reviews internally to make BRA employees the technical experts on BRA facilities. Internal Engineering efforts in Fiscal Year 2019 included the following:

- Completed the 2019 annual maintenance inspections of Morris Sheppard, De Cordova Bend, and Sterling C. Robertson Dams.
- Completed the 30% Design Phase for the Sterling C. Robertson Dam Tainter Gate Replacement Project.
- Completed the 2019 Geotechnical and Instrumentation Data Assessment of Morris Sheppard Dam.
- Completed construction and installation of the Central Office flooring and HVAC system
- Finished installing the COC Platforms for the PK Ring Jet Valves Access Improvements.
- Completed the final design for the Gate 2 Side Seal Plates at PK
- Continued installation of the East Williamson County Production Well
- Began construction on the Granbury Park road repairs

## **PROPERTY MANAGEMENT**

### ***Property Management Committee***

The Board of Directors newly appointed Property Management Committee met for the first time with BRA's Property Manager providing a thorough review of the BRA's portfolio of properties. Ultimately, a property masterplan will be sought to help guide staff and the Board in future decision-making processes.

## **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 Fiscal Year 2019, the BRA had a 97.8% data completion rate and submitted approximately 20,373 water quality and environmental data points to the Texas Clean Rivers Program.

Environmental Services provided support to BRA's wastewater and reservoir operations. These services included investigating algal blooms and fish kills, invasive species monitoring, 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.

### ***Environmental Flow Standard Studies***

In support of the System Operation Permit, Water Management, and the State's environmental flow standards program, Environmental Services staff completed six instream flow assessments in five different river segments and three channel surveys, riparian assessments, and sediment surveys in two different river segments to contribute to the verification of adopted environmental flow standards. Environmental Services' ability to complete instream flow-related studies in the basin was impeded in Fiscal Year 2019 by widespread high flows during spring and early summer that did not meet the target flows outlined in the study design.

### ***Endangered Species Issues Engagement***

Currently, three Central Texas freshwater mussels are under consideration by the U.S. Fish and Wildlife Service for Federal endangered species protection. Two of these three 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 is pursuing a Candidate Conservation Agreement with Assurances (CCAA) with the United States Fish and Wildlife Service. Negotiations with USFWS began in May 2018 and are ongoing, with a planned CCAA submittal date in December 2019.

### ***Reservoir Fisheries Habitat Improvement***

BRA, in partnership with the Texas Parks and Wildlife Department, completed reservoir habitat improvements on Lake Limestone and Lake Somerville. The goal of these efforts is to improve deep-water reservoir habitat to mitigate the negative effects of reduced water levels during prolonged drought on reservoir fisheries.

## **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, 2018. This was the 33rd 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, 2018. This was the fifth 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.

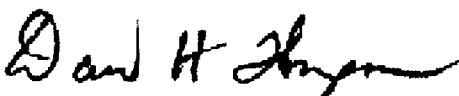
The preparation of this CAFR would not have been possible without the efficient and dedicated endeavors of the entire staff of the Finance and Administration Department. We would like to express our sincere appreciation to Matt Wheelis, Melissa Anthony, Judy Wallace, Michele Giroir, Cheryl Hoelscher, Kim Goolsby, Janie Crowder, Marian Kuntz, April Coleman, Annie Mikolajewski, Tom Downey, Clarissa Cabrera, Karen McCleney, Cindy Geer, 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,



David Collinsworth  
General Manager/CEO



David Thompson, CPA  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
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in Financial  
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Presented to

**Brazos River Authority  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**August 31, 2018**

*Christopher P. Morill*

Executive Director/CEO



The Minutes of the Organization Meeting  
Of the  
Board of Directors  
Of The  
Brazos River Conservation and Reclamation District

The members of the Board of Directors of the Brazos River Conservation and Reclamation District convened in the Senate Chamber of the Capitol at Austin on the 6th of November, 1929, pursuant to the call of the State Board of Water Engineers and the State Reclamation Engineer in accordance with the provisions of the acts of the Legislature creating the District. The meeting of the members of the Board was called to order by Chairman John A. Norris of the State Board of Water Engineers, who stated the purpose of the meeting to be for the Directors of the Brazos River Conservation and Reclamation District, nominated by the Board of Water Engineers, and the State Reclamation Engineer, and appointed by the Governor, to qualify for office, in the manner and form provided by the act creating the District.

Chairman Norris then administered the oath of office to the following Directors:

W. A. Myrick, Lubbock	Samuel Palmer Brooks, Waco	William Hallmark, Dublin
C. N. Caldwell, Abilene	Frank Oltoft, Marlin	William Sandifer, Franklin
R. E. Baskin, Seymour	P.L. Downs, Sr., Temple	G. G. Chance, Bryan
F. E. Harrell, Cisco	T. S. Henderson, Sr., Cameron	G. D. Ulrich, Sugarland
L. E. Seaman, Mineral Wells	F. D. Love, Georgetown	L. Mims, Freeport

Leonard Tillotson of Sealy, nominated and appointed as a Director of the District, did not qualify as a Director, stating that he could not serve as a member of the Legislature and as a Director of the District.

Upon motion, Mr. Tillotson was invited to participate in the meeting of the Board and take part in all its deliberations.

Those Directors nominated and appointed absent from the meeting, were the following:

John M. Lawrence, Bryan	D.C. Giddings, Brenham	H. R. Safford, Houston
Ward Templeman, Navasota	H. M. Lull, Houston	

On motion, T. S. Bond, representing H. R. Safford, being present, was invited to sit with the Board of Directors and participate in the discussions of the meeting.

The Directors present, having qualified, Chairman Norris of the Board of Water Engineers declared nominations for temporary officers in order.

Mr. L. Mims of Freeport was elected temporary chairman; and Leonard Tillotson of Sealy was selected as temporary secretary.

On motion, a committee of five members on organization was appointed by the Chairman, composed of the following members of the Board:

C. M. Caldwell, Chairman	Samuel Palmer Brooks	William Hallmark
G. G. Chance	R.E. Baskin	

On motion, a committee of five members on Finance was appointed by the Chairman, composed of the following:

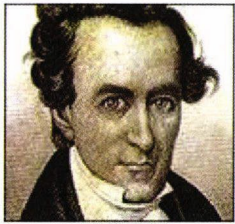
W. A. Myrick, Chairman	L.E. Seaman	F.E. Harrell
P. L. Downs, Sr.	G.D. Ulrich	

After a statement of the purposes and provisions of the Brazos River Conservation and Reclamation District Acts and the general plan of procedure deemed advisable under the law, by Leonard Tillotson, and general comment on the work to be undertaken, the meeting of the Board recessed until two o'clock P.M.



## *The Brazos River Authority - Past, Present and Future*

The Brazos River Authority (BRA) is celebrating ninety years of existence in 2019. It was in 1923, the Texas Legislature appropriated funds for a survey of all the Texas rivers and an analysis of flood and water issues. As a result, the Brazos River Conservation and Reclamation District (District), later to be renamed the Brazos River Authority, was created in 1929. But, the BRA's history begins way before then...as far back as the 1700's. It was at this time when



the Spanish Conquistador Francisco Vazquez de Coronado and his team searched for the fabled "Golden City of Cibolo." During this time, de Coronado's parched conquistadors stumbled upon "Los Brazos de Dios" or "the arms of God." French and Spanish explorers navigated the river and fought Karankawa Indians who were defending their Tokohono River (as they had named it).

In July 1821, Stephen F. Austin (later to be known as the "Father of Texas") began work establishing a colony, later to be one of the first capitol of the territory, Washington on the Brazos. After the Civil War, the Brazos communities stabilized and began to flourish. In the years that followed, hurricanes, flooding and droughts came. In 1902, leaders of towns and counties along the river established the Brazos River Impoundment Association with their goal of taming the river. Their efforts failed due to lack of financing.

In 1857, the first canal was built connecting Oyster Creek with West Galveston Bay. The Rivers and Harbors Act provided funds for the construction of a lock and dam system by the Army Corps of Engineers between Waco and Washington with a vision of having this portion of the river navigable. The river was naturally navigable up to Washington, but shoals and rock outcrops upstream required an engineered solution. None of the locks were completed due to the great flood of 1913 and the interruption of World War I. Remnants remain visible today of some of the locks. INSERT PICTURE

1913 and 1921 brought devastating floods destroying all the work done on the lock and dam system prior to World War I. The Brazos, Colorado, Guadalupe and Trinity rivers all went out of their banks flooding more than 3,000 square miles of land and causing 177 deaths as well as massive property damage. In March 1925, Congress authorized funds for the Army Corps of Engineers to build a diversion dam seven miles upstream and a diversion channel west of the





natural channel making the Brazos River one of the most unique rivers by having two mouths. The project was completed in September 1929. The river would then flow into the Gulf of Mexico at Freeport.

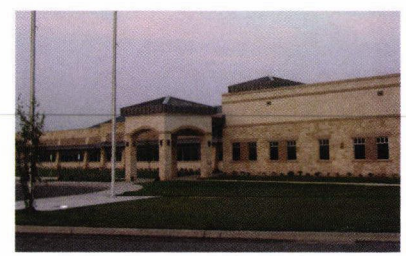
Another association, the Brazos River and Valley Improvement Association was formed to harness the Brazos River...and again no results due to lack of funds.

In 1923 the Texas State Legislature appropriated funds for a survey of all the rivers in the State of Texas and an analysis of flood and water problems. The study confirmed a need for a State agency with the power to carry out tasks required to harness and control the Brazos River.

It was in 1929 the Texas Legislature created Article XVI, Section 59 to the Texas Constitution to conserve, control and utilize to beneficial service the storm and flood waters of the Brazos River and its tributaries creating the Brazos River Conservation and Reclamation District. In 1955, it was renamed the Brazos River Authority. It was the first agency in the United States created specifically for the purpose of developing and managing the water resources of an entire river basin (See page 20).

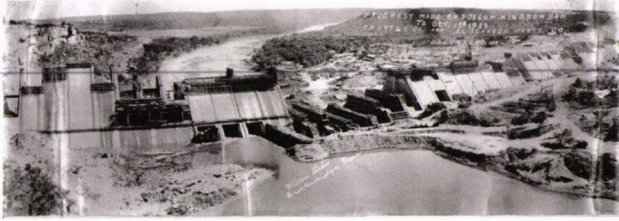
After its initial organizational meeting in November, 1929, the District didn't formally meet again until 1935. A Master Plan was written to be submitted for funding from the federal government's Works Progress Administration formed from President Roosevelt's New Deal program. After many submissions and with State support, federal funds were awarded to construct one dam...the Morris Sheppard Dam located near Graford, Texas.

During the years 1938 to 1960, BRA officed in the Baker Hotel in Mineral Wells, Texas and the Kyle Hotel in Temple, Texas. In 1960, the offices were moved to 4400 Cobbs Drive, Waco, Texas and remained there until 2001 when the BRA embarked on building a new home office located at 4600 Cobbs Drive, Waco, Texas where it operates from today. This



building was built with proceeds from fees associated with the refunding of Pollution Control Bonds issued on the behalf of Texas Power & Light Company. Photos left to right - Baker Hotel, Kyle Hotel, 4400 Cobbs Drive., 4600 Cobbs Drive





A 1935 Master Plan for the basin included a total of thirteen dams on the Brazos River. Of the thirteen, only one would be built...Morris Sheppard Dam near Graford, Texas to create Possum Kingdom Lake. Construction began in 1938 and was completed in 1941. Photo

– Morris Sheppard Dam under construction

The Possum Kingdom Stone Arch Bridge (Highway 16 Bridge) in Palo Pinto County is the longest and most substantial masonry arch bridge in Texas. It was built in 1942. Heavy masonry was formed to withstand flood waters released from the Morris Sheppard Dam one mile upstream. The bridge is reported to be one of the best examples of President Roosevelt's Works Progress Administration. The bridge remains in a virtually unaltered condition today.

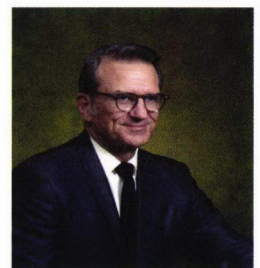


The BRA partnered with the U.S. Army Corps of Engineers (USACE) in 1951 to acquire conservation storage space in the nine multi-purpose Corps reservoirs (Aquilla, Belton, Granger, Georgetown, Proctor, Somerville, Stillhouse Hollow, Waco and Whitney) to be constructed in the next thirty years.

In 1954, the BRA Board of Directors authorized the development of the "Six Dam Plan". Phase I would include five additional hydroelectric dams between Possum Kingdom and Whitney; Phase II would raise the pool elevation of Possum Kingdom by fifteen feet; add South Bend reservoir upstream of Possum Kingdom; and build Allens Creek in the lower basin.

The record drought of 1952 to 1957 affected most of Texas counties and were declared a disaster area. The drought was followed by downpours of rain beginning in February 1957 which gave way to massive flooding of all major rivers in Texas. By 1970, the number of Texas reservoirs doubled. Two of those would be built by the BRA.

In 1957, the BRA began negotiations with Texas Power and Light (TPL) as a means of financing a power, flood control and conservation project between Possum Kingdom and Whitney. The negotiations were based on the assumption that the BRA would build the facility with hydropower and sell the power generated to TPL. In 1962, the Housing and Home Finance Agency approved \$540,000 for advanced planning. As Col. Walter J. Wells, BRA General Manager, (Photo at right) and Col. Thomas B. Hunter, retired from the USACE, began to move the project forward in 1963, objections came from land owners in the Granbury area demanding higher values for their property located in the proposed reservoir





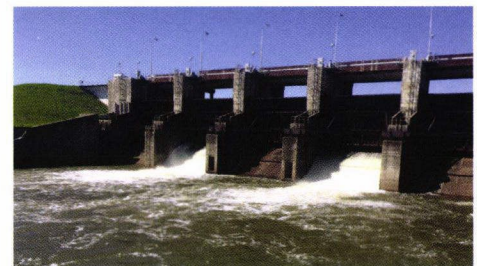
site. Col. Wells campaigned that the prices would not go higher and, if the offered price was not acceptable, the project could not proceed. In September, work crews began surveying and the project moved forward. In 1965, the decision was made to eliminate the hydro-electric the construction price. In August 1966, million project was awarded to H.B. officially began on December 15,



The Dam was completed in 1969 and early Texas pioneer, Jacob de Cordova, and the bend created by a 27 mile loop in the Brazos River. The reservoir was named Lake Granbury. Photo - Groundbreaking ceremony for DeCordova Bend Dam.

Negotiations between the BRA and Texas Utilities Generating Company (TUGC) began in 1973 for the construction of a dam and reservoir on the upper Navasota River near the Limestone-Robertson county line. It would be financed by the sale of 25,000 acre/feet annually to TUGC. The project received overwhelming support from the community except for one lady, Miss Imageene White, a rancher. She presented the BRA a protest letter with 59 signatures. She argued it would have an adverse effect on the environment, crime and taxes. In a public relations campaign, the matter of the urgent need for electrical energy and water conservation resulted in positive support of the project. Everyone was encouraged and supportive as the hearing before the Texas Water Rights Commission was to be held to approve issuing the permit.

Then, there came a hiccup. In June 1973, Calvin Guest, Chairman of the State Democratic Executive Committee, purchased 1,292 acres of land on the Navasota River from rancher Leon D. Powell for \$300 per acre. When the news of the Limestone project became public, the value of the land had increased to \$500 per acre. Powell was upset as he felt Guest knew that the



lake would be built on his land and that is why Guest bought the land knowing it would increase in value. If the land were to be purchased from Guest at \$500 per acre, Guest would make a profit of \$258,000. Photo – Sterling C. Robertson Dam

Col. Wells addressed the BRA Board members stating Mr. Guest purchased the land before BRA began consideration of constructing a reservoir at the Upper Navasota site. After that, nothing more was heard of the matter in the press and the Water Rights Commission issued a permit so the project could move forward.

In May 1975, bids were advertised and the project was awarded to the Texas Bitulithic Company on a bid of



\$15,678,567. As fate would have it, another obstacle appeared in the court's interpretation of Section 404 of the Federal Water Pollution Control Act of 1972. It concerned the rights of wildlife being displaced from their habitat by the Lake. Due to court rulings, the BRA would be required to file an application for a "404" permit with the USACE. Once submitted, the USACE sent it to other federal agencies. In April 1976, the U.S. Fish and Wildlife Service (USFWS) recommended the permit be denied unless the BRA agreed to purchase 15,000 acres of land to accommodate the displaced wildlife which would add \$8 million to the project.

Wells pointed out that the land was a privately owned ranch and the farm land was not a game preserve. In addition, if it was necessary for the wildlife to be dispossessed of 15,000 additional acres, it was equally necessary that the people be dispossessed of 15,000 acres. Wells continued, "We think people are more important, but the USFWS people readily admit that their recommendation is based entirely on consideration for ...wildlife without regard...for people."

In June 1976, Congressman Jim Wright introduced an amendment to the Water Pollution Control Act reversing the interpretation of the court. The summer of 1977, the USFWS reduced their request for the wildlife refuge from 15,000 acres to 5,000 acres and it didn't need to be adjacent to the Lake. The BRA with Colonel Wells' recommendation rejected the offer. The BRA countered the offer with making a one- time contribution of \$500,000 to the Texas Department of Parks and Wildlife for the establishment of a wildlife refuge. The offer was accepted.



October 16, 1978, the gates at the Sterling C. Robertson dam were closed and because of heavy rains in early 1979, the Lake was filled almost overnight.

Photo - Sterling C. Roberson Dam under construction

On October 19, 1979, the Sterling C. Roberson Dam and Lake Limestone was formally dedicated.

Lake Alan Henry, the BRA's fourth reservoir project, was constructed to provide a water supply for the City of Lubbock and was completed in 1994. The BRA transferred ownership and operational responsibility of the Lake to the City of Lubbock in 2005.

In the 1970s, the BRA pioneered the development of regionalization of wastewater systems. The regionalization system would serve surrounding communities not just one town/city. In 1971, the BRA modeled and built the Waco Metropolitan Area Regional Sewerage System (WMARSS) with a capacity of 17.8 mgd. It served the Cities of Waco, Bellmead, Lacy Lakeview and Woodway. The BRA operated the plant until 2003 when the BRA transferred the WMARSS





plant to the customer cities.

This concept continues and with the BRA's success in operating wastewater treatment plants, in 1975, the BRA began operating the Sugar Land Regional Sewerage System that served the City of Sugar Land, Municipal Utilities District, Nalco Chemical Company and Imperial Sugar Company. In 2018, the BRA renewed its contract with the City of Sugar Land and operates the North and South plants as well as the New Territory and Greatwood locations. The BRA's current agreement expires 2029. Photo –Sugar Land South

In 1975, the BRA begins operating the Temple-Belton Regional Sewerage System (TBRSS) that serves the City of Belton and the western half of the City of Temple with a capacity of 5mgd. In 1990, the BRA expanded the TBRSS to a capacity of 10mgd. After owning and operating the TBRSS for 38 years, the BRA transferred ownership of the plant to the Cities of Temple/Belton (Cities) in 2014. With the renewal of the operating and maintenance agreement with the Cities, the BRA continued operating the TBRSS with the addition of the Doshier Farm plant. This agreement is a twenty year agreement. Photo - Temple/Belton Regional Sewerage System

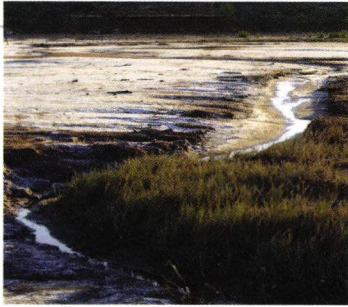


Since 1990, The TBRSS has produced Tri-Gro compost and mulch which is a humus product produced and sold to the general public through a cooperative agreement with the cities of Temple and Belton. Biosolids are combined with wood products from brush, limbs and trees collected by the Cities. By recycling both products, the need for additional landfill space is greatly reduced. The native wood mulch is produced solely from trees indigenous to the area. Photo - Row turner at TBRSS

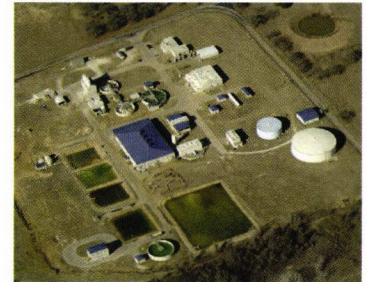


In the upper northwest Brazos River basin lies an aquifer of water with high salt concentration. Numerous seeps and springs bring this water to the surface, evaporates creating the salt flats which are washed into the Brazos River. Downstream of the salt flats is Possum Kingdom Lake and Lake Granbury that supply drinking water to the surrounding regions and contain high levels of salt. In 1989, to make the drinking water from Lake Granbury more palatable, the BRA constructed a water desalinization plant, Lake Granbury Surface Water and Treatment System (SWATS), with a capacity of 5mgd and





later expanded to 15mgd. It serves the Cities of Granbury and Keene, Acton Municipal Utility District and Johnson County Special Utilities District. The plant was built using a process called reverse osmosis to remove chlorides (salt) from the water to improve the quality of the drinking water.



In June 2012, the BRA transferred operation and ownership of the plant to the Brazos Regional Public Utility Agency. Photos - Left - Salt Fork; Right - SWATS Plant.

In 1995, BRA begins managing operations at the Brushy Creek Regional Wastewater System (BCRWS) serving Williamson County. After 23 years, in 2018, the plant was transferred to the City of Round Rock.



Continuing to contract the BRA's expertise in water treatment and wastewater management, in 1999, the BRA begins operation of the Hutto plant which is a joint effort with the City of Hutto and the Brazos Colorado Water Alliance. In 2000, the BRA begins operations of



the Clute/Richwood Regional Wastewater System; and, in 2001, in a joint effort, with the Lower Colorado River Authority begins operation of the Sandy Creek Water Treatment Plant to serve the City of Leander and surrounding areas with potable drinking water. Photos - Left - Hutto Plant; Right - Clute/Richwood Plant

The BRA contracted with the Lee County Fresh Water Supply District No. 1 in 2002 for its first (and only) retail water and wastewater utility service. It provided both potable water and wastewater treatment for the City of Dimebox's 150 homes and businesses. In 2003, the BRA signs a contract with the City of Georgetown to operate their six plants. After ten years of operations, the plants were returned to the City on September 30, 2013.

The BRA purchased the East Williamson County Regional Water System (EWCWRS), a potable water treatment plant, in 2002 from the City of Taylor and immediately began a \$17.4 million expansion. The construction was completed in 2008 increasing the plant's capacity to 12.8mgd. The EWCWRS provides treated water from Lake Granger to the City of Taylor, the Jonah Special Utility District, and other areas of eastern Williamson County.

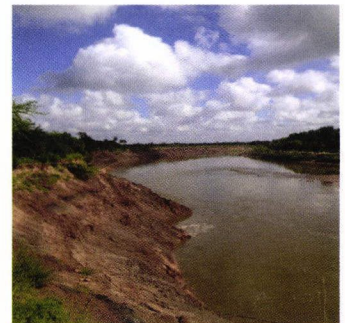


In 2017, the BRA began researching the feasibility of blending groundwater from the Trinity Aquifer with treated Lake Granger surface water from the EWCWRS. A test well was drilled to determine water quality. In 2018, the first well of a potential series was completed. This project provides additional water supply to the growing Williamson County area along and east of Interstate 35. Photo – EWCWRS Test Well



In an effort to increase community involvement and public knowledge of local water quality issues the BRA formed the Volunteer Citizens' Monitoring Program in 1991. Also that year, the University Intern Program was created to hire undergraduate and graduate students to provide them with experience in water quality projects.

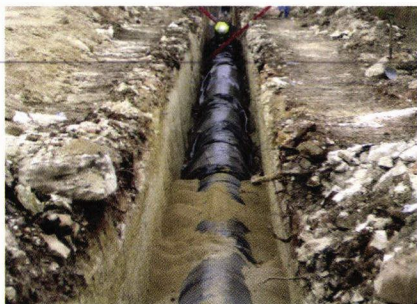
Looking to future water needs of the Brazos River basin, in 1988, the BRA obtained an option from the Houston Lighting & Power Company (now Reliant Energy) to purchase the Allens Creek reservoir site. It wasn't until 1999 that the BRA exercised its option. In 2011, the water rights permit for the Allens Creek Reservoir was amended by the Texas Legislature requiring construction to commence by 2025 with completion by 2028. In 2017, the BRA informed the City of Houston (City) of its intent to begin environmental permitting and preliminary design. Since the City had little interest in moving forward with the project, the BRA offered to buy the City's rights in the project. The City was reluctant to sell their interest and all negotiations failed. As a result, the BRA backed legislation to force the City to sell their interest in the project. The Legislature passed the bill for a required sale of \$23million which was signed into law by Governor Abbott. Photo - Proposed site of Allens Creek Reservoir



In 2002, in a continuing effort to meet the water needs of West Central Texas, the BRA purchased the Kerr-McGee pipeline (later renamed the West Central Brazos Water Distribution System (WCBWDS)). The WCBWDS is an approximately 80-mile pipeline once used to transport water for oil-field flood operations, gas drilling and agriculture purposes. After the purchase, its uses were expanded to become a way of providing water from Possum Kingdom Lake to areas of West Texas. In 2016, the WCBWDS was sold to the West Central Texas Municipal Water District.

On June 30, 1986 the Brazos River Authority, Cities of Georgetown and Round Rock and Jonah Water Special Utility District entered the Base Agreement for the purpose of providing for the BRA to design, construct and operate facilities for transporting water from Lake Stillhouse Hollow to Lake Georgetown for water committed to Georgetown,





Round Rock and Jonah. Due to some setbacks during construction, the Williamson County Regional Raw Water Line (WCRRWL) would not begin operation until 2006. In 2011, the pipeline was instrumental in providing water to the participants in the drought stricken areas. Photo - Williamson County Regional Raw Water Line under construction

The State Legislature passed, in April 2009, legislation to validate the third-party sale of residential and selected commercial leases at Possum Kingdom Lake. The bid was awarded to Patterson PK Land Partnership, LTD. It wasn't until 2016 that the divestiture of the lease held properties was completed.

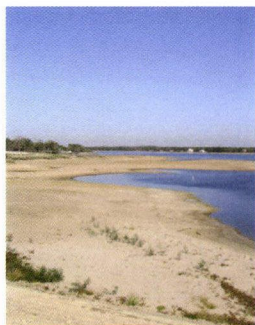
In 2007, the Morris Sheppard Dam ceased to generate power at the hydroelectric plant due to the integrity of the penstocks that carry lake water to the turbines. The BRA Board voted in 2010 to decommission the plant and notified the Federal Energy Regulatory Commission (FERC) of the intent to surrender its license. A year later, the BRA filed its Surrender of License Application with FERC for the hydroelectric plant and the facility was officially decommissioned in 2013.

With a cost share grant from the Texas Parks and Wildlife Department, the Possum Kingdom Lake Hike and Bike Trail was completed in 2010. The sixteen-mile trail links campgrounds and parks together.

Photo - Entrance to Possum Kingdom Hiking Trail



The year of 2011 was a devastating year. It was the year of the record-breaking drought. 2011 was the hottest and driest in more than 100 years, with seven of the BRA reservoirs



reaching all time low lake levels. Photo - Left - Lake Limestone receding shoreline during drought.

In April and August of the same year, wildfires devastated much of the land around Possum Kingdom Lake. The fires burnt more than 133,000 acres and destroyed more than 130 structures including several of the homes around the Lake. Photo - Wildfires



at Possum Kingdom

It was in 2003 when the System Operation Permit (SOP) project was initiated. The SOP proposed a unique, yet complex approach to obtaining additional water from the Texas



Commission on Environmental Quality (TCEQ) for previously unpermitted water available downstream of BRA's reservoirs as well as return flows from wastewater treatment plants throughout the basin. On August 23, 2016, TCEQ approved the SOP permit adding approximately 100,000 acre-feet of water for use in the Brazos River basin. But it wasn't until September 2018, the permit became uncontested and the BRA was able to begin contracting additional water under the permit beginning in fiscal year 2020.

The BRA remains committed to its Mission Statement, "The Brazos River Authority exists to develop, manage and protect the water resources of the Brazos River basin." Its future is exciting and enthusiastic with continuing current and future projects. Its focus remains the same as it was in 1929 to develop and manage the water resources of the entire Brazos River basin. Its present caretakers are preserving present and looking to the future needs of those it serves with the forethought to carry forward to the next ninety years.

#### References:

Images of America Lower Brazos River Canals by Lora-Marie Bernard

The Waters of the Brazos by Kenneth E. Hendrickson, Jr.

Unruly Waters by Kenna Lang Archer

## *Financial Section*



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Brazos River Authority  
Waco, Texas

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

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Brazos River Authority, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Brazos River Authority's basic financial statements as listed in the 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.

### ***Auditors' 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 auditors' 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 over financial reporting relevant to Brazos River Authority'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 Brazos River Authority'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.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of Brazos River Authority as of August 31, 2019, 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.

## ***Prior Period Financial Statements***

The financial statements of Brazos River Authority, as of and for the year ended August 31, 2018, were audited by other auditors whose report dated January 8, 2019, expressed an unmodified opinion on those statements.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net position (asset)/liability and related ratios and the schedule of Brazos River Authority's contributions and the related notes to the required supplementary information, as listed in the 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinions on the financial statements as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information as of and for the year ended August 31, 2019, 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 supplemental information as of and for the year ended August 31, 2019, is fairly stated in all material respects in relation to the financial statements as a whole. The information as of and for the year ended August 31, 2018, was subjected to the auditing procedures applied in the audit of those basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the financial statements as of the and for the year ended August 31, 2018, as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming an opinions on the financial statements as a whole. The introductory and statistical sections as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have issued our report dated January 3, 2020, on our consideration of Brazos River Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Brazos River Authority's 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 Brazos River Authority's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Austin, Texas  
January 3, 2020



# *Management's Discussion and Analysis*

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2019 AND 2018 (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 Years ended August 31, 2019 and 2018. 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 10 to 18 of the Introductory Section of this report.

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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 Pages 48 to 49 of this report.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the BRA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of the BRA's current year operations on its financial position. The Statement of Revenues, Expenses and Changes in Net Position can be found on Page 50 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 51 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.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2019 AND 2018 (in thousands)**

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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 52.

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 54 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 2019, 2018 and 2017 were \$399,722, \$397,074 and \$394,119, respectively. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the end of Fiscal Year 2019, 2018 and 2017 by \$281,911, \$273,988 and \$270,840, respectively.
- Total assets and deferred outflows of resources for Fiscal Year 2019 increased by \$2,648 over prior year, primarily as a net result from operations, the decrease in the net pension asset from prior year, and the increase in deferred outflows of resources as a result of the pension expense.
- Total assets and deferred outflows of resources for Fiscal Year 2018 increased by \$2,955 over prior year, primarily as a net result from operations, the loss on sale of the Graham Flood Control project, in the amount of six million dollars, and the decrease in deferred outflows of resources as a result of the pension expense.
- 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 the pension expense.
- The BRA's net position increased by \$7,923 for the Fiscal Year ended August 31, 2019.





**BRAZOS RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

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**Capital Assets**

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net additions/(deletions) to land, storage and water rights	\$ -	\$ 6	\$ 16,660
Additions to construction-in-progress (CIP)	5,605	3,903	4,049
Transfers from CIP to capital assets being depreciated	(3,404)	(761)	(5,810)
Transfers from CIP to land, storage and water rights	-	-	(16,660)
Additions and transfers to capital assets being depreciated	5,476	1,842	7,203
Net deletions and transfers	(83)	(7,463)	(112)
Normal annual depreciation and amortization	(8,768)	(8,657)	(8,362)
<b>Total</b>	<b>\$ (1,174)</b>	<b>\$ (11,130)</b>	<b>\$ (3,032)</b>

- During Fiscal Year 2019, the BRA had seventeen capital projects that were in progress during the year, three of those were completed during the year at a current year capitalization amount of \$3,404. In addition, the BRA invested \$2,072 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 \$1,174 during the year. Additional information on the BRA's capital assets can be found on Notes 4 & 10 of this report.
- During Fiscal Year 2018, the BRA had twenty-five capital projects that were in progress during the year, one of those was completed during the year at a current year capitalization amount of \$761. The BRA also deleted one capital project during Fiscal Year 2018 in the amount of \$6,463 as a result of successful negotiations with the City of Graham to take over the project from the BRA. In addition, the BRA invested \$1,842 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 \$11,130 during the year.
- During Fiscal Year 2017, the BRA had thirty-one capital projects that were in progress during the year, nine of those were 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.

**Noncurrent Liabilities**

**Outstanding debt:**

- For Fiscal Year 2019, total outstanding debt (current and noncurrent) decreased by \$3,770. This net decrease is a result of annual principal payments on revenue bonds and contracts payable of \$2,660 and \$1,110, respectively.
- For Fiscal Year 2018, total outstanding debt (current and noncurrent) decreased by \$3,783. This net decrease is a result of annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$2,605, \$1,194 and \$16, respectively.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2019 AND 2018 (in thousands)**

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**Noncurrent Liabilities-continued**

- 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.

**Net Pension liability:**

- During Fiscal Year 2019, the BRA adjusted its net pension liability from \$10,711 in Fiscal Year 2018 to \$14,304 in Fiscal Year 2019, 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 2018, the BRA adjusted its net pension liability from \$10,086 in Fiscal Year 2017 to \$10,711 in Fiscal Year 2018, primarily for the Retirement Plan for Employees of the BRA as a result of the Plan's actuarial computation.
- During Fiscal Year 2017, the BRA adjusted its net pension liability from \$11,711 in Fiscal Year 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.

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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 2019, 2018, and 2017 by \$281,911, \$273,988, and \$270,840, 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 outstanding debt used to acquire those assets. 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 2019, the investment in capital assets amounted to 66% of the BRA's net position.

For Fiscal Year 2019, about 69% (\$194,064) 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 position* (\$87,847) may be used to meet the BRA's ongoing obligations.

**BRAZOS RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

**Schedule of Net Position - continued**

For Fiscal Year 2018, about 70% (\$191,766) 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 position* (\$82,222) may be used to meet the BRA's ongoing obligations.

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 position* (\$71,893) may be used to meet the BRA's ongoing obligations.

**Condensed Schedules of Net Position**  
**August 31, 2019, 2018 and 2017**

	2019	2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current assets - unrestricted	\$ 111,277	\$ 108,327	\$ 96,420
Current assets - restricted	3,315	3,250	3,614
Noncurrent assets - restricted	9,999	11,516	7,036
Capital assets, net	269,097	270,271	281,401
Noncurrent assets	1,512	1,592	1,846
<b>TOTAL ASSETS</b>	<b>395,200</b>	<b>394,956</b>	<b>390,317</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,522</b>	<b>2,118</b>	<b>3,802</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 399,722</b>	<b>\$ 397,074</b>	<b>\$ 394,119</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Current liabilities (payable from current assets)	\$ 17,598	\$ 22,106	\$ 19,151
Current liabilities (payable from restricted assets)	5,475	5,170	5,170
Noncurrent liabilities	94,214	94,868	97,951
<b>TOTAL LIABILITIES</b>	<b>117,287</b>	<b>122,144</b>	<b>122,272</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>524</b>	<b>942</b>	<b>1,007</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 117,811</b>	<b>\$ 123,086</b>	<b>\$ 123,279</b>
<b>NET POSITION</b>			
Net Investment in capital assets	\$ 186,540	\$ 183,910	\$ 191,280
Restricted for debt service	7,524	7,856	7,667
Restricted for pension assets	-	1,349	-
Unrestricted	87,847	80,873	71,893
<b>TOTAL NET POSITION</b>	<b>\$ 281,911</b>	<b>\$ 273,988</b>	<b>\$ 270,840</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 399,722</b>	<b>\$ 397,074</b>	<b>\$ 394,119</b>



**BRAZOS RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

**Condensed Schedules of Revenues, Expenses and Changes in Net Position**  
**Fiscal Years Ended August 31, 2019, 2018 and 2017**

	2019	2018	2017
OPERATING REVENUES			
Water supply system	\$ 50,357	\$ 48,297	\$ 46,677
Cost reimbursable operations	10,572	15,091	13,287
TOTAL OPERATING REVENUES	60,929	63,388	59,964
OPERATING EXPENSES			
Operating and maintenance	43,863	42,984	39,565
Depreciation and amortization	8,768	8,657	8,362
TOTAL OPERATING EXPENSES	52,631	51,641	47,927
OPERATING INCOME	8,298	11,747	12,037
Total net non-operating revenues (expenses)	(875)	(8,599)	(3,133)
INCOME BEFORE CONTRIBUTIONS	7,423	3,148	8,904
Capital contributions	500	-	-
CHANGE IN NET POSITION	7,923	3,148	8,904
NET POSITION, BEGINNING	273,988	270,840	261,936
NET POSITION, ENDING	\$ 281,911	\$ 273,988	\$ 270,840

The Change in Net Position for Fiscal Years 2019, 2018, and 2017 was \$7,923, \$3,148 and \$8,904 respectively. The results of those changes are noted below.

**Operating Revenue**

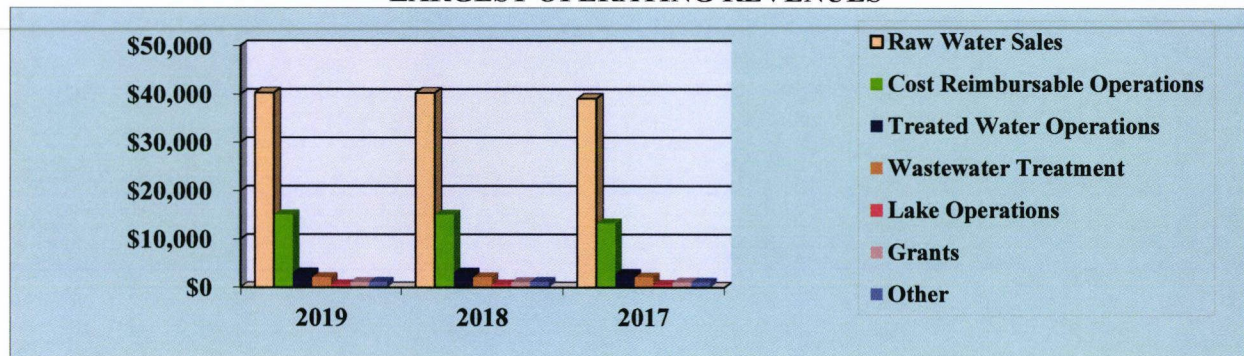
For Fiscal Year 2019, operating revenue decreased by 3.9% over the prior year, as a net result of two events: first, additional water sales and the rate charged for long term water and interruptible water contracts increased by 3.38% from \$74.00 to \$76.50 per acre feet of water sold. This resulted in additional revenue of \$1,344; and second, the cost reimbursable operations experienced a decrease in revenue as a result of the transitioning of operation of two facilities back to the City of Round Rock for those contracted services.

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2019 AND 2018 (in thousands)**

**Operating Revenue (continued)**

For Fiscal Year 2018, operating revenue increased by 5.7% over prior year, as a net result of two events: first, additional water sales and the rate charged for long term water and interruptible water contracts increased by 2.77% from \$72.00 per acre feet of water sold to \$74.00, resulting in additional revenue of \$1,804; and second, the cost reimbursable operations experienced additional revenue as a result of higher demand for those contracted services.

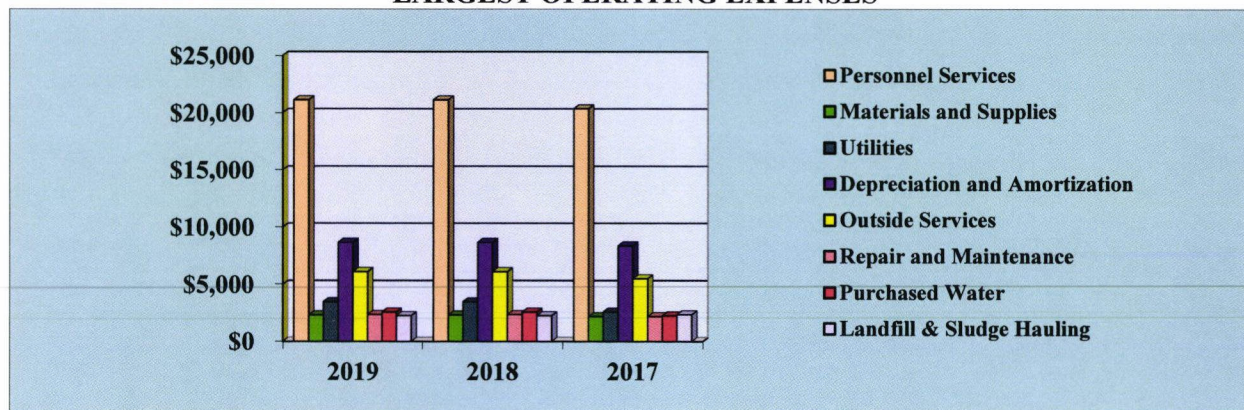
**LARGEST OPERATING REVENUES**



**Operating Expense**

Operating expenses, excluding depreciation, over the past three years have increased 2.1% in 2019 and 8.6% in 2018 as a net result of steady increases in wages, health insurance, other expenses related to capital improvement support efforts with our Cost Reimbursable Operations. 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, 2019 AND 2018 (in thousands)**

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

For Fiscal Year 2019, the amount recorded as net non-operating expense was \$875. The majority of the non-operating expense represents, interest payments on the BRA's debt, in the amount of \$3,842; net of the investment income of \$3,114.

For Fiscal Year 2018, the amount recorded as net non-operating expense was \$8,599. The non-operating expense represents, the loss on the sale of capital assets in the amount of \$6,463 as a result of successful negotiations with the City of Graham to take over the project from the BRA. Additionally, interest payments on the BRA's debt, in the amount of \$3,945; and investment income of \$1,830.

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.

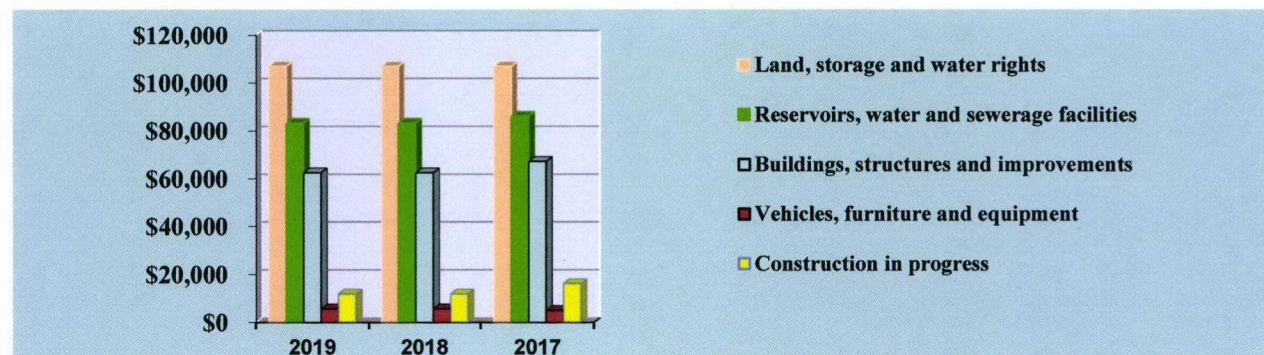
**Capital Assets and Outstanding Debt**

**Capital Assets** - The BRA's capital assets, as of August 31, 2019, 2018 and 2017 totaled to \$269,097, \$270,271 and \$281,401, respectively, (net of accumulated depreciation and amortization). For Fiscal Years 2019, 2018, and 2017, the BRA continued its commitment to our customers and stakeholders to ensure the longevity of our capital assets. During Fiscal Year 2019, the BRA invested over \$6,053 on seventeen capital improvement projects.

**Capital Assets**  
**(net of accumulated depreciation and amortization)**  
**August 31, 2019, 2018 and 2017**

	2019	2018	2017
Land, storage and water rights	\$ 106,899	\$ 106,899	\$ 106,893
Reservoirs, water and sewerage facilities	80,365	83,234	86,104
Buildings, structures and improvements	61,303	62,531	67,241
Vehicles, furniture and equipment	6,433	5,712	5,008
Construction in progress	14,097	11,895	16,155
Total	<u>\$ 269,097</u>	<u>\$ 270,271</u>	<u>\$ 281,401</u>

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

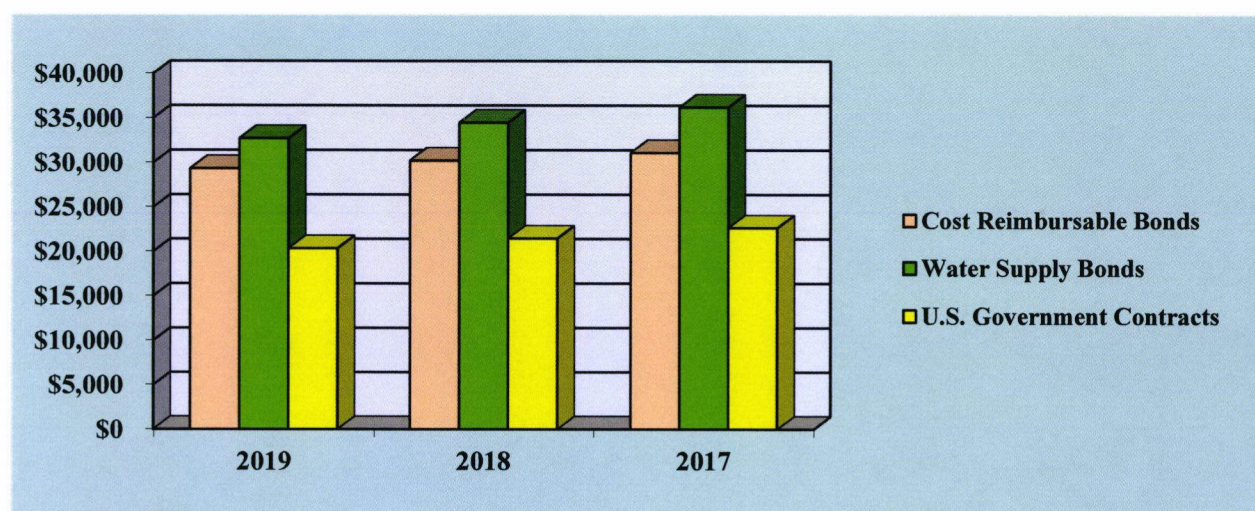




**BRAZOS RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

**Outstanding Debt** – At the end of Fiscal Years 2019, 2018 and 2017 the BRA had total outstanding debt of \$82,421, \$86,190 and \$89,973, respectively. Of the Fiscal Year 2019 amount, 64% and 36% is reflected in Water Supply System and Cost Reimbursable Operations, respectively. There were no new debt issuances during the Fiscal Year 2019.

On July 21, 2009, Standard & Poor's Global Ratings Services raised its underlying rating (SPUR) on the BRA's water supply system revenue bonds one notch to 'AA' from 'AA-' and reaffirmed this on February 28, 2018. 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.



The changes in the BRA's debt for Fiscal Years 2019, 2018 and 2017 are shown in the following table:

	2019	2018	2017
Accretion of interest on capital appreciation bonds	\$ -	\$ 16	\$ 32
Principal payments made during each year	(3,770)	(3,799)	(3,705)
Decrease In Debt	<u>\$ (3,770)</u>	<u>\$ (3,783)</u>	<u>\$ (3,673)</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, 2019 AND 2018 (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, 2019 and 2018 (in thousands)**

	<b>2019</b>	<b>2018</b>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
UNRESTRICTED:		
Cash and cash equivalents	\$ 20,312	\$ 28,435
Investments	86,200	73,995
Receivables:		
Accounts	2,743	3,647
Accrued interest	221	212
Other current assets	1,801	2,038
TOTAL UNRESTRICTED	<u>111,277</u>	<u>108,327</u>
RESTRICTED:		
Cash and cash equivalents	3,315	3,250
TOTAL RESTRICTED	<u>3,315</u>	<u>3,250</u>
TOTAL CURRENT ASSETS	<u>114,592</u>	<u>111,577</u>
NONCURRENT ASSETS :		
RESTRICTED:		
Cash and cash equivalents	79	366
Investments	9,883	9,783
Interest	37	18
Net pension asset	-	1,349
TOTAL RESTRICTED	<u>9,999</u>	<u>11,516</u>
CAPITAL ASSETS:		
Land, storage and water rights	106,899	106,899
Reservoirs, water treatment and sewerage facilities	139,472	139,472
Building, structures and improvements	113,264	110,615
Vehicles, furniture and equipment	19,330	17,939
Construction in progress	14,097	11,895
TOTAL CAPITAL ASSETS	<u>393,062</u>	<u>386,820</u>
Less accumulated depreciation	<u>(123,965)</u>	<u>(116,549)</u>
NET CAPITAL ASSETS	<u>269,097</u>	<u>270,271</u>
OTHER NONCURRENT ASSETS	<u>1,512</u>	<u>1,592</u>
TOTAL NONCURRENT ASSETS	<u>280,608</u>	<u>283,379</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on refunding	305	329
Pension plans	4,217	1,789
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,522</u>	<u>2,118</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 399,722</u>	<u>\$ 397,074</u>

The accompanying notes are an integral part of these statements.



**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

	<u>2019</u>	<u>2018</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
PAYABLE FROM CURRENT ASSETS:		
Accounts payable	\$ 7,056	\$ 5,670
Contracts payable	943	946
Accrued interest	487	508
Unearned revenues	9,112	14,982
TOTAL PAYABLE FROM CURRENT ASSETS	<u>17,598</u>	<u>22,106</u>
PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest	1,462	1,473
Revenue bonds payable	2,715	2,660
Unearned revenues	997	768
Other	301	269
TOTAL PAYABLE FROM RESTRICTED ASSETS	<u>5,475</u>	<u>5,170</u>
TOTAL CURRENT LIABILITIES	<u>23,073</u>	<u>27,276</u>
NONCURRENT LIABILITIES:		
Revenue bonds payable, net of current portion and premium	59,791	62,565
Contracts payable, net of current portion	19,412	20,519
Net pension liability	14,304	10,711
Unearned revenues	226	271
Other liabilities	481	802
TOTAL NONCURRENT LIABILITIES	<u>94,214</u>	<u>94,868</u>
TOTAL LIABILITIES	<u>117,287</u>	<u>122,144</u>
DEFERRED INFLOWS OF RESOURCES - PENSION PLAN	<u>524</u>	<u>942</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>\$ 117,811</u>	<u>\$ 123,086</u>
NET POSITION:		
Net Investment in capital assets	\$ 186,540	\$ 183,910
Restricted for debt service	7,524	7,856
Restricted for pension assets	-	1,349
Unrestricted	87,847	80,873
TOTAL NET POSITION	<u>\$ 281,911</u>	<u>\$ 273,988</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 399,722</u>	<u>\$ 397,074</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, 2019 AND 2018 (in thousands)**

	2019	2018
OPERATING REVENUES:		
Water Supply System:		
Raw water sales	\$ 41,629	\$ 40,285
Treated water	3,028	3,071
Wastewater treatment	3,447	2,123
Lake operations	529	590
Grants	904	1,083
Other	820	1,145
Cost Reimbursable Operations:		
Water conveyance/supply	3,107	3,828
Water treatment	1,528	1,277
Wastewater treatment	5,937	9,986
TOTAL OPERATING REVENUES	<u>60,929</u>	<u>63,388</u>
OPERATING EXPENSES:		
Personnel services	22,808	21,120
Materials and supplies	2,340	2,334
Utilities	1,951	3,479
Depreciation and amortization	8,768	8,657
Outside services	7,564	6,105
Repair and maintenance	2,760	2,372
Landfill and sludge hauling	1,229	2,579
Purchased water	2,272	2,271
Other	2,939	2,724
TOTAL OPERATING EXPENSES	<u>52,631</u>	<u>51,641</u>
OPERATING INCOME	<u>8,298</u>	<u>11,747</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income	3,114	1,830
Interest expense	(3,842)	(3,945)
Other expenses	(126)	(15)
Net gain or (loss) on sale of capital assets	(21)	(6,469)
TOTAL NET NON-OPERATING ( EXPENSES)	<u>(875)</u>	<u>(8,599)</u>
INCOME BEFORE CONTRIBUTIONS	7,423	3,148
Capital contributions	500	-
CHANGE IN NET POSITION	7,923	3,148
NET POSITION, BEGINNING	<u>273,988</u>	<u>270,840</u>
NET POSITION, ENDING	<u>\$ 281,911</u>	<u>\$ 273,988</u>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FISCAL YEARS ENDED AUGUST 31, 2019 AND 2018 (in thousands)**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 58,311	\$ 67,746
Cash paid to suppliers for goods and services	(28,972)	(28,506)
Cash paid to employees for services	(15,193)	(14,184)
Net cash provided by operating activities	<u>14,146</u>	<u>25,056</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid for capital assets	(6,158)	(6,155)
Interest paid	(3,902)	(4,023)
Principal payments on long-term debt	(3,769)	(3,799)
Proceeds from disposal of capital assets	58	55
Capital contributions	500	-
Net cash used in capital and related financing activities	<u>(13,271)</u>	<u>(13,922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	60,369	52,064
Purchases of investments	(72,673)	(88,148)
Interest received	3,084	1,657
Net cash provided by investing activities	<u>(9,220)</u>	<u>(34,427)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(8,345)</u>	<u>(23,293)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including \$3,616 and \$5,008, respectively, reported in restricted accounts)	<u>32,051</u>	<u>55,344</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (including \$3,394 and \$3,616, respectively, reported in restricted accounts)	<u>\$ 23,706</u>	<u>\$ 32,051</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 8,298	\$ 11,747
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,735	8,627
Amortization	33	30
Change in assets, liabilities and deferred inflows and outflows of resources:		
(Increase)/decrease in accounts receivable	203	(220)
(Increase)/decrease in other current assets	237	(535)
(Increase)/decrease in net pension asset	1,349	(1,349)
Increase/(decrease) in deferred outflows of resources	(2,403)	1,684
Increase in accounts payable	114	213
Increase/(decrease) in unearned revenue and other liabilities	(5,597)	4,301
Increase in net pension liability	3,593	624
(Decrease) in deferred inflows of resources	(416)	(66)
Total adjustments	<u>5,848</u>	<u>13,309</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 14,146</u>	<u>\$ 25,056</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:		
Amounts recorded for accretion on Capital Appreciation Bonds	\$ -	\$ 16
Amounts recorded as accruals for Capital Assets	<u>\$ 2,651</u>	<u>\$ 1,380</u>

The accompanying notes are an integral part of these statements.



**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 519	\$ 514
Investments	388	389
Accrued Interest	1	1
TOTAL ASSETS	<u>\$ 908</u>	<u>\$ 904</u>
LIABILITIES		
Held for future debt service	\$ 908	\$ 904
TOTAL LIABILITIES	<u>\$ 908</u>	<u>\$ 904</u>

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, 2019 AND 2018 (in thousands)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - The Brazos River Authority (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. Additional information on the BRA's Agency Fund can be found in Note 9 of this report.

**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 three months or less when purchased are considered to be cash equivalents. All non-participating certificates of deposit with original maturities of more than three months when purchased are considered to be investments and are carried at cost plus accrued interest. All investments in debt



**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

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securities are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. The BRA held no debt securities as of August 31, 2019 or 2018.

State Statute and Board Policy authorizes 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 fair 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. Additionally, a pension plan that ends the year with a valuation that results in a Net Pension Asset, will be classified as a restricted asset on the Statement of Net Position.

**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 returned 79,000 acre feet to the BRA. As consideration for the 79,000 acre-feet reduction, the BRA paid the utility company \$3,823 in 1988. The BRA has sold the 79,000 acre-feet to various third parties under long-term water contracts. The balance of \$1,512 and \$1,592 at August 31, 2019 and 2018, respectively is included in other noncurrent assets and will be amortized against related revenues from such contracts over the contract lives.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

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**Unearned Revenue** – Unearned revenue is the result of services or monies received in advance from water customers and contracted parties for projects that the BRA is managing. For additional information see Note 5.

**Net Pension Liability/(Asset)** - A net pension liability/(asset) is recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment to GASB Statement No. 27*. The liability/(asset) is the difference between the actuarial total pension liability and the Plan's fiduciary net position as of the measurement date. For additional information on the BRA's Pension Plans see Note 8.

**Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then. Deferred outflows of resources consist of items not yet charged to pension expense and contributions from the BRA after the measurement date but before the end of the BRA's reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**Other Current and Noncurrent Liabilities** – The BRA reports other liabilities as a result of other contractual obligations that require resources to be set aside for future obligations. These amounts are held in place until the contractual obligation have been met.

**Net Position** – Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position consists of the following:

- *Net investment in capital assets:* Consists of capital asset, net of accumulated depreciation and amortization, reduced by outstanding debt and contract payable obligations attributed to the acquisition of those assets.
- *Restricted net position:* Net position is reported as restricted when there are external limitations imposed on its use by creditors, grantors, contributors and the like or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position:* Represents the remaining portion of net position.

**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 retirees, 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 PTO as of August 31, 2019 and 2018 was \$617 and \$547, respectively, and is reported in accounts payable. The total recorded liability for compensated absences, as of August 31, 2019 and 2018 was \$171 and \$159, respectively. Based on historical data, a portion of the accrual for vacation and sick leave are classified

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

as other noncurrent liabilities. See Note 6 on Page 64 for additional information on compensated absences.

**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 Enterprise 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.

**Comparative Data** – Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

## 2. DEPOSITS AND INVESTMENTS

As of August 31, 2019 and 2018, the BRA's portfolio consisted of:

Description	August 31, 2019		August 31, 2018	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Deposits:				
Certificates of Deposit	\$ 96,083	80%	\$ 83,778	72%
Bank Money Market Funds	18,693	16%	26,198	23%
Cash	(127)	0%	(813)	-1%
Investments:				
Wells Fargo Sweep	5,135	4%	6,661	6%
TexPool	5	0%	5	0%
	<u>\$ 119,789</u>	<u>100%</u>	<u>\$ 115,829</u>	<u>100%</u>

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, 2019 and 2018 all BRA investments were in TexPool and Wells Fargo Sweep which are recorded at amortized cost without any limitation or restriction on withdrawals.



**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

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**Credit Risk**

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. The BRA's policy is to control risk by investing only in the highest credit quality types of investments; by qualifying the broker/dealers and financial institutions with whom the BRA will transact; by collateralization as required by law; and through portfolio diversification by maturity and type.

*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).

*Wells Fargo Sweep – Treasury Plus Money Market Fund* – Invests in high-quality, short-term money market instruments that consist of U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations.

Portfolio disclosure as of August 31, 2019 and 2018:

- TexPool - S&P rated AAAM .
- Wells Fargo Sweep - S&P rated AAAM and Moody's rated Aaa-mf.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to a government's investment in a single issuer. The BRA is not exposed to concentration of credit risk. The BRA's adopted Policy requires diversification on all investments and diversification is monitored on at least a monthly basis and for that reason the BRA is not exposed to concentration of credit risk. 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. Financial Institution Deposit.....	100%
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)

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

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**Interest Rate Risk**

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. 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, 2019 and 2018:

- TexPool – WAM 38 days and 28 days respectively.
- Wells Fargo Sweep – WAM 24 days and 32 days respectively.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction the BRA will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. 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. By policy and contract, repurchase agreements and deposits 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. All financial institution demand deposits and money market deposit accounts 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.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

- *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* – On August 27, 2018 the BRA executed an irrevocable standby Letter of Credit in favor of the City of Sugar Land for the purpose of securing the BRA's performance under a contract for the operation, maintenance, and management of the City of Sugar Land's wastewater treatment plants and reclaimed water facility in the amount of \$2.5 million. This is in addition to other miscellaneous contractual obligations.

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

The cash and cash equivalents, investments, and accrued interest components of each fund represented by restricted assets at August 31, 2019 and 2018 were as follows:

	2019			2018		
	Cash and Cash Equivalents	Investments	Accrued Interest	Cash and Cash Equivalents	Investments	Accrued Interest
<b>CURRENT RESTRICTED:</b>						
Water Supply System:						
Debt service funds	\$ 935	\$ -	\$ -	\$ 883	\$ -	\$ -
Bond proceeds funds	-	-	-	-	-	-
Water Supply System Total	935	-	-	883	-	-
Cost Reimbursable Operations:						
Debt service funds	2,380	-	-	2,367	-	-
Cost Reimbursable Operations Total	2,380	-	-	2,367	-	-
<b>TOTAL CURRENT RESTRICTED</b>	<b>\$ 3,315</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,250</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NONCURRENT RESTRICTED:</b>						
Water Supply System:						
Bond reserve funds	\$ 1	\$ 1,441	\$ 9	\$ -	\$ 1,412	\$ -
Repair and replacement funds	43	5,078	24	-	5,053	14
Other funds	30	2,855	1	361	2,823	1
Water Supply System Total	74	9,374	34	361	9,288	15
Cost Reimbursable Operations:						
Repair and replacement funds	5	509	3	5	495	3
Cost Reimbursable Operations Total	5	509	3	5	495	3
<b>TOTAL NONCURRENT RESTRICTED</b>	<b>\$ 79</b>	<b>\$ 9,883</b>	<b>\$ 37</b>	<b>\$ 366</b>	<b>\$ 9,783</b>	<b>\$ 18</b>



**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

**4. CAPITAL ASSETS**

A summary of changes in capital assets for August 31, 2019 follows:

<b>Classification</b>	<b>Balance at September 1, 2018</b>	<b>Additions and Transfers</b>	<b>Deletions and Transfers</b>	<b>Balance at August 31, 2019</b>
Capital assets, not being depreciated/amortized:				
Land, storage and water rights	\$ 106,899			\$ 106,899
Construction in progress	11,895	6,408	(4,206)	14,097
Total capital assets, not being depreciated/amortized	118,794	6,408	(4,206)	120,996
Capital assets, being depreciated/amortized:				
Reservoirs, water treatment and sewerage facilities	139,472			139,472
Buildings, structures and improvements	110,615	3,563	(914)	113,264
Vehicles	3,154	549	(172)	3,531
Furniture	776			776
Computers	4,347	604		4,951
Tools and heavy equipment	9,662	760	(350)	10,072
Total capital assets, being depreciated/amortized	268,026	5,476	(1,436)	272,066
Total Capital Assets	\$ 386,820	\$ 11,884	\$ (5,642)	\$ 393,062
Less accumulated depreciation/amortization:				
Reservoirs, water treatment and sewerage facilities	\$ 56,238	\$ 2,869		\$ 59,107
Buildings, structures and improvements	48,084	4,746	(869)	51,961
Vehicles	2,523	232	(168)	2,587
Furniture	759	7		766
Computers	2,828	429		3,257
Tools and heavy equipment	6,117	485	(315)	6,287
Total accumulated depreciation/amortization	\$ 116,549	\$ 8,768	\$ (1,352)	\$ 123,965
Net Capital Assets	\$ 270,271	\$ 3,116	\$ (4,290)	\$ 269,097

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2019 AND 2018 (in thousands)**

A summary of changes in capital assets for August 31, 2018 follows:

<b>Classification</b>	<b>Balance at September 1, 2017</b>	<b>Additions and Transfers</b>	<b>Deletions and Transfers</b>	<b>Balance at August 31, 2018</b>
Capital assets, not being depreciated/amortized:				
Land, storage and water rights	\$ 106,893	\$ 6	\$ -	\$ 106,899
Construction in progress	16,155	3,903	(8,163) *	11,895
Total capital assets, not being depreciated/amortized	123,048	3,909	(8,163)	118,794
Capital assets, being depreciated/amortized:				
Reservoirs, water treatment and sewerage facilities	139,472	-	-	139,472
Buildings, structures and improvements	110,651	58	(94)	110,615
Vehicles	3,143	197	(186)	3,154
Furniture	776	-	-	776
Computers	4,068	432	(153)	4,347
Tools and heavy equipment	8,911	1,155	(404)	9,662
Total capital assets, being depreciated/amortized	267,021	1,842	(837)	268,026
Total Capital Assets	\$ 390,069	\$ 5,751	\$ (9,000)	\$ 386,820
Less accumulated depreciation/amortization:				
Reservoirs, water treatment and sewerage facilities	\$ 53,368	\$ 2,870	\$ -	\$ 56,238
Buildings, structures and improvements	43,410	4,722	(48)	48,084
Vehicles	2,487	222	(186)	2,523
Furniture	753	6	-	759
Computers	2,579	402	(153)	2,828
Tools and heavy equipment	6,071	435	(389)	6,117
Total accumulated depreciation/amortization	\$ 108,668	\$ 8,657	\$ (776)	\$ 116,549
Net Capital Assets	\$ 281,401	\$ (2,906)	\$ (8,224)	\$ 270,271

\*The BRA deleted one capital project during Fiscal Year 2018 in the amount of \$6,463 as a result of successful negotiations with the City of Graham to take over the project from the BRA.

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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, 2019 and 2018 were as follows:

	2019		2018	
	Current Unearned Revenues	Noncurrent Unearned Revenues	Current Unearned Revenues	Noncurrent Unearned Revenues
<b>Unrestricted</b>				
Water Supply System:				
Lake Granbury	\$ 291	\$ -	\$ 312	\$ -
Lake Limestone	-	-	1,286	-
Possum Kingdom Lake	634	-	389	-
Federal Reservoirs	5,638	-	8,840	-
Other Water Supply System	241	-	-	-
Total Water Supply System	<u>6,804</u>	<u>-</u>	<u>10,827</u>	<u>-</u>
Cost Reimbursable Operations:				
Williamson County RRWL	876	226	77	271
Temple-Belton WWTP	526	-	1,059	-
Clute-Richwood RWS	209	-	452	-
Hutto WWS	697	-	1,039	-
Sandy Creek RWS	-	-	51	-
Brushy Creek RWS	-	-	1,477	-
Total Cost Reimbursable Operations	<u>2,308</u>	<u>226</u>	<u>4,155</u>	<u>271</u>
Total Unrestricted	<u>\$ 9,112</u>	<u>\$ 226</u>	<u>\$ 14,982</u>	<u>\$ 271</u>
<b>Restricted</b>				
Cost Reimbursable Operations:				
Williamson County RRWL	\$ 997	\$ -	\$ 768	\$ -
Total Restricted	<u>\$ 997</u>	<u>\$ -</u>	<u>\$ 768</u>	<u>\$ -</u>



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**6. NONCURRENT LIABILITIES**

**Revenue Bonds Payable**

Revenue bonds payable consists of the following at August 31, 2019:

	Balance at September 1, 2018	Additions	Retired	Balance at August 31, 2019	Amount Due Within One Year
<i>Water Supply System:</i>					
Series 2002 State Participation Loan	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ -
Series 2009 Revenue Bonds	13,465	-	1,100	12,365	1,115
Series 2015 Revenue Bonds	15,020	-	665	14,355	690
Total Water Supply System	\$ 34,485	\$ -	\$ 1,765	\$ 32,720	\$ 1,805
<i>Cost Reimbursable Operations:</i>					
Series 1999 State Participation Loan	\$ 14,955	\$ -	\$ -	\$ 14,955	\$ -
Series 2000 Capital Appreciation Bonds	300	-	300	-	-
Series 2011 Revenue Bonds	14,985	-	595	14,390	910
Total Cost Reimbursable Operations	\$ 30,240	\$ -	\$ 895	\$ 29,345	\$ 910
<i>Net Premium/(Discount) on revenue bonds payable</i>	\$ 500	\$ -	\$ 59	\$ 441	\$ -
<i>Total Net Revenue Bonds Payable</i>	<u>\$ 65,225</u>	<u>\$ -</u>	<u>\$ 2,719</u>	<u>\$ 62,506</u>	<u>\$ 2,715</u>

Revenue bonds payable consists of the following at August 31, 2018:

	Balance at September 1, 2017	Additions	Retired	Balance at August 31, 2018	Amount Due Within One Year
<i>Water Supply System:</i>					
Series 2002 State Participation Loan	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ -
Series 2009 Revenue Bonds	14,550	-	1,085	13,465	1,100
Series 2015 Revenue Bonds	15,660	-	640	15,020	665
Total Water Supply System	\$ 36,210	\$ -	\$ 1,725	\$ 34,485	\$ 1,765
<i>Cost Reimbursable Operations:</i>					
Series 1999 State Participation Loan	\$ 14,955	\$ -	\$ -	\$ 14,955	\$ -
Series 2000 Capital Appreciation Bonds	584	16	300	300	300
Series 2011 Revenue Bonds	15,565	-	580	14,985	595
Total Cost Reimbursable Operations	\$ 31,104	\$ 16	\$ 880	\$ 30,240	\$ 895
<i>Net Premium/(Discount) on revenue bonds payable</i>	\$ 560	\$ -	\$ 60	\$ 500	\$ -
<i>Total Net Revenue Bonds Payable</i>	<u>\$ 67,874</u>	<u>\$ 16</u>	<u>\$ 2,665</u>	<u>\$ 65,225</u>	<u>\$ 2,660</u>

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Revenue bonds payable at August 31, 2019 and 2018 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 2035; 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 years ended August 31, 2019 and 2018, the BRA's coverage rate was 5.42 and 6.28, 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 years ended August 31, 2019 and 2018 the cumulative unamortized deferred outflows of resources amounted to \$305 and \$329, 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, 2019 are:

	<b>Water Supply System</b>		<b>Cost Reimbursable Operations</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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	2,245	908	2,010	1,341
2024	2,315	832	2,120	1,229
2025-2029	12,690	3,056	12,485	4,254
2030-2034	7,395	1,335	8,095	831
2035-2036	2,245	118	-	-
Total	<u>\$ 32,720</u>	<u>\$ 9,922</u>	<u>\$ 29,345</u>	<u>\$ 12,541</u>

Annual requirements to retire revenue bonds outstanding including interest at August 31, 2018 are:

	<b>Water Supply System</b>		<b>Cost Reimbursable Operations</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 1,765	\$ 1,415	\$ 895	\$ 1,769
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	2,245	908	2,010	1,341
2024-2028	12,305	3,438	11,835	4,908
2029-2033	8,500	1,635	10,865	1,406
2034-2036	3,840	268	-	-
Total	<u>\$ 34,485</u>	<u>\$ 11,337</u>	<u>\$ 30,240</u>	<u>\$ 14,310</u>



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**Contracts Payable** consists of the following at August 31, 2019:

	Balance at September 1, 2018	Retired/ (Additions)	Balance at August 31, 2019	Amts Due Within One Year
\$5,124 to acquire water conservation storage space in the Belton Reservoir; due in annual installments of principal and interest of \$170 through 2006 and \$126 from 2007 through 2024; interest at 2.50% to 2.54%	\$ 696	\$ 109	\$ 587	\$ 112
\$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 2019; interest at 2.69% ( <b>redeemed in August, 2019</b> )	194	194	-	-
\$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%	2,052	209	1,843	215
\$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%	9,876	278	9,598	287
\$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%	4,249	147	4,102	151
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc; due in annual installments of principal only of \$10 to \$45 through 2020	90	45	45	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%	4,308	128	4,180	133
Total	<u>\$ 21,465</u>	<u>\$ 1,110</u>	<u>\$ 20,355</u>	<u>\$ 943</u>

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**Contracts Payable** consists of the following at August 31, 2018:

	Balance at September 1, 2017	Retired/ (Additions)	Balance at August 31, 2018	Amts Due Within One Year
\$5,124 to acquire water conservation storage space in the Belton Reservoir; due in annual installments of principal and interest of \$170 through 2006 and \$126 from 2007 through 2024; interest at 2.50% to 2.54%	\$ 802	\$ 106	\$ 696	\$ 109
\$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%	223	29	194	30
\$7,127 to acquire water conservation storage space in the Stillhouse Hollow Reservoir; due in annual installments of principal and interest of \$284 through 2018; interest at 2.72%	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%	2,256	204	2,052	209
\$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%	10,145	269	9,876	278
\$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%	4,391	142	4,249	147
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc; due in annual installments of principal only of \$10 to \$45 through 2020	135	45	90	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%	4,431	123	4,308	128
Total	\$ 22,659	\$ 1,194	\$ 21,465	\$ 946

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Annual requirements to retire contracts payable outstanding, including interest at August 31, 2019, were:

	<b>Contracts Payable</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2020	\$ 943	\$ 689	\$ 1,632
2021	927	660	1,587
2022	957	631	1,588
2023	987	600	1,587
2024	1,006	569	1,575
2025-2029	4,356	2,378	6,734
2030-2034	4,298	1,655	5,953
2035-2039	4,670	868	5,538
2040-2042	2,211	141	2,352
Total	<u>\$ 20,355</u>	<u>\$ 8,191</u>	<u>\$ 28,546</u>

Annual requirements to retire contracts payable outstanding, including interest at August 31, 2018, were:

	<b>Contracts Payable</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2019	\$ 946	\$ 722	\$ 1,668
2020	974	694	1,668
2021	959	664	1,623
2022	989	634	1,623
2023	1,021	602	1,623
2024-2028	4,618	2,531	7,149
2029-2033	4,173	1,801	5,974
2034-2038	4,597	1,030	5,627
2039-2042	3,188	249	3,437
Total	<u>\$ 21,465</u>	<u>\$ 8,927</u>	<u>\$ 30,392</u>



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**Other Noncurrent Liabilities** Other noncurrent liability activity for the years ended August 31, 2019 and 2018 was as follows:

	Balance at September 1, 2018	Additions	Reductions	Balance at August 31, 2019	Amounts Due Within One Year
Unearned Revenues:					
WCRRWL	\$ 316	\$ -	\$ 45	\$ 271	\$ 45
Total	<u>\$ 316</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 271</u>	<u>\$ 45</u>
Other Liabilities:					
Hydroelectric	\$ 333	\$ 6	\$ 339	\$ -	\$ -
Trans TX Phase II	210	-	-	210	-
Compensated Absences*	159	12	-	171	11
Other	111	-	-	111	-
Total	<u>\$ 813</u>	<u>\$ 18</u>	<u>\$ 339</u>	<u>\$ 492</u>	<u>\$ 11</u>

	Balance at September 1, 2017	Additions	Reductions	Balance at August 31, 2018	Amounts Due Within One Year
Unearned Revenues:					
WCRRWL	\$ 361	\$ -	\$ 45	\$ 316	\$ 45
Total	<u>\$ 361</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 316</u>	<u>\$ 45</u>
Other Liabilities:					
Hydroelectric	\$ 327	\$ 6	\$ -	\$ 333	\$ -
Trans TX Phase II	210	-	-	210	-
Compensated Absences*	180	-	21	159	11
Other	111	-	-	111	-
Total	<u>\$ 828</u>	<u>\$ 6</u>	<u>\$ 21</u>	<u>\$ 813</u>	<u>\$ 11</u>

\*Vacation and sick leave are from a frozen plan that employees historically retain until retirement. As a result, the amounts are recorded as long-term liabilities with a portion recorded as a current liability.

**7. NET POSITION**

Details of Net Position of investment in capital assets:

	2019	2018
Net capital assets	\$ 269,097	\$ 270,271
Deferred outflows of resources	305	329
Revenue bonds payable - current & noncurrent	(62,507)	(65,225)
Contracts payable - current & noncurrent	<u>(20,355)</u>	<u>(21,465)</u>
Total Net Position of investment in capital assets	<u>\$ 186,540</u>	<u>\$ 183,910</u>

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**8. RETIREMENT PLANS**

The BRA contributes to two employee retirement plans, the Retirement Plan for Employees of Brazos River Authority and the Texas County and District Retirement System. As of August 31, 2019, and 2018. The BRA had the following balances related to its pension accounts:

	BRA Plan	TCDRS Plan	2019 Total
Net Pension Liability	\$ 12,978	\$ 1,326	\$ 14,304
Deferred Outflows of Resources	\$ 1,474	\$ 2,743	\$ 4,217
Deferred Inflows of Resources	\$ 7	\$ 517	\$ 524
Pension Expense	\$ 2,870	\$ 1,452	\$ 4,322

	BRA Plan	TCDRS Plan	2018 Total
Net Pension Liability	\$ 10,711	\$ -	\$ 10,711
Net Pension Asset	\$ -	\$ 1,349	\$ 1,349
Deferred Outflows of Resources	\$ 932	\$ 857	\$ 1,789
Deferred Inflows of Resources	\$ -	\$ 942	\$ 942
Pension Expense	\$ 1,900	\$ 1,047	\$ 2,947

**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 adopted a resolution to freeze the Plan as of September 30, 2007. The resolution amended the Plan by closing the Plan to new entrants, freezing benefit accrual service, limiting compensation and service contributions to the defined contribution component of the Plan. 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, 2019, and March 1, 2018, is composed of the following:

Group	2019	2018
Retirees and beneficiaries currently receiving benefits	150	141
Terminated Plan members entitled to but not yet receiving benefits	99	104
Deferred beneficiaries	7	6
Transferred Canal Division employees*	4	5
Active Plan members	81	88
Total	341	344

\*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, 2019 and March 1, 2018 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, 2018 and 2017 can be obtained by contacting the Human Resources Manager at 254-761-3104. The BRA made the minimum funding requirement for the plan years ending February 28, 2019 and February 28, 2018.

**Net Pension Liability**

The BRA's net pension liability was measured as of March 1, 2019 and March 1, 2018, 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, 2019 and March 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Information		
	2019	2018
Actuarial valuation date	March 1, 2019	March 1, 2018
Actuarial cost method	Entry age	Entry age
Actuarial Assumptions		
Investment return*	6.5%	6.5%
Projected salary increases	N/A**	N/A**
Inflation	3.5%	3.5%

\*Includes inflation at the stated rate

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

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

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

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

Effective March 1, 2019 the mortality table was updated to the Pub-2010 General Table, Fully Generational with Scale MP-2018 to be more in line with historical plan experience.

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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 the Plan's fiscal year February 28, 2019 and February 29, 2018 are summarized in the following tables:

**February 28, 2019 and 2018**

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

Sensitivity in the discount rate

The following presents the net pension liability of the BRA calculated using the discount rate of 6.5 percent, as well as what the BRA'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>		
	<b>1% Decrease (5.5%)</b>	<b>Current Discount Rate (6.5%)</b>	<b>1% Increase (7.5%)</b>
August 31, 2019	\$ 16,437	\$ 12,978	\$ 10,052
August 31, 2018	\$ 13,854	\$ 10,711	\$ 8,035

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**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 September 1, 2018	\$ 31,145	\$ 20,434	\$ 10,711
Changes for the year:			
Service cost	65	-	65
Interest	1,956	-	1,956
Differences between expected and actual experience	(16)	-	(16)
Change in assumptions	1,939	-	1,939
Benefit payment, including refunds of employee contributions	(2,260)	(2,260)	-
Employer contributions	-	1,138	(1,138)
Net investment income	-	676	(676)
Administrative expenses	-	(137)	137
Other	-	-	-
Net changes	1,684	(583)	2,267
Balances at August 31, 2019	\$ 32,829	\$ 19,851	\$ 12,978

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at September 1, 2017	\$ 30,721	\$ 20,637	\$ 10,084
Changes for the year:			
Service Cost	76	-	76
Interest	1,934	-	1,934
Differences between expected and actual experience	551	-	551
Change in assumptions	-	-	-
Benefit payment, including refunds of employee contributions	(2,137)	(2,137)	-
Employer contributions	-	1,018	(1,018)
Net investment income	-	1,256	(1,256)
Administrative expenses	-	(84)	84
Other	-	(256)	256
Net changes	424	(203)	627
Balances at August 31, 2018	\$ 31,145	\$ 20,434	\$ 10,711

**Plan Fiduciary Net Position**

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



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

Pension expense:

For the years ended August 31, 2019 and 2018, the Employer GASB 68 pension expense and the components of the expense were as followed:

	<b>2019</b>	<b>2018</b>
Service cost	\$ 66	\$ 76
Interest	1,956	1,934
Amortization of differences between expected and actual experience	399	595
Amortization of changes of assumptions	1,077	79
Projected earnings on pension plan investments	(1,288)	(1,303)
Amortization of differences between projected and actual earnings	523	179
Pension plan administrative expenses	137	84
Other	-	256
Total pension expense	<u>\$ 2,870</u>	<u>\$ 1,900</u>

Deferred outflows and deferred inflows of resources

For the years ended August 31, 2019 and 2018, the BRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: The BRA made no contributions subsequent to the measurement date for the Plan. Employer contributions to the plan occur once a year on September 1<sup>st</sup>.

<b>August 31, 2019</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 92	\$ (7)
Change in assumptions	861	-
Net differences between projected and actual earnings on pension plan investments	521	-
Total	<u>\$ 1,474</u>	<u>\$ (7)</u>

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Deferred outflows and deferred inflows of resources - continued

<b>August 31, 2018</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 500	\$ -
Change in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	432	-
Total	<u>\$ 932</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:

<b>Year ended August 31, 2019</b>		<b>Year ended August 31, 2018</b>	
2020	\$ 1,439	2019	\$ 809
2021	(226)	2020	462
2022	132	2021	(348)
2023	122	2022	9
2024	-	2023	-
Thereafter	-	Thereafter	-
Total	<u>\$ 1,467</u>	Total	<u>\$ 932</u>

**Texas County and District Retirement System:**

**Plan Description**

The BRA participates in the Texas County and District Retirement System (TCDRS), an agent, multiple-employer plan. 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 the evaluation date December 31, 2018 and December 31, 2017, is composed of the following:

Group	2018	2017
Retirees and beneficiaries currently receiving benefits	64	58
Terminated Plan members entitled to but not yet receiving benefits	93	87
Active Plan members	228	236
Total	385	381

**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 2019 and 2018 was 7.13% and 7.23% respectively. The required contribution rate payable by the employee members is 6.0% as adopted by the Board of Directors. The employee and employer contribution rates may be changed by the BRA's Board of Directors within the options available in the TCDRS Act.



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**Net Pension Liability**

The BRA's net pension liability was measured as of December 31, 2018 and December 31, 2017, 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, 2018 and the December 31, 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Information		
	2019	2018
Actuarial valuation date	December 31, 2018	December 31, 2017
Actuarial cost method	Entry age	Entry age
Actuarial Assumptions		
Investment return	8.0%	8.0%
Projected salary increases	2.0%	2.0%
Inflation	2.75%	2.75%

For the December 31, 2017 and 2018 actuarial valuation, the mortality rates for depositing members, were based on 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014.

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 2019 and January 2018 information for a 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 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 through December 31, 2016 for more details.

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**Long-term Expected rate of return by Asset Class**  
**Based on January 2019 information for a 10 year time horizon**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Geometric Real Rate of Return</b>
US Equities	10.50%	5.40%
Private Equities	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities Developed	10.00%	5.40%
International Equities-Emerging	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%

**Long-term Expected rate of return by Asset Class**  
**Based on January 2018 information for a 7 -10 year time horizon**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Geometric Real Rate of Return</b>
US Equities	11.50%	4.55%
Private Equities	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities-Developed	11.00%	4.55%
International Equities-Emerging	8.00%	5.55%
Investment-Grade Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%

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.

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Sensitivity in the discount rate

The following presents the net pension liability of the BRA calculated using the discount rate of 8 percent, as well as what the BRA's net pension (asset)/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>		
	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
August 31, 2019	\$ 5,453	\$ 1,326	\$ (2,145)
August 31, 2018	\$ 2,328	\$ (1,349)	\$ (4,440)

**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 September 1, 2018	\$ 25,965	\$ 27,314	\$ (1,349)
Changes for the year:			
Service cost	1,829	-	1,829
Interest	2,227	-	2,227
Differences between expected and actual experience	114		114
Benefit payment, including refunds of employee contributions	(607)	(607)	-
Employer contributions	-	1,076	(1,076)
Change in assumptions	-	-	-
Member contributions	-	893	(893)
Net investment income	-	(494)	494
Administrative expenses	-	(23)	23
Other	-	43	(43)
Net changes	3,563	888	2,675
Balances at August 31, 2019	\$ 29,528	\$ 28,202	\$ 1,326

	<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 September 1, 2017	\$ 22,544	\$ 22,542	\$ 2
Changes for the year:			
Service cost	1,841	-	1,841
Interest	1,958	-	1,958
Differences between expected and actual experience	31	-	31
Benefit payment, including refunds of employee contributions	(442)	(442)	-
Employer contributions	-	1,028	(1,028)
Change in assumptions	33	-	33
Member contributions	-	871	(871)
Net investment income	-	3,314	(3,314)
Administrative expenses	-	(18)	18
Other	-	19	(19)
Net changes	3,421	4,772	(1,351)
Balances at August 31, 2018	\$ 25,965	\$ 27,314	\$ (1,349)



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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, 2019 and 2018, the Employer GASB 68 pension expense and the components of the expense were as followed:

	2019	2018
Service cost	\$ 1,829	\$ 1,841
Interest	2,227	1,958
Member contributions	(892)	(871)
Effect of plan changes	-	-
Amortization of differences between expected and actual experience	(216)	(235)
Amortization of changes of assumptions	32	32
Projected earnings on pension plan investments	(2,267)	(1,884)
Amortization of differences between projected and actual earnings	759	207
Pension plan administrative expenses	23	18
Other *	(43)	(19)
Total pension expense	<u>\$ 1,452</u>	<u>\$ 1,047</u>

\* Relates to allocation of system-wide items.

Deferred outflows and inflows of resources:

For the years ended August 31, 2019 and 2018, the BRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

August 31, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 121	\$ 517
Change in assumption	76	-
Net difference between projected and actual earnings on pension plan investments	1,822	-
BRA's contributions subsequent to the measurement date *	724	-
Total	<u>\$ 2,743</u>	<u>\$ 517</u>

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Deferred outflows and deferred inflows of resources - continued

<b>August 31, 2018</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 37	\$ 762
Change in assumption	109	-
Net difference between projected and actual earnings on pension plan investments	-	180
BRA's contributions subsequent to the measurement date *	711	-
Total	<u>\$ 857</u>	<u>\$ 942</u>

\*For Fiscal Years ending August 31, 2019 and 2018, a total of \$724 and \$711 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, 2019 and 2018 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, 2019</b>		<b>Year ended August 31, 2018</b>	
2020	\$ 516	2019	\$ 4
2021	116	2020	(55)
2022	270	2021	(455)
2023	582	2022	(301)
2024	19	2023	11
Thereafter	-	Thereafter	-
Total	<u>\$ 1,503</u>	Total	<u>\$ (796)</u>

## 9. FINANCING ARRANGEMENTS

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. Those amounts are deposited and invested in accordance with the BRA's adopted investment policy. 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 party:

<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, 2019</b>
Jonah Water SUD	2007	\$ 3,170	2009-2028	4.0% to 4.5%	\$ 1,740
Jonah Water SUD	2008	\$ 2,630	2010-2029	3.0% to 5.0%	1,590
Jonah Water SUD	2012	\$ 5,090	2015-2032	3.0% to 5.0%	3,970
Total					<u>\$ 7,300</u>

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**10. RISK MANAGEMENT**

The BRA is exposed to various risks of loss related to torts, theft of, damage to and destruction of *assets; errors and omissions, natural disasters, and job-related injuries or illnesses to employees* for which the BRA carries commercial insurance or participates in the Texas Municipal League Intergovernmental Risk Pool (Pool). These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year. The BRA's relationship with the Pool parallels that with a commercial insurance company. The Pool has the responsibility to defend any suit seeking damages on account of any liability up to the applicable limits of the agreement. The BRA has the responsibility to notify the Pool of all potential claims and pay for any amounts up to the agreement's deductible. The Schedule of Insurance can be found on Pages 120 to 121 of this report.

**11. 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 I7 Fund until vesting occurs. Total deposits into the non-vested account for the twelve months ended August 31, 2019 and August 31, 2018 were \$50 and \$34, 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.

**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.



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**Other – (continued)**

Allens Creek Reservoir is a planned off-channel water storage reservoir that will be constructed on Allens Creek, a tributary of the Brazos River, in Austin County. An off-channel reservoir impounds water pumped from an adjacent river or stream when flows are adequate for storage and subsequent use. The dam for Allens Creek Reservoir will be located on Allens Creek; however, the primary water source for the reservoir will be flows pumped from the Brazos River.

Currently, the BRA, the City of Houston (City) and the TWDB are partners in the project. However, the 86<sup>th</sup> Texas Legislature passed House Bill 2846 earlier this year, which requires the City to sell its interest in the reservoir to BRA for \$23 million by January 2020. The BRA and some of its water customers were active in support of this bill during the legislative session. Governor Greg Abbott signed the bill into law, but the City has challenged its constitutionality. BRA will continue to work through the legal process with the City and the State of Texas with the goal of moving this project forward to construction as quickly as possible.

**Construction Projects**

The BRA has several construction contracts related to the capital improvement plan, approved by the Board of Directors. As of August 31, 2019, the BRA had approximately \$8,615 in open contract commitments, including change orders. The BRA has recorded construction in progress (CIP) related to these contracts totaling \$14,097. The following identifies some of those projects and selected details regarding the commitments.

<b>Name</b>	<b>Construction In Progress at August 31, 2019</b>	<b>Total Project Budgeted Cost</b>	<b>Estimated Project Comp. Date</b>
DeCordova Bend Dam Low Flow Facility	\$ 3,038	\$ 5,155	2020+
PK Dam Improvement Projects	910	10,110	2020+
Trinity Groundwater	5,230	23,436	2024+
Lake Limestone Improvement Projects	2,324	67,303	2024+
Lake Granbury Improvement Projects	1,582	6,345	2020+
Allens Creek Reservoir	540	92,422	2022+
Other	473	-	various
Total	<u>\$ 14,097</u>		

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**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, 2019 are represented as follows:

Working Capital Reserve	\$ 9,744
Contingency Reserve Fund	5,000
Self Insurance Fund	500
Rate Stabilization Reserve Fund	78,435
Total	<u>\$ 93,679</u>

**13. SUBSEQUENT EVENTS**

On July 29, 2019, the Board of Directors of the BRA approved the issuance and sale of Brazos River Authority Contract Revenue Refunding Bonds, Series 2019 (Williamson County Regional Raw Water Line Project) to refund the 1999 Brazos River Authority Texas Water Development Board State Participation Loan for Williamson County Regional Raw Water Line. The debt resolution authorizes the issuance in a not to exceed principal amount of \$16,265.

**14. RECENTLY ISSUED GASB STATEMENTS**

**Effects of New Accounting Standards on Current Period Financial Statements:**

In June 2018, the GASB issued Statement No 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are: (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

The BRA has elected to early adopt as of September 1, 2017, with no significant impact to the financial statements, since the BRA did not record any capitalized interest cost associated with construction projects in 2017.

The Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged.

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**Upcoming GASB Standards:**

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. The BRA has not yet determined the impact this statement may have on the Financial Statements.

In June 2017, the GASB issued Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. The BRA has not yet determined the impact this statement may have on the Financial Statements.

In August 2018, the GASB issued Statement No 90, *Majority Equity Interests*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separated organizations that previously was reported inconsistently. In addition, requiring reporting of information about component units if the government acquires a 100 % equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The BRA has not yet determined the impact this statement may have on the Financial Statements.

In May 2019, the GASB issued Statement No 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020. The BRA has not yet determined the impact this statement may have on the Financial Statements.



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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\***

	8/31/2019	8/31/2018	8/31/2017	8/31/2016	8/31/2015
<b>Measurement Date</b>	2/28/2019	2/28/2018	2/28/2017	2/29/2016	2/28/2015
Total pension liability					
Service cost	\$ 66	\$ 76	\$ 105	\$ -	\$ -
Interest	1,956	1,934	1,892	1,894	1,765
Differences between expected and actual experience	(16)	551	689	225	638
Change of assumptions	1,939	-	(455)	-	1,259
Benefit payment, including refunds of member contributions	(2,261)	(2,137)	(1,892)	(1,713)	(1,656)
Net change in total pension liability	1,684	424	339	406	2,006
Total pension liability --beginning	31,145	30,721	30,382	29,976	27,970
Total pension liability --ending (a)	<u>\$ 32,829</u>	<u>\$ 31,145</u>	<u>\$ 30,721</u>	<u>\$ 30,382</u>	<u>\$ 29,976</u>
Plan fiduciary net position					
Employer contributions	\$ 1,138	\$ 1,018	\$ 911	\$ 826	\$ 682
Net investment income	676	1,256	2,972	(2,201)	1,226
Benefit payment, including refunds of member contributions	(2,260)	(2,137)	(1,892)	(1,713)	(1,656)
Administrative expenses	(137)	(84)	(80)	(81)	(79)
Other	-	(256)	-	-	-
Net change in plan fiduciary net position	(583)	(203)	1,911	(3,169)	173
Plan fiduciary net position -- beginning	20,434	20,637	18,726	21,895	21,722
Plan fiduciary net position -- ending (b)	<u>\$ 19,851</u>	<u>\$ 20,434</u>	<u>\$ 20,637</u>	<u>\$ 18,726</u>	<u>\$ 21,895</u>
BRA's net pension liability -- (a) - (b)	<u>\$ 12,978</u>	<u>\$ 10,711</u>	<u>\$ 10,084</u>	<u>\$ 11,656</u>	<u>\$ 8,081</u>
Plan fiduciary net position as a percentage of the total pension liability	60.47%	65.61%	67.18%	61.64%	73.04%
Covered payroll	\$ 7,026	\$ 7,405	\$ 7,674	\$ 7,990	\$ 7,962
Net pension liability as a percentage of covered payroll	184.71%	144.65%	131.40%	145.88%	101.49%

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

**Notes to schedule:**

**Changes in assumptions.** Effective May 18, 2015 and then again in May 1, 2019, 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**

**(in thousands) (Unaudited)**

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

**LAST 10 YEARS\***

	8/31/2019	8/31/2018	8/31/2017	8/31/2016	8/31/2015
<b>Measurement Date</b>	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total pension liability					
Service cost	\$ 1,829	\$ 1,841	\$ 1,921	\$ 1,682	\$ 1,615
Interest	2,227	1,958	1,640	1,511	1,296
Effect of plan changes	-	-	-	(326) <sup>(1)</sup>	-
Differences between expected and actual experience	114	31	(153)	(1,320)	32
Change of assumptions	-	33	-	164	-
Benefit payment, including refunds of member contributions	(607)	(442)	(349)	(254)	(225)
Net change in total pension liability	3,563	3,421	3,059	1,457	2,718
Total pension liability --beginning	25,965	22,544	19,485	18,028	15,310
Total pension liability --ending (a)	<u>\$ 29,528</u>	<u>\$ 25,965</u>	<u>\$ 22,544</u>	<u>\$ 19,485</u>	<u>\$ 18,028</u>
Plan fiduciary net position					
Employer contributions	\$ 1,075	\$ 1,028	\$ 1,002	\$ 1,010	\$ 1,023
Member contributions	893	871	843	827	789
Net investment income	(494)	3,314	1,448	(418)	1,049
Benefit payment, including refunds of member contributions	(607)	(442)	(349)	(254)	(225)
Administrative expenses	(22)	(18)	(16)	(13)	(13)
Other	43	19	184	(24)	6
Net change in plan fiduciary net position	888	4,772	3,112	1,128	2,629
Plan fiduciary net position -- beginning	27,314	22,542	19,430	18,302	15,673
Plan fiduciary net position -- ending (b)	<u>\$ 28,202</u>	<u>\$ 27,314</u>	<u>\$ 22,542</u>	<u>\$ 19,430</u>	<u>\$ 18,302</u>
BRA's net pension (asset) / liability -- (a) - (b)	<u>\$ 1,326</u>	<u>\$ (1,349)</u>	<u>\$ 2</u>	<u>\$ 55</u>	<u>\$ (274)</u>
Plan fiduciary net position as a percentage of the total pension liability	95.51%	105.20%	99.99%	99.72%	101.52%
Covered payroll	\$ 14,873	\$ 14,524	\$ 14,049	\$ 13,783	\$ 13,148
Net pension (asset) / liability as a percentage of covered payroll	8.92%	-9.29%	0.02%	0.40%	-2.08%

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

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

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

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

<b>Year Ended August 31</b>	<b>Actuarially determined contribution (a)</b>	<b>Contributions in relation to the actuarially determined contribution (b)</b>	<b>Contribution deficiency (excess) (b-a)</b>	<b>Covered payroll</b>	<b>Contributions as a percentage of covered-employee payroll</b>
2019	\$1,137,903	\$1,137,903		\$ 7,031,535	16.18%
2018	\$1,018,208	\$1,018,208	-	\$ 7,255,347	14.03%
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%

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

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

<b>Year Ended August 31</b>	<b>Actuarially determined contribution (a)</b>	<b>Contributions in relation to the actuarially determined contribution (b)</b>	<b>Contribution deficiency (excess) (b-a)</b>	<b>Covered payroll</b>	<b>Contributions as a percentage of covered-employee payroll</b>
2019	\$1,087,874	\$1,087,874		\$15,187,265	7.16%
2018	\$1,061,610	\$1,061,610	-	\$14,785,789	7.18%
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%

**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.

Additional information as of the two most recent actuarial valuation dates as of March 1, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</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 1, 2019, 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 Pub-2010 General table with fully generational improvements using Scale MP-2018 (changed from RP2000 Combined Healthy Mortality Table, Fully Generational with Scale AA, set forward one year for males)



**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	2.75%
Salary Increases	3.25% (made up of 2.75% inflation and .05% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% 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 (ASSETS)/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	20%	20%
45-49	9	9	63	15	15
50	10	10	64	15	15
51	9	9	65	25	25
52	9	9	66	25	25
53	9	9	67	22	22
54	10	10	68	20	20
55	10	10	69	20	20
56	10	10	70	22	22
57	10	10	71	22	22
58	12	12	72	22	22
59	12	12	73	22	22
60	12	12	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 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>	<u>Years of Service</u>	<u>Probability</u>	<u>Years of Service</u>	<u>Probability</u>	<u>Years of Service</u>	<u>Probability</u>
0-1	100%	8	47%	15	40%	22	24%
2	100	9	46	16	38	23	22
3	100	10	45	17	36	24	20
4	100	11	44	18	33	25	18
5	100	12	43	19	30	26	16
6	100	13	42	20	28	27	14
7	100	14	41	21	26	28	12

\*Members with more than 29 years of service are not assumed to refund and the probability is 10%.

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# *Supplemental Information*

**BRAZOS RIVER AUTHORITY**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (AGENCY FUNDS)**  
**YEAR ENDED AUGUST 31, 2019 (in thousands)**

	<b>Balance September 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance August 31, 2019</b>
<u>Jonah Water SUD Agency Fund</u>				
<b>ASSETS</b>				
Cash	\$ 514	\$ 1,428	\$ (1,423)	\$ 519
Investments	389	396	(397)	388
Accrued interest	1	10	(10)	1
<b>TOTAL ASSETS</b>	<u>\$ 904</u>	<u>\$ 1,834</u>	<u>\$ (1,830)</u>	<u>\$ 908</u>
<b>LIABILITIES</b>				
Held for future debt service	\$ 904	\$ 1,489	\$ (1,485)	\$ 908
<b>TOTAL LIABILITIES</b>	<u>\$ 904</u>	<u>\$ 1,489</u>	<u>\$ (1,485)</u>	<u>\$ 908</u>

**BRAZOS RIVER AUTHORITY  
SUPPLEMENTAL INFORMATION  
COMPARISON OF BUDGETED REVENUES AND EXPENSES TO ACTUAL  
(NON-GAAP BUDGETARY BASIS)  
YEAR ENDED AUGUST 31, 2019 (in thousands)**

	<b>2019 Budget</b>	<b>2019 Actual</b>	<b>Variance</b>	
<b>OPERATING REVENUES:</b>				
Water Supply System:				
Raw water sales	\$ 35,401	\$ 41,629	\$ 6,228	1
Treated water	2,356	3,028	672	
Wastewater treatment	3,293	3,447	154	
Lake operations	469	529	60	
Grants	1,546	904	(642)	
Rate stabilization reserves	1,825	-	(1,825)	2
Other	669	820	151	
Cost Reimbursable Operations:				
Water conveyance	4,130	3,107	(1,023)	3
Water treatment	1,299	1,528	229	
Wastewater treatment	6,610	5,937	(673)	
<b>TOTAL OPERATING REVENUES</b>	<b>57,598</b>	<b>60,929</b>	<b>3,331</b>	
<b>OPERATING EXPENSES:</b>				
Personnel services	23,567	22,808	759	
Materials and supplies	2,513	2,340	173	
Utilities	2,689	1,951	738	
Depreciation and amortization	-	8,768	(8,768)	4
Outside services	8,826	7,564	1,262	5
Repair and maintenance	3,545	2,760	785	
Landfill & sludge hauling	913	1,229	(316)	
Purchased water	2,372	2,272	100	
Other	6,721	2,939	3,782	6
<b>TOTAL OPERATING EXPENSES</b>	<b>51,146</b>	<b>52,631</b>	<b>(1,485)</b>	
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment income	1,930	3,114	1,184	7
Interest expense	(4,215)	(3,842)	373	
Other expenses	-	(126)	(126)	
Gain on sale of capital assets	-	(21)	(21)	
Capital contributions	-	500	500	
Debt service - principal	(3,469)	-	3,469	8
<b>TOTAL NET NON-OPERATING REVENUES/ (EXPENSES)</b>	<b>(5,754)</b>	<b>(375)</b>	<b>5,379</b>	
<b>CHANGE IN NET POSITION</b>	<b>\$ 698</b>	<b>\$ 7,923</b>	<b>\$ 7,225</b>	

1 Higher than expected interruptible water sales

2 BRA anticipated utilizing Rate Stabilization Reserves as a funding source, but higher than expected interruptible water sales made this unnecessary

3 Due to adequate lake levels, the water conveyance pumps were not used as much as anticipated

4 Depreciation and amortization are not budgeted expenditures

5 Timing differences on Brazos G and lower than expected O&M charges for the Corps of Engineers

6 Cost savings across most departments, particularly in the purchase of capital assets and operating projects

7 Interest rates were higher than expected and cash balances were higher than expected due to the deferral of several large capital improvement projects

8 Debt service principal payments are not GAAP expenditures