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Annual Comprehensive Financial Report

for the Fiscal Years Ended
August 31, 2021 and 2020
Waco, Texas



Brazos
— ★ —
River Authority



**Front cover image - Photo of Possum Kingdom Lake's
Morris Sheppard Dam under construction**



The River News

2021

The Lone Star State • \$1.00 • brazos.org

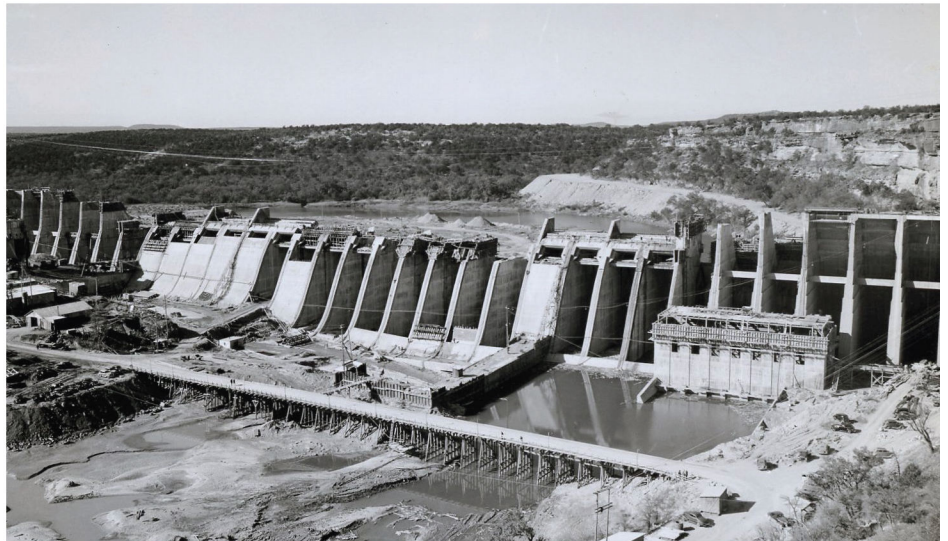
Volume 80/Edition 45

PK LAKE TURNS 80

By: Brazos River Authority Staff

Possum Kingdom Lake, located on the main stem of the Brazos River northwest of Fort Worth, was the first water supply reservoir constructed in the Brazos River basin. The project was authorized through a permit issued by the State of Texas in 1938.

Located in Young, Palo Pinto, Stephens, and Jack counties, the construction of the Morris Sheppard Dam began in 1938 and was completed in 1941 with the aid of the Works Progress Program. PK covers 16,716 acres with 219 miles of shoreline. The reservoir holds about 540,000 acre-feet of water with 230,750 acre-feet available as water supply for the Brazos basin. Depth of the lake varies with the original terrain of the area and is about 100 feet at the dam site.



Above: Photo of Possum Kingdom Lake's Morris Sheppard Dam under construction.

Below: Recent photo of the dam releasing water from four gates.

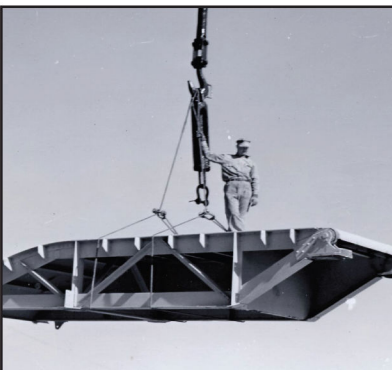


Photo by: Daring Construction Workers

Possum Kingdom Lake under construction

Engineering Marvel

By BRA Staff

Extending the life of the oldest water supply reservoir in the Brazos River basin requires highly skilled ideas, work and dedication.

The BRA's Reservoir System Maintenance Unit, known more commonly as RSMU, works year-round to

maintain the structure.

The RSMU department is comprised of employees proficient in all aspects of heavy industrial construction, including welding, fabrication, sandblasting, coatings, and crane operations.

**BRAZOS RIVER AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED AUGUST 31, 2021 and 2020**

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Introductory Section

Brazos River Authority



Board of Directors

Director



Gary Boren

Director



Austin Ruiz, O.D.

Director



Judy Ann Krohn, Ph.D.

Director



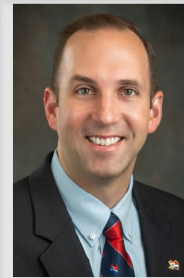
Royce Lesley

Presiding Officer



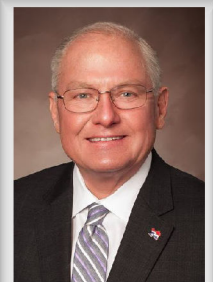
Cynthia A. Flores

Director



Mike Fernandez

Director



Jim Lattimore, Jr.

BRAZOS RIVER BASIN

Lubbock

Upper Region

Graford

Abilene

Comanche

Director



Jennifer "Jen" Henderson

Director



W.J. "Bill" Rankin



Management Team



Aaron Abel
Water Services Manager



Robert Starnes
Security & Safety
Programs Manager



Matt Phillips
Legislative & Governmental
Affairs Manager



Monica Wheelis
Human Resources Manager



Blake Kettler
Technical Services Manager



David Collinsworth
General Manager/CEO



Lauralee Vallon
General Counsel



Courtney Dobogai
IT Manager



David Thompson
Chief Financial Officer



Jon King
Special Projects &
Strategic Initiatives Manager



Brad Brunett
Lower/Central Basin
Regional Manager



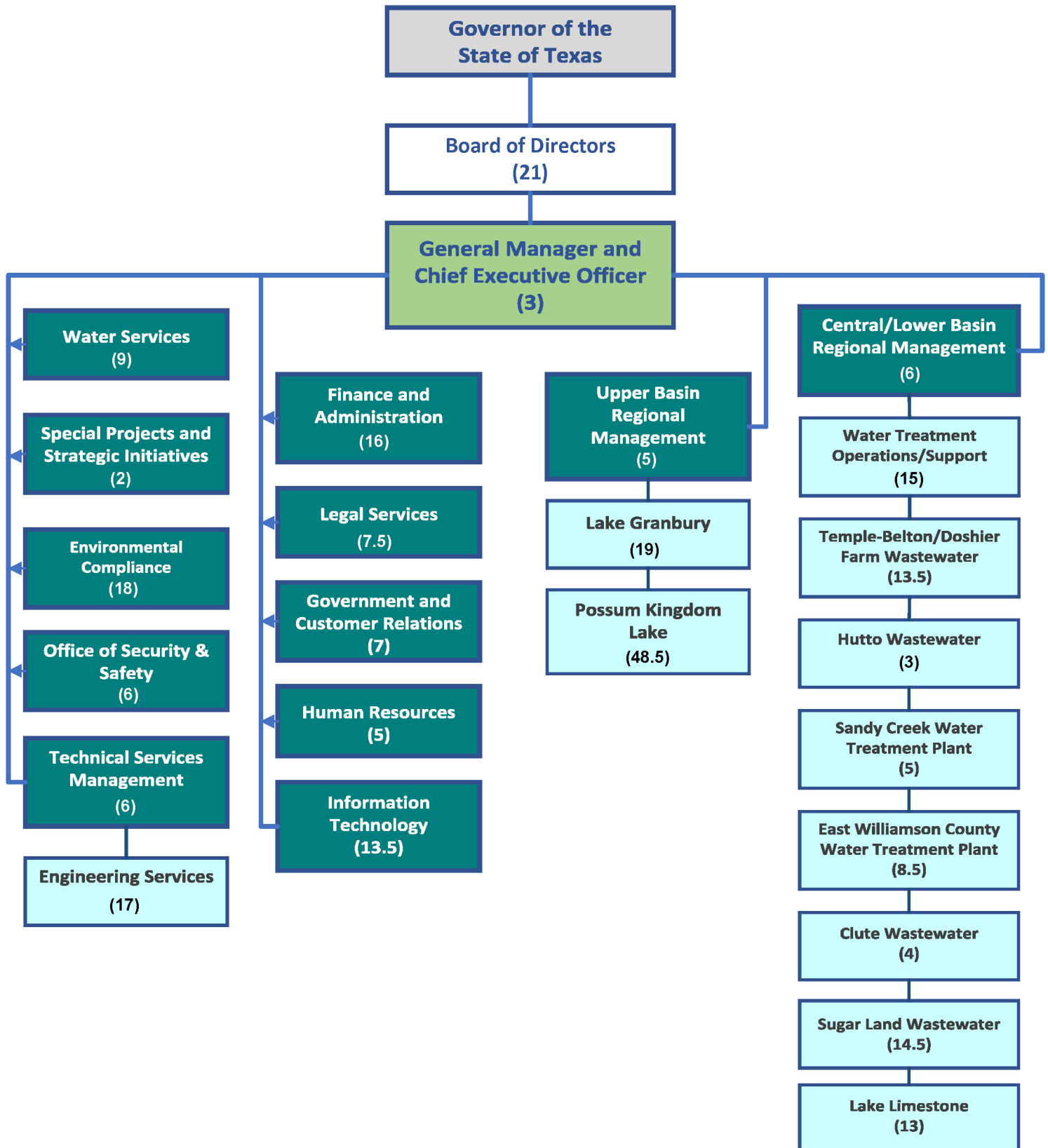
Mike McClendon
Upper Basin
Regional Manager



Tiffany Malzahn
Environmental &
Compliance Manager

Brazos River Authority Organizational Chart

(Including Position Counts)



Source: Brazos River Authority Annual Operating Plan FY 2022



Brazos River Authority

January 31, 2022

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 Annual Comprehensive Financial Report (ACFR) of the Brazos River Authority (BRA) for the Fiscal Year ended August 31, 2021. 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 ACFR 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, 2021 and 2020 have been audited by Baker Tilly US, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the BRA for the Fiscal Year ended August 31, 2021 and 2020 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion and that the BRA's financial statements for the Fiscal Years ended August 31, 2021 and 2020 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 1,026,141 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, mining and agricultural water customers from West Texas to the Gulf Coast.

Water and Wastewater Treatment

The BRA 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. Over two billion gallons was treated and provided to EWCWRS customers in Fiscal Year 2021. The BRA also operates a potable (drinking) water treatment system for the City of Leander. This system also treated and supplied slightly over 2 billion gallons in Fiscal Year 2021.

Wastewater was treated and discharged by the BRA at nine sewerage systems that it operated within the basin during Fiscal Year 2021: Temple-Belton, Doshier Farm, Sugar Land North and South, Sugar Land Greatwood, Sugar Land New Territory, 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 water 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 the BRA has a voting member on each of the planning groups for Regions O, G, and H.

Regional Flood Planning

During the 2019 legislative session the Texas Legislature created a new state flood planning process. Similar to the state water planning process that has existed for many years, flood planning breaks the state up into multiple Regional Flood Planning Groups that will develop regional plans including local projects to prevent and mitigate flooding in the future. These local plans will then be consolidated into a State Flood Plan by the Texas Water Development Board (TWDB). The Brazos Basin includes two Regional Flood Planning Groups (Upper and Lower Brazos), with BRA serving as voting members on both groups. Additionally, BRA serves as the administrative agency for the Lower Brazos Regional Flood Planning Group.

ECONOMIC CONDITION AND OUTLOOK

The fiscal year ended August 31, 2021 with an economy still undergoing targeted stabilization treatment during a prolonged global pandemic. The Federal Open Market Committee (FOMC) continued to utilize their tools to stimulate the economy and Congress enacted legislation to provide an economic safety net to businesses, governments, and individuals. As the Coronavirus presented periodic infection surges and resulting business constraints, the FOMC's tools have begun to yield positive results. Gross Domestic Product (GDP) improved from negative territory in 2020 to a robust +6.6% by the end of second quarter 2021. Unemployment fell in August 2021 to 5.2% from 14.2% in August 2020. A massive effort to vaccinate Americans has yielded more opportunities to reopen businesses. At the onset of the pandemic in early 2020, over 25 million Americans lost their jobs. By the end of August 2021, approximately 5.6 million were still unemployed and fewer than 3 million were still drawing unemployment benefits for an extended period.

The FOMC held the Fed Funds Rate steady in the 0% to 0.25% range throughout 2021 after dropping it 200 basis-points in early 2020. The FOMC also utilized other stimulus options to pump liquidity into a flagging economy. With recent signs of sustainable economic improvement, the FOMC has begun to signal that some of these stimuli may be dialed back in the next several months. However, the FOMC has also signaled that any increase in the Fed Funds Rate will not be likely until late 2022 or early 2023. In the early stages of the pandemic, the FOMC had first indicated that no action to increase the Fed Funds Rate would likely be taken until 2024, so their recent assessment of the economic recovery has improved significantly.

One of the by-products of business closures due to the virus is supply chain blockages. Producers have been unable to keep pace with product demand due to limited opportunity to have fully functional

factories. Also, other breakdowns, such as transportation, have slowed product deliveries and resulted in huge backlogs in orders. All of this causes prices of those products to increase. Although red hot during 2021, these price increases significantly impacted the housing sector. The price of materials has added significant costs to new housing unit prices. As prices increased dramatically during 2021, more prospective buyers have found the home prices to become unaffordable. Inflation in all aspects of the economy has increased in recent months. The FOMC believes that this inflation will be temporary as supply kinks work their way out but will be a critical aspect of their economic strategy. Unfortunately, the outlook for fiscal year 2021/2022 is for a slowing recovery.

The Texas economy has performed well relative to the national economy. The unemployment rate in Texas fell from 6.8% in August 2020 to 5.9% in August 2021, slightly higher than the national rate of 5.2% at the end of the period. Recovering from the pandemic, Texas increased the number of jobs by 5.6% during the year. By comparison, California has experienced an increase of 5.5%, New York has increased 4.8% and Florida has increased 4.5%. Texas sales tax revenues rose 18.3% during the fiscal year. Texas has seen a favorable housing sector throughout the year.

Interest rates for investments allowed by the BRA's Investment Policy and State Law have remained low throughout the year. Local Government Investment Pool rates were 0.02% at the end of August 2021, below the 0.16% yield at the end of August 2020. Rates for Certificates of Deposit (CD) were also reflective of the economic decline at year end. At the end of August 2021, a one-year CD yielded 0.15%, compared to 0.37% at the end of August 2020. CDs and other financial institution deposits generally remain more attractive than alternative Treasury and Agency positions.

LONG-TERM FINANCIAL AND STRATEGIC PLANNING

In July 2020, the BRA's Board reviewed the Fiscal Year 2021 Long Range Financial Plan. This look into the future is both an inventory of projects anticipated to be undertaken by the BRA to satisfy its mission, as well as an analysis of the implications of those projects on the BRA's System Water Rate (SWR). The inventory of projects is a mixture of infrastructure repair and replacement, new water source development, operations and maintenance needs, central services projects, security, and water quality initiatives.

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.

In March 2021, the BRA's Board participated in the initial Annual Strategic Plan Workshop which focused on input and guidance on strategic initiatives and refinements to the existing Strategic Plan. Additionally, in July 2021, the BRA Board adopted the Strategic Plan with updates reflecting changes from the version adopted in 2020, and enhancements to reflect initiatives funded in the Fiscal Year 2022 Annual Operating Plan.

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 2021, 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. The following is a synopsis of select programs and projects managed by the BRA in Fiscal Year 2021:

WATER SUPPLY

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

The BRA's water supply storage was 92 percent full at the beginning of Fiscal Year 2021. Short-term drought impacts present within parts of the basin remained into the third quarter of the fiscal year. Widespread significant rainfall throughout the basin stretching from spring into summer 2021 provided drought relief. The BRA water supply system was 99 percent full entering the last quarter of Fiscal Year 2021. Approximately 2.5 million acre-feet of floodwater was released through the three BRA owned and operated reservoirs of Possum Kingdom Reservoir, Lake Granbury, and Lake Limestone in Fiscal Year 2021. At the end of Fiscal Year 2021 the BRA's water supply storage was 99 percent full.

- ***Water Conservation***

The BRA continued on-going efforts to develop and encourage water conservation practices in Fiscal Year 2021. These efforts included public education and outreach through the BRA's website, social media pages, newsletters, coordination with other water providers, and evaluation of water conservation information reported to the TWDB by the 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***

The BRA has pursued reallocation studies in two of the eight US Army Corps of Engineers' (USACE) 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 that have been considered are Lakes Whitney and Aquilla. Unfortunately, the Assistant Secretary of the Army for Civil Works denied the request for reallocation at Lake Aquilla in 2019 due to concern over the loss of flood storage, making the future of that project uncertain at best. However, efforts are still underway to initiate a reallocation study at Lake Whitney. The BRA has been working with its congressional delegation and the USACE to secure New Start funding for the study.

- ***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 86th Texas Legislature passed House Bill 2846 in 2019, which required the City of Houston to sell its interest in the reservoir to the BRA for \$23 million by January 2020. Implementation of the legislation has been delayed due to the fact that the City filed a lawsuit challenging the constitutionality of the law. The lawsuit is expected to go before the Texas Supreme Court in Fiscal year 2022. The 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 2020, the BRA reached final completion of its first Trinity aquifer groundwater well at the EWCRWS 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. Additional property is being acquired to accommodate future well sites as water needs increase. Expansion planning for the entire EWCRWS system is currently underway, and one of the elements of this effort is to develop detailed plans for blending the Trinity aquifer groundwater with surface water from Lake Granger. The potential for aquifer storage and recovery (ASR) is also being investigated. An ASR project would treat excess surface water from Lake Granger and inject it into the Trinity aquifer for storage and future use.

- ***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. The BRA is in the process of developing 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 EWCRWS and its associated 12.8 million gallons per day (MGD) water treatment plant currently supplies treated drinking water to the City of Taylor, the Jonah Water Special Utility District, and the Lone Star Regional Water Authority. Additional customers 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 EWCRWS since acquiring the water treatment plant from the City of Taylor in 2004. Planning and design for the next expansion will begin early in the first quarter of Fiscal Year 2022.

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 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. The BRA determines when to pump water based on lake elevation trigger levels. Due to dry conditions in the Lake Georgetown watershed, the WCRRWL was in service for most of Fiscal Year 2021, transferring approximately 33,000 acre-feet of water from Lake Stillhouse Hollow to Lake Georgetown. Planning for the final phase of pumps that will take the system to its ultimate design capacity will begin in Fiscal Year 2022.

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

The BRA has been planning for a new pipeline that will 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 the BRA better manage water supplies in this part of the basin. Preliminary engineering work for this pipeline is currently underway and scheduled for completion in Fiscal Year 2022. The pipeline is expected to be operational in the next five to seven years.

MAINTENANCE *Dam Rehabilitation Projects*

As part of proactively addressing the safety, preventive maintenance and ongoing operational efficiency of the BRA-owned dams, the BRA is pursuing the modifications to low-flow gates at Lake Granbury's DeCordova Bend Dam. Construction is planned to start in Fiscal Year 2022. The BRA is also proceeding with other dam projects at DeCordova Bend Dam, including the reinforced concrete components project and the stop log trolley replacement project.

The BRA's Reservoir System Maintenance Unit (RSMU) group is constantly seeking means and methods to improve its maintenance of the spillway gates which is an annual recurring initiative at Possum Kingdom Lake's Morris Sheppard Dam. RSMU staff obtained design drawings/specifications for the pier plate walls and began self-performance of maintenance improvements to Morris Sheppard Dam's nine spillway gates. Additionally, BRA staff is actively pursuing design of the spillway pump and piping project which should start construction in Fiscal Year 2022 and began the design process of replacement of the flow control gates that assist in operation of the nine spillway gates. Lastly, Gannett Fleming has begun Phase III of a four phase project to review and assess the dam's concrete components and identify 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 is almost complete and the project is expected to move to construction in Fiscal Year 2022. The BRA is also beginning an assessment of the dam's hydrostatic relief system and repairs to the stilling basin on the downstream side of the dam.

Internal Engineering Design and Project Oversight

The BRA Water Supply System's most critical assets are the facilities that we own and/or operate to provide water to our customers and meet our Mission Statement. This includes three dams which impound the self-owned and operated reservoirs, water and wastewater treatment facilities, pipelines, and future water supply strategies. In the past, the BRA has relied heavily on outside consultants to deliver all

services related to the investigation, planning, 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 engineering services and reviews internally to provide engineering support and technical expertise on BRA facilities. Internal Engineering efforts in Fiscal Year 2021 included the following:

- Coordinated the annual maintenance inspection for Morris Sheppard Dam, and the 5-year engineering inspections for DeCordova Bend Dam and Sterling C. Robertson Dam
- Reviewed the precision and range line surveys for Morris Sheppard Dam
- Coordinated the 2021 Geotechnical and Instrumentation Data Assessment of Morris Sheppard Dam
- Reviewed and provided input for 60% Design Phase for the Morris Sheppard Dam Spillway Pump and Piping Project and plan to start construction in Fiscal Year 2022
- Initiated projects at Morris Sheppard Dam to include the Miscellaneous Structural Project and Flow Control Gate Replacement Project
- Coordinated Phase II of the Concrete Assessment and Service Life Extension and moving forward with Phase III, targeted destructive testing and investigation
- Coordinated the Preliminary Engineering Analysis as part of the DeCordova Bend Dam Reinforced Concrete Components Project and now pursuing testing and additional analysis
- Coordinated the Design Phase for the DeCordova Bend Dam Low Flow Facilities Project and will start construction in Fiscal Year 2022
- Finalizing completion of the Design Phase for the Sterling C. Robertson Dam Tainter Gate Replacement Project and plan to start construction in Fiscal Year 2022
- Initiated the Sterling C. Robertson Dam Hydrostatic Relief System Project
- Providing technical support in preparation of the draft Preliminary Engineering Report for the Belhouse Drought Preparedness Project
- Completed the 30% Design Phase for the Copper Ion Generator for the WCRRWL. Construction planned to begin in Fiscal Year 2022
- Initiated Phase III Pump Expansion for the WCRRWL intake structure
- Initiated the East Williamson County Regional Water Treatment Facility Phase II Expansion Project
- Providing technical support for backup generation capability at the East Williamson County Regional Water System and other locations to meet the requirements for Senate Bill 3

PROJECT MANAGEMENT OFFICE

The BRA is continuing implementation of a Project Management Office (PMO), which is a new department in Technical Services and the organization. The purpose of this department is to support the BRA mission by developing and implementing best practices and methodologies to train, equip and enable project managers to deliver projects that exceed stakeholders' expectations. The PMO provides support and direction for project managers on an individual project level and a portfolio level, assists in supporting the Risk Management Committee (RMC) functions, and provides project analytics for reporting purposes.

We accomplish this by completing the following objectives:

- Develop project management methodology to standardize and improve project delivery
- Support project delivery staff with training and implementation assistance
- Standardize approach and improve efficiency
- Provide project scheduling support for uniformity and accuracy
- Develop consistency and efficiency to deliver projects within scope, schedule, and budget
- Identify industry best practices and standards to improve project delivery

CAPITAL PLANNING

Capital Planning provides a long-range forecast of our portfolio of projects via our Capital Improvement Plan (CIP) which is included within our Annual Operating Plan. The BRA CIP is a planning and fiscal management tool used to coordinate the planning, scheduling and financing of capital improvement projects into the future. Capital improvements are referring to major, non-recurring expenditures such as infrastructure, major studies, land, buildings, and equipment. The CIP provides a working blueprint for sustaining and improving the BRA's infrastructures and coordinates strategic planning, financial capacity, and physical development. It also identifies, prioritizes, and optimizes the financing of the capital projects, links strategic and comprehensive plans with fiscal capacity, and provides information about the BRA's investment in infrastructure. The CIP includes everything from asset management, capital projects, repair & replacement criteria, as well as preventative maintenance of assets.

Currently, our capital planning process consists of prioritizing projects based on needs considering many factors or drivers such as: department and organization priorities, project prioritization matrix, political or customer drivers, resource availability, recommendations from assessments of our operation facilities, and any other significant input. In the near future, another component of developing the CIP will be including information derived from the Risk-Based Asset Management and Capital Planning Program.

Risk-Based Asset Management and Capital Planning Program

The BRA is in the process of implementing a risk-based and long-term capital planning approach. The BRA is in early development of this initiative with Carollo Engineers, which is expected to span multiple years. This program will help improve decision making on asset renewal through improved prioritization of assets across the BRA and also improve long-term capital forecasting through improved assessment of renewal needs. Another part of this project is for the selected consultant to help the BRA in selecting an asset management software. BRA should start to see results from this program within the next couple years.

PROPERTY MANAGEMENT

Property Master Plan

The BRA is in the process of developing a basin wide Property Master Plan per the direction of the newly appointed Property Management Committee. The purpose of this plan will be to provide a current status of all BRA property holdings. This will include a database of all properties, associated easements, and encumbrances. The plan will assess all BRA properties based on various criteria, such as developed, undeveloped, fee-simple, leased property, highest and best use, alternate use, environmental conditions, rare, threatened and endangered species, potential for mitigation banking, operational necessity, future operation necessity, recreation, future recreation development, and archeological significance. Currently, the BRA is in the process of completing Phase I of the Property Master Plan initiative. This phase will be completed in Fiscal Year 2022.

Objectives include:

Phase I:

- Development of a property management database which includes all BRA properties, easements, associated features and encumbrances

Phase II:

- Evaluation of properties for consistency with the BRA's Mission Statement, operational objectives and the Strategic Plan
- Development of an evaluation tool built to include the Property Management Database

Phase III:

- Development of a comprehensive Property Master Plan that encompasses all current BRA Real Property Interests. Development of a matrix to evaluate properties throughout the basin that can be utilized to help make property management decisions in the future
- Develop necessary policies for consideration in the future management of BRA properties

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 2021, data collection activities were significantly impacted by shutdowns caused by COVID-19 forced quarantines and Winter Storm Uri. For the data the BRA was able to collect, the data completion rate was 99.8% and we submitted approximately 18,366 water quality and environmental data points to the Texas Clean Rivers Program.

Environmental Services provided support to the 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, 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 have completed sixty instream flow assessments in eight different river segments and twenty-four channel surveys, riparian assessments, and sediment surveys in six 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 2021 by high flows occurring during the spring and summer of the year. Only one riparian assessment and one sediment survey were completed in Fiscal Year 2021.

Endangered Species Issues Engagement

Currently, two Central Texas freshwater mussels are under consideration by the U.S. Fish and Wildlife Service (USFWS) for Federal endangered species protection. These species are known to currently occur in the Brazos River basin. Listing of these species could impact current and future operations significantly. In response to this concern, the BRA has entered into a Candidate Conservation Agreement with Assurances (CCAA) with the USFWS.

Reservoir Fisheries Habitat Improvement

The BRA, in partnership with the Texas Parks and Wildlife Department, completed reservoir habitat improvements on Possum Kingdom Lake, Lake Proctor, and Lake Whitney. 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 ACFR for the Fiscal Year ended August 31, 2020. This was the 35th 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 ACFR. 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 ACFR 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, 2020. This was the seventh 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.

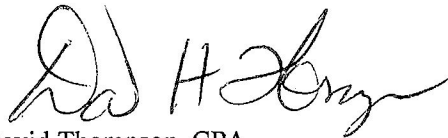
The preparation of this ACFR would not have been possible without the efficient and dedicated endeavors of the entire staff of the Finance and Administration Department. We would like to express our sincere appreciation to Matt Wheelis, Melissa Anthony, Michele Giroir, Kim Goolsby, Janie Crowder, Charlie Smith, Marian Kuntz, April Coleman, Annie Mikolajewski, Clarissa Cabrera, Karen McCleney, Cindy Geer, Stasi Vance, Maegan Nix, Kathy Rios 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,

A handwritten signature in black ink, appearing to read 'David Collinsworth', with a stylized flourish at the end.

David Collinsworth
General Manager/CEO

A handwritten signature in black ink, appearing to read 'David Thompson', with a stylized flourish at the end.

David Thompson, CPA
Chief Financial Officer



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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Brazos River Authority
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2020

Christopher P. Morrell

Executive Director/CEO

Happy 80th, Possum Kingdom Lake!

Possum Kingdom Lake is not just a reservoir, but a way of life for many, a source that sustains life and a tool from our past that continues to protect our future.

This water supply reservoir has continued strong these past 80 years since the Brazos River was dammed to protect us from Texas' extremes: drought and flooding.

The history of the Brazos River basin has always been one of water feast or famine, according to the Texas State Historical Association, El Río de Los Brazos de Dios, the river of the Arms of God, as she's called, has a watershed that stretches from the New-Mexico-Texas boundary area to the Gulf of Mexico, gently splitting the Lone Star State in half.

The power of the Brazos has not gone unnoticed over the years, especially in the state's early history. Roughly 542 died, and about \$54 million in property damage occurred between 1891 and 1932 alone due to floodwaters from the Brazos, according to a 1959 edition of The Southwestern Historical Quarterly published by the Texas State Historical Association. In 1899, a storm centered over the Brazos watershed resulted in \$9 million in damage and the loss of

30-35 lives when an estimated 30 inches of rain drenched the area. And then, the great flood of 1913 destroyed all standing crops and much of the wealth from the city of Waco to the Gulf, according to the article.



With a watershed that stretches 1,050 miles and comprises 44,620 square miles, the Brazos River can have an impact.

When the Brazos River wasn't flooding, drought devastated farmers trying to provide for their community and survive. The weather was (and remains) unpredictable in Texas, and precipitation can be hit-and-miss.

Something had to be done.

So, in the 1930s and 40s, officials began building dams along Texas rivers to create flood-control reservoirs that would absorb the floodwaters and alleviate damage and loss of life. People, of course, had been creating reservoirs for thousands of years. The oldest dam in the world being located in Jordan, according to National Geographic.

Though its purpose would evolve and change over the years, the first water supply reservoir built to help address drought also

addressed flooding and the need for electricity. Its name: Possum Kingdom Lake. The structure that impounds that water, the Morris Sheppard Dam.

Located on the main stem of the Brazos River northwest of Fort Worth, Possum Kingdom Lake was the first water supply reservoir constructed in the Brazos River basin.

This project was authorized through a permit issued by the State of Texas in 1938. Located

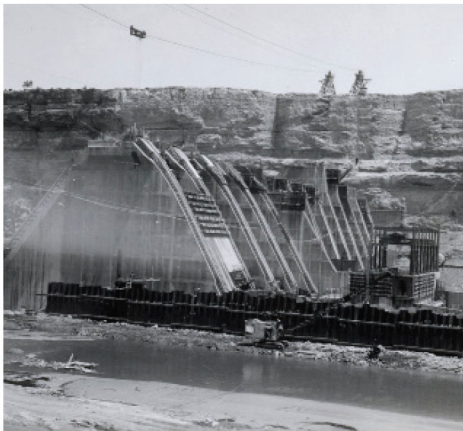
in Young, Palo Pinto, Stephens, and Jack counties, the construction of the Morris Sheppard Dam began in 1938 and was completed in 1941 with the aid of the Works Progress Program.

The dam itself was named for the United States senator who was instrumental in obtaining funding for the project. An engineering marvel, the Morris Sheppard Dam is 2,700 feet long and 190 feet high. That's taller than Niagara Falls.

The dam consists of nine crest "roof weir" type gates. Each one of those gates is about 74 feet long and 13 feet high. And when open, each gate can pass up to an impressive 9,600 cubic feet per second of water.

Construction on the dam began by the BRA – then known as the Brazos River Conservation and Reclamation District - on May 29, 1938, under general contractors C. F. Lytle and A. L. Johnson and completed on March 20, 1941 according to the Texas State Historical Association. The dam, a heavily buttressed concrete structure with an adjacent earth embankment, was built at the cost of \$8,500,000, which represented a \$4,500,000 grant from the federal government, supplemented by \$4,000,000 from ad valorem taxes in ten counties along the lower Brazos watershed.

Momentum for flood control projects picked up during the 1950s, and the US Army Corps of Engineers was tasked with building several more reservoirs for flood control over the next several decades.



Built for water supply

Possum Kingdom Lake is one of three water supply reservoirs owned and operated by the Brazos River Authority. The other two are Lake Limestone on the Navasota River and Lake Granbury in Hood County. Possum Kingdom holds approximately 540,000 acre-feet of water, with 230,750 acre-feet available as water supply for the Brazos basin.

The BRA was tasked by the state to develop and manage the water resources of the entire river basin. These three reservoirs are part of that system which aims to provide water to cities, water districts, water supply corporations, agricultural users, irrigators, steam electric generating facilities, manufacturing entities, and mining operations. When you turn on your faucet for a glass of water or water the garden, countless people have worked to protect that resource to supply our homes.

But how much water is that exactly?

In 2020, the total water use in the BRA System was 288,968 acre-feet, the highest it's been in the past seven years. An acre-foot is the amount of water needed to cover one acre (43,560 square feet) with one foot of water. And one acre-foot is equal to 325,851 gallons of water.

The other eight reservoirs in the BRA System are owned and operated by the US Army Corps of Engineers. They include Lakes Proctor, Whitney, Aquilla, Belton, Stillhouse Hollow, Georgetown, Granger, and Somerville.

The BRA leases water supply storage space from the federal government in these lakes, many of which were built to include flood control.

But back to the birthday girl.

Almost 573,000 acre-feet of water made its way in 2020 into the man-made water supply reservoir often called PK. Another nearly 378,200 acre-feet were released from the dam as a flood release, while almost 79,300 acre-feet was released from the reservoir via leakage or for environmental flows.

And surprisingly to many, evaporation plays a significant role too. More than 90,000 acre-feet were lost to evaporation from PK Lake in 2020.



Let's Play

Visitors to the gorgeous lake often, though, aren't thinking about water supply.

A secondary benefit to building a water supply reservoir was the recreational opportunities it provided the area.



In the Aug. 28, 1941 edition of The Aspermont Star, a newspaper article read, 'Possum Kingdom Is New Texas Playground.'

"The rugged hills, the timber growth, the canyons and the tortuous bends of the mighty Brazos River in Young, Stephens and Palo Pinto Counties have always been recognized for their scenic beauty. However, it took the creation of the 28,000-acre Possum Kingdom Lake to turn this section into a playground for fishermen, boatmen, nature lovers, swimmers, dude ranchers and what have you."

And there's lots of room for people to enjoy that playground.

The reservoir stretches across an area of 16,716 acres with 219 miles of shoreline. Popular activities on the lake include fishing, water skiing, scuba diving and swimming.

The BRA has provided 10 public use amenities along the lake for the public to enjoy year-round. These parks include boat ramps, restrooms and showers, swim areas, fishing piers, courtesy docks, picnic areas and 400 campsites. They also offer access to the award-winning hike and mountain bike trail system.

The Hike and Bike Trails crisscross the lake's central peninsula, connecting public areas with 16-miles of paths. The rest areas feature display signs with information about history, geology, and animals of the area. Twelve trailheads are located at intervals along the trails, allowing hikers to enjoy as much or as little of the trail system as they please. Signage maps posted on the trail are color-coded, identifying "you are here" notations.

One of the most beautiful spots is the rest area atop Johnson Peak, where most of the lake may be seen,

Fabulous Building Boom In Progress at P-K Lake

There's lots to do and lots to see on that granddaddy of all Brazos River watershed lakes, Possum Kingdom, south of Graham, and that is the reason for the fabulous building boom that's happening along its 219 mile shoreline.

There's plenty to interest everyone. . . fisherman . . . hunter . . . swimmer . . . boater . . . or someone who's looking for a nice comfortable and interesting place to sit down and spend the rest of his life.

Fishing experts like Andy Anderson of Fort Worth say P-K is on its way back to becoming the top black bass and catfish lake of the Central Texas area.

Skin divers say Possum Kingdom ranks third in their books as having the most ideal conditions for underwater activities.

Hunters in the surrounding area have been bringing in some top notch quail and say dove and quail populations are growing by leaps and bounds. Hunting deer is only allowed during the winter months.

Authority expects that the deep sandy shore water will

deal ventures are now building. Owners of Harmer Roads, Inc. and Wichita Falls interest are building Villa Marina Lodge with 64 apartments at Jack's Point across from scenic Point to cost \$250,000. The apartments will be leased to weekenders or year-rounders and there will be a swimming pool and a tennis court. The apartments owned by Guy Moscham of Graham, is investing \$250,000 in a motel, bathing beach and golf course on the western tip of the peninsula bordering on that section of the lake known as "Broadway".

The Palo Pinto county tax collector (most of the lake lies in this county) recently estimated that the assessed valuation of improvements around the lake, the homes and commercial camps, would be in excess of \$1 million by the end of this year. This figure is only a small portion of the true real estate value of the property.

When the lake was constructed by the Brazos River Authority in 1941 it was estimated that the land purchased by the authority for the lake was hanging about \$1,300 a year in tax money to the county.

In 1961 the tax valuation on the homes and commercial camps was \$285,400. On January 1, 1962 this had increased to \$308,425 and the tax assessor said the value now is well upwards of \$600,000 and should reach the \$1 million mark by the end of this year.

WACO CITIZEN
JUNE 26, 1962

Col. Wells Joins BRA Staff Here

Col. Walter J. Wells, native Texan and former district engineer of the Fort Worth district, U.S. Corps of Engineers, was named general manager of the Brazos River Authority.

Col. Wells will take over the reins of the river authority from Milton Joseph, engineer, and



River Floating Popular

River fishing is still a popular sport for local anglers. Here are two scenes taken on the Brazos. At left, anglers are showing off at the highway bridge over the river just below Morris Sheppard Dam at Possum Kingdom lake at the mouth of the river's rapids.—Steve Staff Photo

BRA Plans DeCordova Bend Lake

Possum Kingdom Still Tops for Recreation

Completion of the now nationally famous Possum Kingdom reservoir in 1941 by the Brazos River Authority opened the eyes of Brazos Valley residents to the great sports and recreational opportunities in Possum Kingdom.

Possum Kingdom was the largest lake on the Brazos at that time and fishermen, hunters, boaters and swimmers flocked to this massive lake to enjoy its waters in the Texas midlands.

The huge waterway was the first step in the Brazos River Authority's master plan to build 550 miles of lakes between Possum Kingdom and Waco to store up water needed for drought periods to furnish water for hydro-electric power and to give Texans a mammoth water playground.

The plan for the BRA is being slowly but surely ahead. It assisted the Corps of Engineers, through furnishing of engineering data, in the construction of the Morris Sheppard Dam at Possum Kingdom lake at the mouth of the river's rapids.—Steve Staff Photo

Flood Brings a Blessing --Fills a Lake

Floods as a rule usually leave a path of destruction in their wake, but here is a flood that came as a blessing—filling the lake at Possum Kingdom Dam near Graham in a few days. Engineers had estimated that it would take a minimum of three years to do the job. In these pictures you see how the big lake was filled.

Photos by Glenn Burgess, Graham, Texas.

including the popular landmark, Hell's Gate. Hell's Gate is a break in the cliffs around the lake on the south end of the reservoir.

The area has continued to grow over the years. There now are 1,571 residential permitted boat docks and another 67 commercial boat docks on the reservoir.

Adjacent to the lake is the 1,528-acre Possum Kingdom State Park and run by the Texas Parks & Wildlife Department.

Residents and guests are no strangers to seeing planes fly near the area as the Possum Kingdom Airport is located on the reservoir's east side.

Fishing remains popular on the reservoir, often stocked with fish by the Texas Parks & Wildlife Department. Striped bass are stocked in most years, and the lake record is 34.19 pounds, according to TPWD. Also abundant in the lake are White bass, largemouth bass, crappie and catfish. There are even brush piles and artificial fish habitat structures that have been placed in sections of this reservoir. Anglers can use GPS in conjunction with a fish finder to locate these structures provided by TPWD.

As we stop to celebrate Possum Kingdom Lake 80 years after the completion of the Morris Sheppard Dam, we continue to be thankful for the water she supplies this state we call home. And the Brazos River Authority continues to provide a rigorous maintenance routine to prolong the service life of a dam that holds back so much precious water.



Morris Sheppard Dam: 80 years and counting

The year was 1938. Franklin D. Roosevelt was president. The popular comic superhero, Superman, made his first appearance. Ball Point Pens are introduced. Samsung was formed as a company that sold noodles.

And the state of Texas authorized a permit to build a dam on the Brazos River.

That same year, the construction of the Morris Sheppard Dam began. Built in response to disastrous Brazos River flooding, the dam and reservoir were early attempts at water conservation and flood control in Texas.

With the aid of the Works Progress Program, by 1941 the project was complete. Possum Kingdom Lake became the first reservoir built by the Brazos River Reclamation and Conservation District, now the Brazos River Authority. The work was an accumulation of more than a decade of planning efforts to tame a river that historically claimed hundreds of lives with flash flooding and made water supply efforts difficult at best due to periodic extreme drought conditions.



At the time, the Morris Sheppard Dam was the tallest flat-slab buttress dam in the United States.

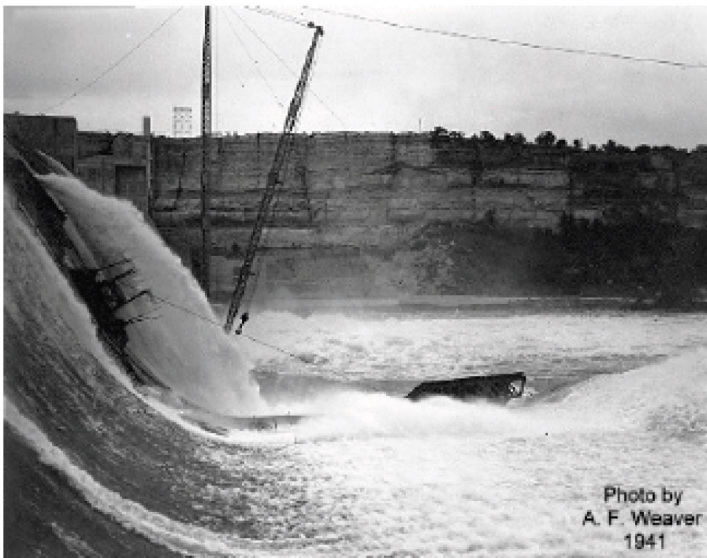
The dam itself, roughly 60 miles west of Dallas, was an engineering marvel for its time. A design that's continued to stand the test of time. The Morris Sheppard Dam has gates that are unique among the BRA's dams. The gates don't require a mechanical system to raise and lower them. Unlike the newer dams, which can use a remotely operated computer to move the gates, the gates at Morris Sheppard Dam are operated manually using pressure from lake water to help them open and close.

Behind the name

The Morris Sheppard Dam was named after the United States senator who was instrumental in obtaining funding for the project.

Born in 1875 in Wheatville, Morris County, Texas, John Morris Sheppard, the oldest of seven children, was named after an ancestor of his mother's, Robert Morris, who helped finance the American Revolution and signed the Declaration of Independence and the Constitution, according to the Texas State Historical Association.





Sheppard went on to run for Congress in 1902, winning the seat previously held by his recently deceased father. He spent the next 39 years in various elected positions.

Sheppard, who was known as one of the most entertaining public speakers of his era, authored the Eighteenth Amendment to the United States Constitution, which outlawed the production or consumption of alcoholic beverages, and introduced it in the U.S. Senate. As a result, he is commonly referred to as the "father of national Prohibition," according to Sam Houston State University.

Sheppard was instrumental in securing funding to build the dam. Without his support in Washington,

the largest reservoir in the Brazos River basin may not have come to fruition. In 1936, the Works Progress Administration in Texas proposed naming the dam after Sheppard. He kindly declined the honor.

In the December 18, 1936 edition of the Stephens County Sun, in an article titled, "Builder Tells of Dam Work: Possum Kingdom Lake Will Be Largest Inland Lake In Texas." Captain H. A. Montgomery, U.S. engineers in charge of building the giant dam, told the Graham Chamber of Commerce, the lake would be the greatest inland lake in Texas, according to the article.

"The Captain explained in detail the work being done and how the dam will serve first as an aid to flood control and then of other uses the water reservoir may be utilized for."

Records show that at the time, engineers estimated the lake would take roughly three years to fill.



But Texas weather would not be predicted.

A very large storm descended on the Lone Star State. The heavy rainfall and runoff, combined with an already wet spring, caused the reservoir to fill within about three weeks. Such was the surprise that cranes from the dams' construction hadn't been entirely removed from the riverbed downstream of the dam when water filled the reservoir, requiring its first-ever release.



Morris Sheppard died in April 1941 from a brain hemorrhage at the age of 65, just days after the Possum Kingdom Lake dam was closed to begin impounding the reservoir.

With his sudden death, his family kindly allowed the naming of the 2,700-foot-long and 190-foot-high dam structure in his honor, with a ceremony held in July 1941.



A Different Kind of Power

The Morris Sheppard Dam was originally constructed with a hydroelectric generating facility. On April 17, 1941, runoff had filled the reservoir with sufficient water to begin power generation, and on May 5, 1941, water was discharged, creating hydroelectric power at the reservoir for the first time.

The hydroelectric generating facility consisted of two 11.25-megawatt electric turbine generators and all associated infrastructure. A hydroelectric plant uses energy provided by the weight of water to rotate turbines that generate electricity. Once the stored water is passed through

the turbines to generate electricity, it can continue downstream.

Put into service in 1941, the facility ceased power production in 2007 after evaluation by several engineering firms identified safety issues with the electric generating infrastructure. In light of the extensive upgrades necessary to restore the aging facility for future use, the BRA began evaluating the feasibility of maintaining the hydroelectric capability. Ultimately, conducting extensive economic analysis, concluded the required renovation, relicensing, and continued operation of the facility was no longer viable, the BRA Board of Directors voted to apply for decommissioning.

The BRA's surrender of its Federal Energy Regulatory Commission hydroelectric generation license at Possum Kingdom Lake was completed in March 2014. The process required decommissioning of the existing hydroelectric generating facility, which involved nearly three years of construction to permanently disable the plant's hydroelectric functions, and required maintaining the ability to provide for water supply releases from the dam.



During this process, the BRA in 2011 had workers install a conduit, or a large pipe, within the dam structure. This controlled outlet conduit, or COC, allowed the BRA to continue to release water supply once the penstocks to the hydroelectric turbines were removed. When the new conduit was completed, the Brazos River Authority could release a smaller amount of water supply in an easily manageable fashion from the dam without generating electricity or opening a floodgate.

Engineering Marvel

There are four ways water can be released from Morris Sheppard Dam.

All of the release methods work by gravity flow. There is no mechanical or pump capacity to move water through or over the dam. Because of that, each of the release methods are based on lake levels. So, if the reservoir is low, less flow will exit the dam.

There are three ways to release smaller amounts of water through the "low flow gates." There is also the uncontrolled spillway, which is a large flat area on the south side of the dam, cut into the rock that would only be used during floods larger than can be released by the nine spillway gates. In the history of Morris Sheppard, such a flood has not occurred, but the facilities are in place if needed.



And then there are, of course, the more well-known bear-trap gates. These nine crest "roof weir" type gates are each about 74 feet long and 13 feet high. Depending on the streamflow and lake elevation, each gate can pass up to 9,600 cubic feet per second of water when open. The measurement cubic foot per second (cfs or ft³/s) is the rate of water movement representing a volume of 1 cubic foot passing a given point during 1 second. This measurement is equivalent to approximately 7.48 gallons per second or 448.8 gallons per minute.

Unlike newer dams that are computer operated, opening a gate at the Morris Sheppard Dam requires physical stealth. An operator must physically climb on top of the gate, attached by a tether above a 190-foot drop, to unlatch a series of locks that secure the gate in the closed position when not in use. Because of this design, each gate can only be operated either fully open or fully closed. These types of gates are rarely used in newer dams because of the manual system. Maintaining any dam structure requires constant, ongoing care.



As the oldest water supply reservoir in the basin, PK's Morris Sheppard Dam is also the largest of the BRA's System reservoirs.

The maintenance program is rigorous to keep the aging infrastructure in top condition. Rather than contract out every necessary maintenance, repair or improvement project, the BRA has a staff crew dedicated solely to maintaining this enormous structure. The Reservoir System Maintenance Unit, called RSMU, launched in 1992 and has

expanded over the past three decades into a vital part of the dam's future. The RSMU crew works year-round with the knowledge and skillset to do so. RSMU crew members hold a wide variety of skillsets, from operating the barge to move equipment across the water, and using cranes to handle the bigger pieces. These BRA employees are skilled in welding, fabricating, blasting, coatings application, metalizing, and heavy equipment operation, among other skillsets.

In 2021, Possum Kingdom Lake's Morris Sheppard Dam celebrates 80 years from its original completion.

And the BRA remains dedicated to extending the service life of this critical water supply reservoir.

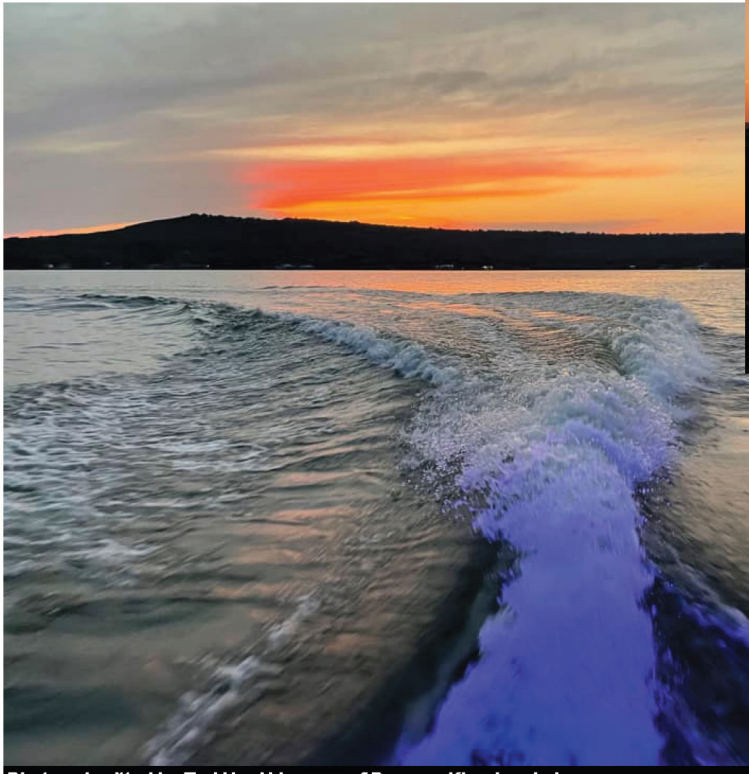


Photo submitted by Tori Hard Vazquez of Possum Kingdom Lake

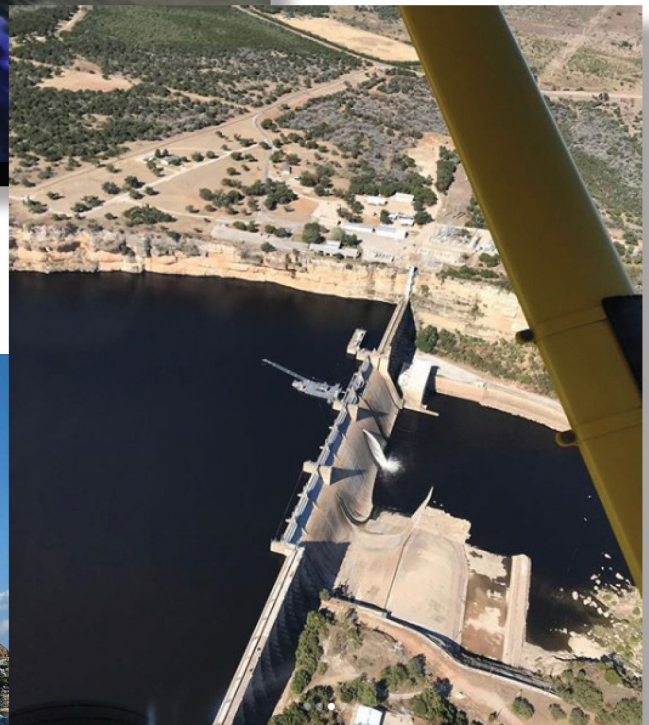


Photo submitted by Nate Lindberg



Photo by De Edra Guy Boon of Possum Kingdom Lake

Never heard of PK? Here's the 411

You may know it from spending long summer days traveling along its 219 miles worth cliff-filled shoreline or from its appearance in the title of an ominous '90s song. Nestled on the Brazos River just northwest of the Dallas Fort Worth metroplex lies Possum Kingdom Lake, one of the most idyllic reservoirs in all of Texas.

Whether you are a lifelong resident at the reservoir or plan to make your first trip this year, there is plenty that you may not know about Possum Kingdom Lake.

To help celebrate the reservoir's 80th birthday, let's get the 411 on Possum Kingdom Lake.

A Quick History Lesson

Possum Kingdom Lake was the first reservoir built by the Brazos River Authority. But how did the lake get its unique name? The most consistent story is that the reservoir resides in an area that used to be called the "Possum Kingdom." The hills of Palo Pinto County were a popular area for the fur and hide business, as the terrain was dotted with possums and raccoons.

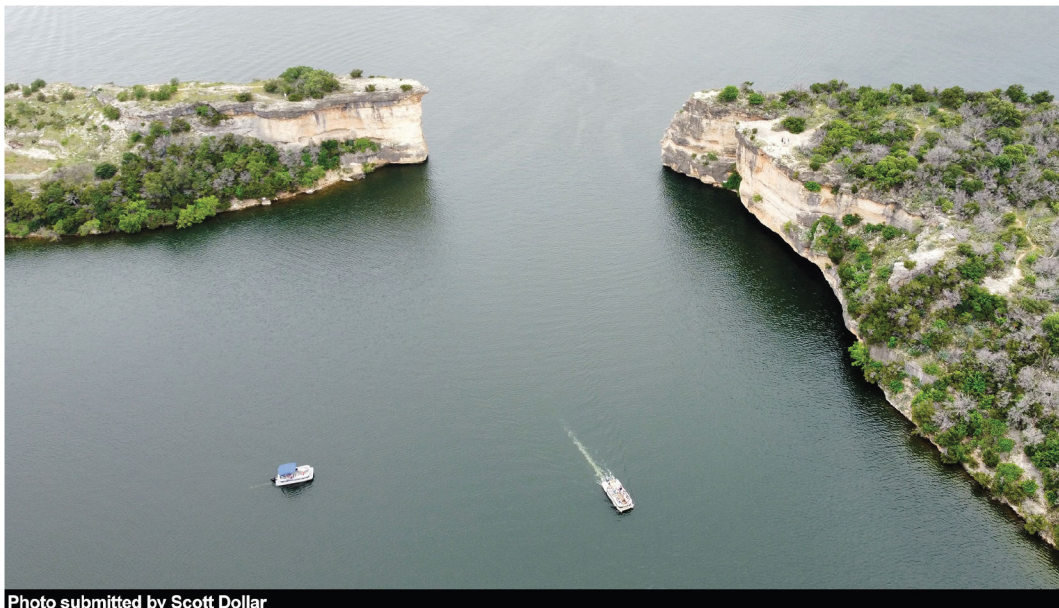


Photo submitted by Scott Dollar



Photo submitted by Daniel Lee of Hell's Gate at Possum Kingdom Lake

The name "Possum Kingdom" became more and more popular in the area and ended up influencing the name of the reservoir.

If you thought you recognized the reservoir's name from somewhere else, you might be thinking of the Toadies song named "Possum Kingdom" from their album "Rubberneck."

They never actually say the words “Possum Kingdom” in the song itself, but they do mention a walk around the lake that you might want to avoid.

Plan Your Visit

Possum Kingdom Lake is open to the public for recreational use, whether it’s water or land-based. The reservoir receives millions of recreational visitors annually, and major activities include fishing, water skiing, scuba diving and hiking on its award-winning hike and mountain bike trail system. The Brazos River Authority provides 10 public use or park areas with different amenities, including public fishing piers, public boat ramps, children’s playgrounds and a total of 400 campsites.

Most parks at Possum Kingdom Lake are free to use year-round. North D&D and Sandy Beach charge a small fee during the summer months. The parks feature ample camping sites and sheltered picnic tables from the wooded areas right up to the lakefront and are available on a first-come, first-served basis. Each of Possum Kingdom Lake’s parks offer different amenities, including fire rings, cooking grills, restrooms, showers, access to trailheads and more.



If you are looking for scenic overnight camping spots, check out Scenic Cove Campground, Downtown PK, North and South D&D, Bug Beach, River Park and West Side Park. Each of these areas offers different amenities that make for a perfect vacationing spot for the whole family.

Visitors to BRA public use areas may stay for up to 10 consecutive days. Campers, boat trailers and autos may be parked in designated areas; however, for everyone’s safety, all-terrain vehicles (ATVs), utility terrain vehicles (UTVs), dirt bikes, and golf carts are not allowed on most BRA property. According to state laws, no vehicles may be driven in dry areas of the lakebed. Campfires are allowed in fire rings, and cooking is available on provided grills; however, no fireworks are permitted on BRA property. Protected swim areas are available at North D&D, Bug Beach and Sandy Beach; but, cliff diving from a height of 20 feet or more is prohibited.

Possum Kingdom Lake is the only BRA reservoir that has an airport. The Possum Kingdom Airport is located on the east side of the reservoir and is available to all residents and visitors. The airport is equipped with runway lights, restrooms, 19 hangars and long-term vehicle parking.

If you are driving by the reservoir and want a great view of the mighty Morris Sheppard Dam, Observation Point Park at





301 Observation Point Road provides widespread scenery of the reservoir and the dam. There are restrooms available at the point, and the area is open from 6 a.m. to 6 p.m. There are two convenience stations at the reservoir, located on the west and east sides, that can take larger trash items, like tires, batteries, stoves and more for locals or visitors. Caudill Convenience Station is located off Highway 1148 on the west side, and Lange Convenience Station is located off Rock Creek Loop.

Get Active at Possum Kingdom

Looking for a little bit of recreation action? Whether you live on the reservoir or are visiting for a couple of days, boating is just one of many ways you can enjoy the glistening waters of Possum Kingdom Lake. The BRA provides several boat ramps and courtesy docks in and around the public use areas. You can fish from your boat or water ski around, as there is plenty of room to do it on Possum Kingdom's 17,700 acres of water.

Texas anglers know that Possum Kingdom Lake is a prime location to cast their lines. There are plenty of different types of fish to catch, like largemouth, striped and white bass, white crappie and channel and blue catfish. Many people also like to fish in the Brazos River just below Possum Kingdom's Morris Sheppard Dam.

The extensive PK Hike and Bike Trail network goes across Possum Kingdom Lake's central peninsula, connecting the reservoir's public areas with 16 miles of paths. The wide trails are suitable for hikers with a wide range of abilities, averaging a 5 to 20-degree slope. You can enjoy the beautiful sights and sounds of nature along the winding trails or at one of the 19 lookouts. A part of the trail winds up to the top of Johnson Peak, where a scenic rest area is equipped with benches.



From mountain bikers to avid boaters or those who simply enjoy spending time in the great outdoors, Possum Kingdom Lake offers an extraordinary experience to all who visit.

The Texas Parks & Wildlife Department owns and operates the Possum Kingdom State Park, located on the west side of the lake. Reservations are recommended for both camping and day use.





Financial Section

Independent Auditors' Report

To the Board of Directors of
Brazos River Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Brazos River Authority (BRA), as of and for the years ended August 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the BRA'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 the BRA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BRA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 BRA as of August 31, 2021 and 2020, and the respective changes in financial position and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary 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 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The introductory and statistical information 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.

In accordance with *Government Auditing Standards*, we have issued our report dated January 5, 2022 on our consideration of the BRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 BRA'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 the BRA's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Austin, Texas
January 5, 2022



Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2021 AND 2020 (in thousands) (Unaudited)

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, 2021 and 2020. 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 9 to 19 of the Introductory Section of this report.

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; Statement of changes in 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 53 to 54 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 55 of this report.

The *Statement of Cash Flows* summarizes all of the BRA's cash flows into four categories as applicable: 1) cash flows from operating activities, 2) cash flows from noncapital financing activities 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities. The Statement of Cash Flows can be found on Page 56 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, 2021 AND 2020 (in thousands) (Unaudited)

The *Statement of Fiduciary Net Position* summarizes the BRA's single employer plan and the BRA's Employer 401 (a) plans' assets and liabilities, with the difference between the two reported as net position held in trust for pension benefits. The Statement of Fiduciary Net Position can be found on Page 57.

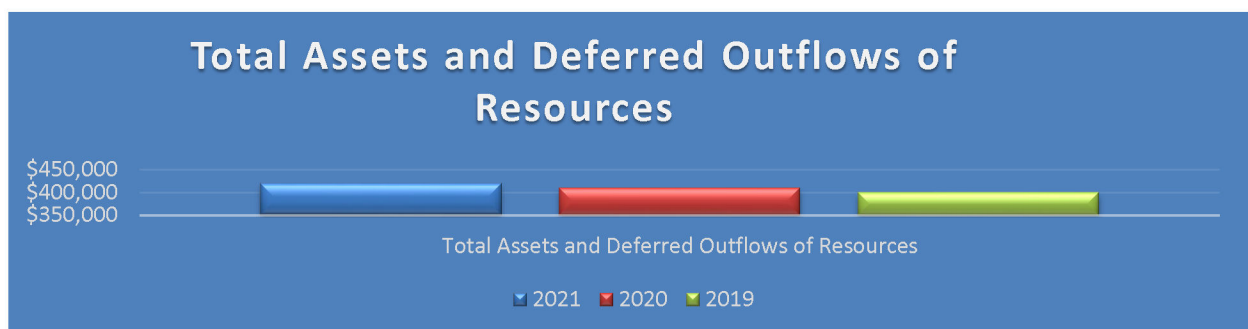
The *Statement of changes in Fiduciary Net Position* presents information showing how the fiduciary funds' net position changed during the years presented on an accrual basis. The Statement of changes in Fiduciary Net Position can be found on Page 57.

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 59 of this report.

Financial Highlights

Total Assets and Deferred Outflows of Resources

- Total assets and deferred outflows of resources at the end of Fiscal Years 2021, 2020 and 2019 were \$421,004, \$410,824 and \$400,629, respectively restated. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the end of Fiscal Year 2021, 2020 and 2019 by \$309,632, \$294,826 and \$281,911, respectively.
- Total assets and deferred outflows of resources for Fiscal Year 2021 increased by \$10,180 over prior year, primarily as a net result from operations, and the increase in the deferred outflows of resources related to pension plans from prior year.
- Total assets and deferred outflows of resources for Fiscal Year 2020 increased by \$10,195 over prior year, primarily as a net result from operations, the increase in the net pension asset from prior year, 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 2019 increased by \$2,651 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.
- The BRA's net position increased by \$14,806 for the Fiscal Year ended August 31, 2021.



BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021 AND 2020 (in thousands) (Unaudited)

Capital Assets

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net additions/(deletions) to land, storage and water rights	\$ -	\$ -	\$ -
Additions to construction-in-progress (CIP)	2,617	3,798	5,605
Transfers from CIP to capital assets being depreciated	(881)	(4,938)	(3,404)
Additions and transfers to capital assets being depreciated	3,067	6,191	5,476
Net deletions and transfers	(166)	(1,654)	(83)
Normal annual depreciation and amortization	(9,146)	(8,964)	(8,768)
Total	<u>\$ (4,509)</u>	<u>\$ (5,567)</u>	<u>\$ (1,174)</u>

- During Fiscal Year 2021, the BRA had twenty three capital projects that were in progress during the year, with one of those being completed during the year at a current year capitalization amount of \$881. In addition, the BRA invested \$3,067 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 \$4,509 during the year. Additional information on the BRA's capital assets can be found on Notes 4 & 11 of this report.
- During Fiscal Year 2020, the BRA had twenty six capital projects that were in progress during the year, two of those were completed during the year at a current year capitalization amount of \$4,938. In addition, the BRA invested \$1,253 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 \$5,567 during the year. Additional information on the BRA's capital assets can be found on Notes 4 & 11 of this report.
- 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 & 11 of this report.

Noncurrent Liabilities

Outstanding debt:

- For Fiscal Year 2021, total outstanding debt (current and noncurrent) decreased by \$3,717. This net decrease is a result of annual principal payments on revenue bonds, refinancing of debt and contracts payable of \$2,685, \$105 and \$927, respectively.
- For Fiscal Year 2020, total outstanding debt (current and noncurrent) decreased by \$4,518. This net decrease is a result of annual principal payments on revenue bonds, refinancing of debt and contracts payable of \$2,715, \$860 and \$943, respectively.

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021 AND 2020 (in thousands) (Unaudited)

Noncurrent Liabilities-continued

- 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.

Net Pension liability:

- During Fiscal Year 2021, the BRA adjusted its net pension liability from \$11,471 in Fiscal Year 2020 to \$9,654 in Fiscal Year 2021. The reduction is due to the strong earnings experienced with both the Retirement Plan for Employees of the BRA and the Texas County and District Retirement Systems. Additional information on the BRA's Net Pension Liability can be found in Note 8 of this report.
- During Fiscal Year 2020, the BRA adjusted its net pension liability from \$14,304 in Fiscal Year 2019 to \$11,471 in Fiscal Year 2020. The reduction is due to the strong earnings experienced with both the Retirement Plan for Employees of the BRA and the Texas County and District Retirement Systems. Additional information on the BRA's Net Pension Liability can be found in Note 8 of this report.
- 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.

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 2021, 2020, and 2019 by \$309,632, \$294,826, and \$281,911, 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 2021, the investment in capital assets amounted to 60% of the BRA's net position.

For Fiscal Year 2021, about 62% (\$192,743) of the BRA's net position represent resources that are not available for expenditure (invested in capital assets, restricted for debt service, or restricted for pension asset). The remaining balance of *unrestricted net position* (\$116,889) may be used to meet the BRA's ongoing obligations.

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021 AND 2020 (in thousands) (Unaudited)

Schedule of Net Position - continued

For Fiscal Year 2020, about 66% (\$193,320) of the BRA's net position represent resources that are not available for expenditure (invested in capital assets, restricted for debt service, or restricted for pension asset). The remaining balance of *unrestricted net position* (\$101,506) may be used to meet the BRA's ongoing obligations.

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.

Condensed Schedules of Net Position
August 31, 2021, 2020 and 2019

	2021	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets - unrestricted	\$ 139,171	\$ 128,409	\$ 111,277
Current assets - restricted	3,853	3,565	3,315
Noncurrent assets - restricted	14,034	11,690	10,906
Capital assets, net	259,021	263,530	269,097
Noncurrent assets	1,355	2,196	1,512
TOTAL ASSETS	417,434	409,390	396,107
DEFERRED OUTFLOWS OF RESOURCES	3,570	1,434	4,522
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 421,004	\$ 410,824	\$ 400,629
LIABILITIES AND DEFERRED INFLOWS			
Current liabilities (payable from current assets)	\$ 17,947	\$ 19,910	\$ 17,598
Current liabilities (payable from restricted assets)	7,405	6,610	5,475
Noncurrent liabilities	82,833	88,086	95,121
TOTAL LIABILITIES	108,185	114,606	118,194
DEFERRED INFLOWS OF RESOURCES	3,187	1,392	524
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	111,372	115,998	118,718
NET POSITION			
Net Investment in capital assets	184,238	184,113	186,540
Restricted for debt service	8,505	8,444	7,524
Restricted for pension assets	-	763	-
Unrestricted	116,889	101,506	87,847
TOTAL NET POSITION	309,632	294,826	281,911
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 421,004	\$ 410,824	\$ 400,629

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021 AND 2020 (in thousands) (Unaudited)

Condensed Schedules of Revenues, Expenses and Changes in Net Position
Fiscal Years Ended August 31, 2021, 2020 and 2019

	2021	2020	2019
OPERATING REVENUES			
Water supply system	\$ 58,333	\$ 59,066	\$ 49,453
Cost reimbursable operations	11,857	10,199	10,572
TOTAL OPERATING REVENUES	70,190	69,265	60,025
OPERATING EXPENSES			
Operating and maintenance	45,355	47,536	43,863
Depreciation and amortization	9,146	8,965	8,768
TOTAL OPERATING EXPENSES	54,501	56,501	52,631
OPERATING INCOME	15,689	12,764	7,394
Total net non-operating revenues (expenses)	(883)	151	29
INCOME BEFORE CONTRIBUTIONS	14,806	12,915	7,423
Capital contributions	-	-	500
CHANGE IN NET POSITION	14,806	12,915	7,923
NET POSITION, BEGINNING	294,826	281,911	273,988
NET POSITION, ENDING	\$ 309,632	\$ 294,826	\$ 281,911

The Change in Net Position for Fiscal Years 2021, 2020, and 2019 was \$14,806, \$12,915 and \$7,923, respectively. The results of those changes are noted below.

Operating Revenue

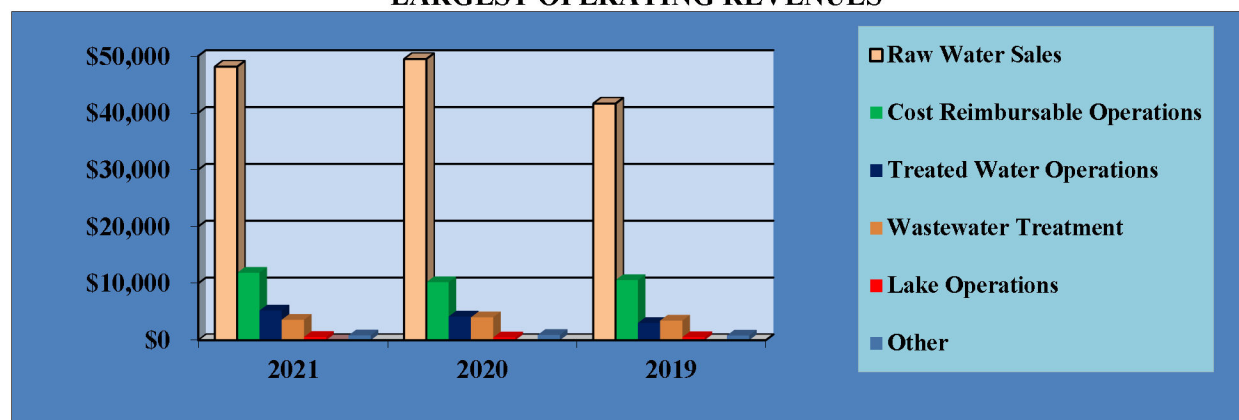
For Fiscal Year 2021, operating revenue increased by 1% over the prior year, primarily as a net result of two events: first, a reduction in sales of our interruptible water that totaled \$2,099; second, that reduction was offset by the increase in sales at our water treatment and wastewater treatment operations of \$2,355. The System rate charged for long term system rate contracts remained the same for Fiscal Year 2021 and Fiscal Year 2020 at \$79.00 per acre feet of water sold, as a result of Covid-19 and the economic impact an increase would have on our customers.

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021 AND 2020 (in thousands) (Unaudited)

Operating Revenue (continued)

For Fiscal Year 2020, operating revenue increased by 15% over the prior year, primarily as a net result of three events: first, additional water sales as a result of the System Operation Permit that allowed just over eighty five thousand acre feet of additional water sales; second, the rate charged for long term water and interruptible water contracts increased by 3.27% from \$76.50 to \$79.00 per acre feet of water sold; and third, increases in revenues at the East Williamson County Regional Water System and the Sugar Land Wastewater Treatment operations.

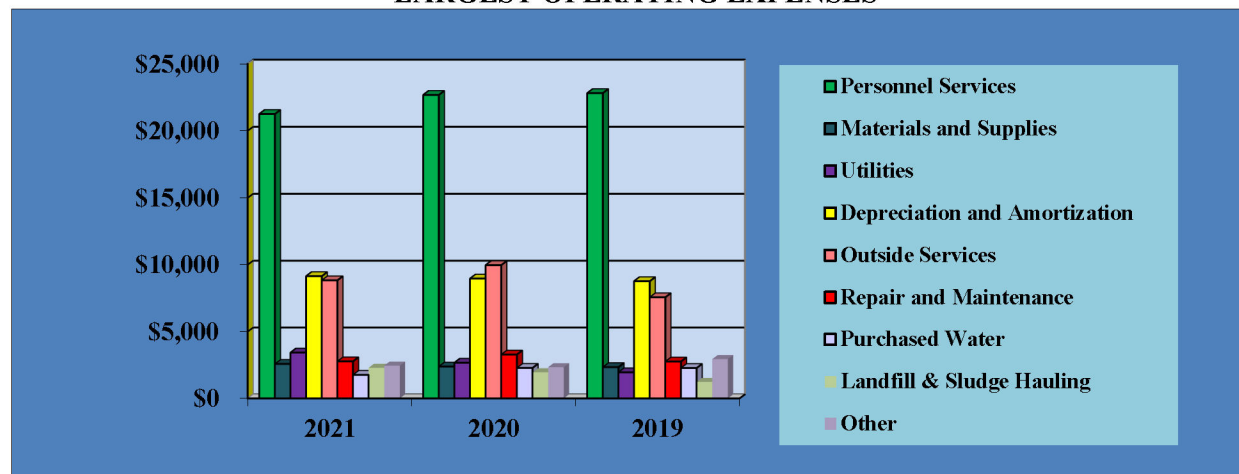
LARGEST OPERATING REVENUES



Operating Expense

Operating expenses, excluding depreciation, over the past two years have fluctuated. In Fiscal Year 2020, they increased by 7.3% as a net result of steady increases in wages, health insurance, and other expenses related to capital improvement support efforts with our Cost Reimbursable Operations. In Fiscal Year 2021, decreases in operating expenses occurred in all departments. In addition, as a result of Covid-19, the BRA gave no salary increases as those increases would cause an economic hardship to our customers. 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, 2021 AND 2020 (in thousands) (Unaudited)

Total Net Non-Operating Revenues (Expenses)

For Fiscal Year 2021, the amount recorded as net non-operating expense was \$883. The majority of the net non-operating revenues represents interest payments on the BRA's debt, in the amount of \$2,432; net of the investment income of \$929 and grants of \$1,021.

For Fiscal Year 2020, the amount recorded as net non-operating revenue was \$151. The majority of the net non-operating revenues represents interest payments on the BRA's debt, in the amount of \$3,429; net of the investment income of \$2,529 and grants of \$1,251.

For Fiscal Year 2019, the amount recorded as net non-operating revenue was \$29. The majority of the net non-operating revenues represents interest payments on the BRA's debt, in the amount of \$3,842; net of the investment income of \$3,114 and grants of \$904.

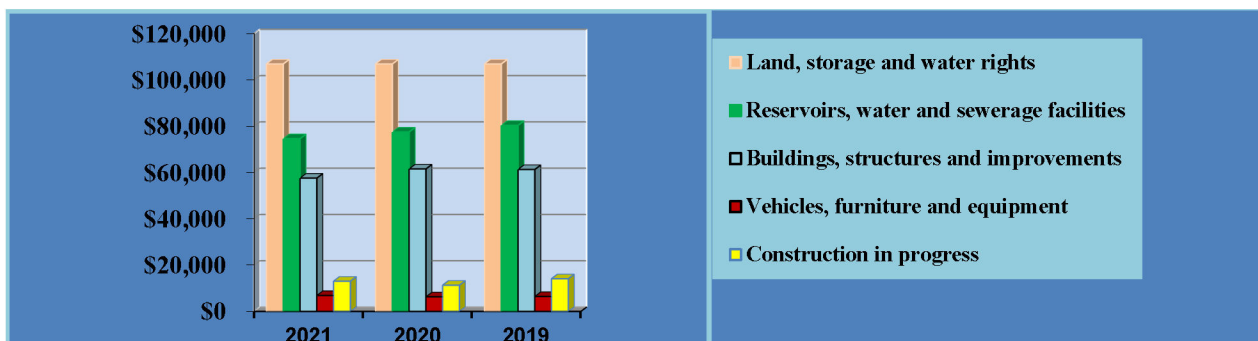
Capital Assets and Outstanding Debt

Capital Assets - The BRA's capital assets, as of August 31, 2021, 2020 and 2019 totaled to \$259,021, \$263,530 and \$269,097, respectively, (net of accumulated depreciation and amortization). For Fiscal Years 2021, 2020, and 2019, the BRA continued its commitment to our customers and stakeholders to ensure the longevity of our capital assets. During Fiscal Year 2021, the BRA invested over \$2,663 on twenty three capital improvement projects.

Capital Assets
(net of accumulated depreciation and amortization)
August 31, 2021, 2020 and 2019

	2021	2020	2019
Land, storage and water rights	\$ 106,899	\$ 106,899	\$ 106,899
Reservoirs, water and sewerage facilities	74,626	77,496	80,365
Buildings, structures and improvements	57,585	61,545	61,303
Vehicles, furniture and equipment	6,864	6,279	6,433
Construction in progress	13,047	11,311	14,097
Total	<u>\$ 259,021</u>	<u>\$ 263,530</u>	<u>\$ 269,097</u>

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

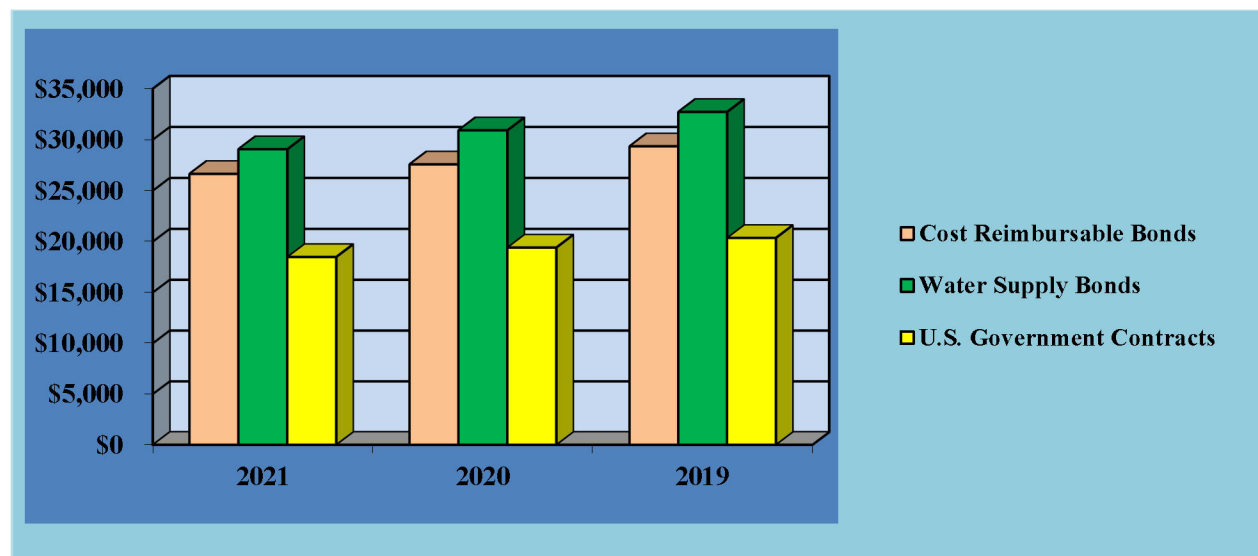


BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2021 AND 2020 (in thousands) (Unaudited)

Outstanding Debt – At the end of Fiscal Years 2021, 2020 and 2019 the BRA had total outstanding debt of \$74,185, \$77,902 and \$82,420, respectively. Of the Fiscal Year 2021 amount, 64% and 36% is reflected in Water Supply System and Cost Reimbursable Operations, respectively.

During Fiscal Year 2021, the BRA refunded the Series 2011 Contract Revenue Bonds for Williamson County Regional Raw Water Line. The debt resolution authorized the issuance in a not to exceed principal amount of \$16,000. The issuance of the Brazos River Authority Contract Revenue Refunding Bonds, Series 2020 (Williamson County Regional Raw Water Line Project) in the amount of \$13,375 provided a net present savings in the amount of \$2,803 over the life of the new debt issuance.

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 2021, 2020 and 2019 are shown in the following table:

	2021	2020	2019
Current refunding of the Series 2011 Contract Revenue Refunding Bonds, New Series 2020	\$ (13,480)	\$ -	\$ -
Current refunding of the Series 1999 TWDB Participation Loan Contract Revenue Refunding Bonds, New Series 2019	\$ 13,375	\$ (14,955)	\$ -
Principal payments made during each year	-	\$ 14,095	-
	(3,612)	(3,658)	(3,770)
Decrease In Debt	<u>\$ (3,717)</u>	<u>\$ (4,518)</u>	<u>\$ (3,770)</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, 2021 AND 2020 (in thousands) (Unaudited)**

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.



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Basic Financial Statements

BRAZOS RIVER AUTHORITY
STATEMENTS OF NET POSITION
AUGUST 31, 2021 and 2020 (in thousands)

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
UNRESTRICTED:		
Cash and cash equivalents	\$ 78,819	\$ 45,314
Investments	54,735	77,161
Receivables:		
Accounts	3,138	3,873
Accrued interest	19	105
Other current assets	2,460	1,956
TOTAL UNRESTRICTED	139,171	128,409
RESTRICTED:		
Cash and cash equivalents	3,853	3,565
TOTAL RESTRICTED	3,853	3,565
TOTAL CURRENT ASSETS	143,024	131,974
NONCURRENT ASSETS :		
RESTRICTED:		
Cash and cash equivalents	4,608	669
Investments	9,425	11,007
Interest	1	14
TOTAL RESTRICTED	14,034	11,690
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	119,384	118,352
Vehicles, furniture and equipment	21,181	20,242
Construction in progress	13,047	11,311
TOTAL CAPITAL ASSETS	399,983	396,276
Less accumulated depreciation	(140,962)	(132,746)
NET CAPITAL ASSETS	259,021	263,530
OTHER NONCURRENT ASSETS:		
Net pension asset	-	763
Other assets	1,355	1,433
TOTAL OTHER NONCURRENT ASSETS	1,355	2,196
TOTAL NONCURRENT ASSETS	274,410	277,416
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on refunding	201	281
Pension plans	3,369	1,153
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,570	1,434
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 421,004	\$ 410,824

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF NET POSITION
AUGUST 31, 2021 and 2020 (in thousands)

	2021	2020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
PAYABLE FROM CURRENT ASSETS:		
Accounts payable	\$ 6,339	\$ 6,673
Contracts payable	956	927
Accrued interest	442	462
Unearned revenues	10,210	11,848
TOTAL PAYABLE FROM CURRENT ASSETS	17,947	19,910
PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest	458	791
Revenue bonds payable	4,350	3,635
Unearned revenues	2,246	1,853
Other	351	331
TOTAL PAYABLE FROM RESTRICTED ASSETS	7,405	6,610
TOTAL CURRENT LIABILITIES	25,352	26,520
NONCURRENT LIABILITIES:		
Revenue bonds payable, net of current portion and premium	54,249	56,651
Contracts payable, net of current portion	17,529	18,485
Net pension liability	9,654	11,471
Unearned revenues	135	181
Other liabilities	1,266	1,298
TOTAL NONCURRENT LIABILITIES	82,833	88,086
TOTAL LIABILITIES	108,185	114,606
DEFERRED INFLOWS OF RESOURCES - PENSION PLAN	3,187	1,392
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	111,372	115,998
NET POSITION:		
Net investment in capital assets	184,238	184,113
Restricted for debt service	8,505	8,444
Restricted for pension assets	-	763
Unrestricted	116,889	101,506
TOTAL NET POSITION	309,632	294,826
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 421,004	\$ 410,824

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, 2021 AND 2020 (in thousands)

	2021	2020
OPERATING REVENUES:		
Water Supply System:		
Raw water sales	\$ 48,125	\$ 49,468
Treated water	5,213	4,168
Wastewater treatment	3,589	4,019
Lake operations	568	487
Other	838	923
Cost Reimbursable Operations:		
Water conveyance/supply	4,343	3,070
Water treatment	2,115	2,177
Wastewater treatment	5,399	4,953
TOTAL OPERATING REVENUES	<u>70,190</u>	<u>69,265</u>
OPERATING EXPENSES:		
Personnel services	21,252	22,674
Materials and supplies	2,576	2,383
Utilities	3,429	2,667
Depreciation and amortization	9,146	8,965
Outside services	8,836	9,970
Repair and maintenance	2,769	3,279
Landfill and sludge hauling	1,757	1,951
Purchased water	2,287	2,279
Other	2,449	2,333
TOTAL OPERATING EXPENSES	<u>54,501</u>	<u>56,501</u>
OPERATING INCOME	<u>15,689</u>	<u>12,764</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income	929	2,529
Grants	1,021	1,251
Interest expense	(2,432)	(3,429)
Other expenses	(238)	(220)
Net gain or (loss) on sale of capital assets	(163)	20
TOTAL NET NON-OPERATING (EXPENSES)	<u>(883)</u>	<u>151</u>
CHANGE IN NET POSITION	14,806	12,915
NET POSITION, BEGINNING	<u>294,826</u>	<u>281,911</u>
NET POSITION, ENDING	<u>\$ 309,632</u>	<u>\$ 294,826</u>

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED AUGUST 31, 2021 AND 2020 (in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 70,724	\$ 73,592
Cash paid to suppliers for goods and services	(32,980)	(31,795)
Cash paid to employees for services	(16,403)	(16,181)
Net cash provided by operating activities	21,341	25,616
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from grants	1,021	1,251
Net cash provided by noncapital financing activities	1,021	1,251
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for the acquisition and construction of capital assets	(3,854)	(5,026)
Payments of interest on long term debt	(3,207)	(4,177)
Payments for retirement of long term debt	(4,561)	(4,518)
Payments for bond related expenses	(415)	(227)
Proceeds from revenue bonds	2,370	1,407
Proceeds from disposal of capital assets	1	27
Net cash used in capital and related financing activities	(9,666)	(12,514)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	100,197	88,523
Purchases of investments	(76,189)	(80,220)
Interest received	1,028	2,667
Net cash provided by investing activities	25,036	10,970
NET CHANGE IN CASH AND CASH EQUIVALENTS	37,732	25,323
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
(including \$4,234 and \$3,912, respectively, reported in restricted accounts)	49,548	24,225
CASH AND CASH EQUIVALENTS, END OF YEAR		
(including \$8,461 and \$4,234, respectively, reported in restricted accounts)	\$ 87,280	\$ 49,548
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 15,689	\$ 12,764
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,099	8,899
Amortization	47	66
Change in assets, liabilities and deferred inflows and outflows of resources:		
(Increase)/decrease in accounts receivable	735	(1,130)
decrease in other current assets	(33)	(156)
(Increase)/decrease in net pension asset	763	(763)
(Increase)/decrease in deferred outflows of resources	(2,136)	3,088
Increase/(decrease) in accounts payable	(1,116)	1,246
Increase/(decrease) in unearned revenue and other liabilities	(1,684)	3,566
(Decrease) in net pension liability	(1,817)	(2,833)
Increase in deferred inflows of resources	1,794	869
Total adjustments	5,652	12,852
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 21,341	\$ 25,616
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond proceeds used in refunding debt	\$ 13,480	\$ 15,304
Amounts recorded as accruals for Capital Assets	1,708	1,628
Total noncash capital and financing activities	\$ 15,188	\$ 16,932

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION
FISCAL YEARS ENDED AUGUST 31, 2021 AND 2020 (in thousands)

	2021	2020
Assets		
Cash and cash equivalents	\$ 191	\$ 177
Investments, at fair value		
Mutual funds - equities	9,996	8,028
Mutual funds - fixed income/GTAA	5,449	5,190
Mutual funds - international funds	3,761	3,123
Mutual funds - REIT	1,669	1,694
Limited partnership - hedge fund	1,794	1,427
Limited partnership	834	946
Total Investments	<u>23,503</u>	<u>20,408</u>
Accrued interest	<u>-</u>	<u>1</u>
Total assets	<u>23,694</u>	<u>20,586</u>
Liabilities		
Administrative expenses payable	7	7
Benefits Payable	<u>-</u>	<u>11</u>
Total Liabilities	<u>7</u>	<u>18</u>
Net position restricted for pensions	<u>\$ 23,687</u>	<u>\$ 20,568</u>

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEARS ENDED AUGUST 31, 2021 AND 2020 (in thousands)

	2021	2020
Additions		
Employer contributions	\$ 1,426	\$ 1,463
Investment income/(loss)	<u>4,052</u>	<u>1,416</u>
Total additions	5,478	2,879
Deductions		
Benefits paid to participants	2,277	2,187
Administrative expenses	<u>82</u>	<u>80</u>
Total deductions	<u>2,359</u>	<u>2,267</u>
Net increase / (decrease) in net position	3,119	612
Total net position restricted for pensions at beginning of the year	<u>20,568</u>	<u>19,956</u>
Total net position restricted for pensions at end of year	<u>\$ 23,687</u>	<u>\$ 20,568</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, 2021 AND 2020 (in thousands)

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 two fiduciary funds that reports assets, liabilities and changes in net position for two of the BRA employee benefit plans.

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, Statement of Changes in 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.

Fiduciary Funds - The BRA's Fiduciary financial statements include two fiduciary funds related to the BRA employee benefit plans: the Retirement Plan for Employees of Brazos River Authority (Plan) with a year end of the last day of February, and the 401 (a) non-vested Deferred Compensation plan. See Note 8 of this report for additional information on these two plans.

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 are considered to be cash equivalents. All non-participating certificates of deposit with original maturities of more than three months are considered to be investments and are carried at cost plus accrued interest. All investments in debt 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, 2021 or 2020.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020 (in thousands)

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.

Other current assets – Included within other current assets are the BRA's expenditures that represent prepaid items at year end.

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 one year 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 Noncurrent 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 \$1,354 and \$1,433 at August 31, 2021 and 2020, 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, 2021 AND 2020 (in thousands)

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 has 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 short-term liability for compensated absences as of August 31, 2021 and 2020 was \$513 and \$688, respectively, and is reported in accounts payable. The total recorded long-term liability for compensated absences, as of August 31, 2021 and

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020 (in thousands)

2020 was \$134 and \$164, respectively. Based on historical data, a portion of the accrual for vacation and sick leave are classified as other noncurrent liabilities. See Note 6 on Page 79 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

Brazos River Authority

As of August 31, 2021 and 2020, the BRA's portfolio consisted of:

Description	August 31, 2021		August 31, 2020	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Deposits:				
Certificates of Deposit	\$ 64,160	42%	\$ 88,168	64%
Bank Money Market Funds	79,109	53%	43,351	31%
Cash	8,166	5%	6,192	4%
Investments:				
TexPool	5	0%	5	0%
	<u>\$ 151,440</u>	<u>100%</u>	<u>\$ 137,716</u>	<u>100%</u>

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020 (in thousands)

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, 2021 and 2020 all BRA investments were in TexPool which is recorded at amortized cost without any limitation or restriction on withdrawals.

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).

Portfolio disclosure as of August 31, 2021 and 2020:

- TexPool - S&P rated AAA-m .

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, 2021 AND 2020 (in thousands)

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, 2021 and 2020:
- TexPool – WAM 31 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.

Brazos River Authority Fiduciary Funds

The fiduciary financial statements include two fiduciary funds related to the BRA's employee benefit plans: the Retirement Plan for Employees of Brazos River Authority, and the non-vested employer contributions into the BRA's 401(a) plan.

BRA's 401(a) plan

The funds in the 401(a) plan are invested in the Mass Mutual SAGIC Diversified II fund. The objective of the fund is to provide a stated rate of return, generated from performance of a diversified bond portfolio, that insulates the account from daily fluctuations in the bond market. Some of the characteristics of the fund are: Plan year-end December 31, 2020, total of holdings \$3.9 billion, credit quality A, Duration (years) 6.4, and weighted yield to maturity 2.59%. The balance in the SAGIC fund at August 31, 2021 and 2020 was \$116 and \$105, respectively.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020 (in thousands)

Retirement Plan for Employees of Brazos River Authority

Investment Policy

The investment policy's objectives are to insulate the Plan's assets against deterioration of purchasing power caused by inflation and over time provide, at a minimum, the Plan's actuarially assumed rate of return of the Plan's assets and provide an acceptable level of volatility in both long and short-term periods. The Plan's Investment Policy spells out the responsibilities of both the investment consultant and the Retirement Committee. The Plan's investment decisions are made by the investment managers following guidelines established by the Committee. The investment managers are responsible for determining investment strategy and implementing security selection within the policy and guideline limitations.

Investment Policy Target Allocation

The following was the Committee's adopted targeted mixture of asset allocation policy as of the Plan year ended February 28, 2021 and February 29, 2020.

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Total Public Equities	40%	70%	50%
Domestic Large Cap Equity	15%	40%	30%
Domestic Sm/Mid Cap Equity	7.5%	12.5%	10%
International Equity	12.5%	17.5%	15%
Total Fixed Income	15%	40%	25%
Other Alternative Investments			
Master Limited Partnerships	0%	0%	0%
Real Estate Investment Trusts	0%	20%	10%
Global Tactical Assets	0%	15%	10%

Investments

The Plan 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 unadjusted quoted prices in active markets for identical assets; Level two inputs are significant other observable inputs other than quoted market prices included in Level one that are observable directly or indirectly; Level three inputs are unobservable inputs representing the Plan's own assumptions about the assumptions a market participant would use in valuing the investment. The Plan's investments in mutual funds are classified as level one investments based on quoted market prices. Alternative investments are valued at fair value, determined by the NAV of the partnership shares.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020 (in thousands)

The following table summarizes the inputs used as of February 28, 2021:

		Fair Value Measurements Using		
	2/28/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity Securities				
Mutual funds - equities	\$9,880	\$9,880	-	-
Mutual funds – international funds	3,761	3,761	-	-
Mutual funds - REIT	1,669	1,669	-	-
Total equity securities	15,310	15,310	-	-
Fixed Income Securities				
Mutual funds – fixed income	5,449	5,449	-	-
Total investments by fair value level	20,759	\$20,759	-	-
Limited partnership – hedge fund fixed income strategy	1,794			
Limited partnership	834			
Total investments measured at NAV	2,629			
Total investments measured at fair value	\$23,387			

The following table summarizes the inputs used as of February 29, 2020:

		Fair Value Measurements Using		
	2/29/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity Securities				
Mutual funds - equities	\$7,923	\$7,923	-	-
Mutual funds – international funds	3,123	3,123	-	-
Mutual funds - REIT	1,694	1,694	-	-
Total equity securities	12,740	12,740	-	-
Fixed Income Securities				
Mutual funds – fixed income	5,190	5,190	-	-
Total investments by fair value level	17,930	17,930	-	-
Limited partnership – hedge fund fixed income strategy	1,427			
Limited partnership	946			
Total investments measured at NAV	2,373			
Total investments measured at fair value	\$20,303			

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The carrying value for investments measured at NAV as of February 28, 2021 are as follows:

Investments Measured at Net Asset Value	Carrying Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership – hedge fund fixed income strategy ¹	\$ 1,795	None	Semi-annually	90 days
Limited partnership ²	834	\$511	Not applicable	
Total investments measured at NAV	<u>\$ 2,629</u>			

The carrying value for investments measured at NAV as of February 29, 2020 are as follows:

Investments Measured at Net Asset Value	Carrying Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership – hedge fund fixed income strategy ¹	\$ 1,427	None	Semi-annually	90 days
Limited partnership ²	947	\$4813	Not applicable	
Total investments measured at NAV	<u>\$ 2,374</u>			

¹Limited Partnership – Hedge fund – PIMCO Tactical Opportunities Offshore Fund, LP

The Fund invests all or substantially all of its assets in PIMCO Tactical Opportunities Master Fund Ltd. The Fund's and the Master Fund's investment objective is to seek returns by investing principally in (or otherwise gaining exposure to) performing, stressed or distressed securities and loans of any type and with any sector across the global fixed income markets.

²Limited Partnership –LBC Credit Partners IV, LP

The Partnership was established to provide a high degree of current income primarily through the origination and management of a diversified portfolio of privately negotiated, secured, high-yielding loans to middle-market corporate borrowers, cash flow loans, unsecured mezzanine loans, broadly syndicated corporate loans, equity participations, corporate leases, debtor-in-possession loans, loan pools and bonds traded in the primary and secondary markets.

Rate of Return and Risk

For the years ended February 28, 2021, and February 29, 2020 the annual money-weighted rate of return on the Plan investments, net of pension plan investment expense, was +20% and +7%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

The Plan's investments are subject to various risks that have the potential to result in losses. These risks are custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Each risk is described in detail on the following pages.

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of a counterparty to a transaction, the Plan will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan and are held by the counterparty, its trust or agent, but not in the Plan's name. The Plan has no investment policy regarding custodial credit risk. The Plan is not exposed to custodial credit risk because all securities are held by the Plan's custodian in the Plan's name.

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Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plan's investment policy states that all investment managers have full discretion in the management of those assets of the Plan allocated to the investment manager(s), subject to prospectus or the overall investment guidelines set by the Committee. Those prospectus state that manager(s) shall not purchase common stock or securities convertible into stock of any issuer if the purchase would cause the portfolio's assets to reach five percent (5%) of the outstanding voting stock; or more than ten percent (10%) in market value of all outstanding securities of a single issuer. Since it is the policy of the Plan to employ multiple managers with different investment strategies and styles, the single issuer concentrations are further reduced. Securities issued by or backed by the full faith and credit of the U.S. Government and mutual funds are not subject to concentration of credit risk.

There were no investments in any one issuer in excess of 5% of plan investments at February 28, 2021 or February 29, 2020. However, the following were investments in any one organization that represent 5% or more of fiduciary net position at February 28, 2021 and February 29, 2020 (other than those issued or guaranteed by the U.S. Government):

Security Name	Classification	FYE 2021 Fair Value >5%	FYE 2020 Fair Value >5%
Blackrock Multi-Asset Income Fund	Fixed Income	\$ -	\$1,059
Cohen & Steers Realty	REIT's	\$1,669	\$1,695
Euro Pacific Growth Fund	International fund	\$3,761	\$3,123
JP Morgan Income Builder Fund	Fixed Income	\$ -	\$1,055
Metropolitan West Fund	Fixed Income	\$2,104	\$2,064
PIMCO	Fixed Income	\$1,219	\$1,177
Vanguard 500 Fund	Equities-large cap	\$7,167	\$5,986
Diamond Hill Small Cap	Equities small cap	\$1,433	\$ -
Vanguard Midcap Fund	Equities-small cap	\$1,279	\$ -

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan investment policy manages foreign currency risk by limiting investments in foreign companies to 17.5% of the Plan's assets, and employing investment managers that select companies whose results are not necessarily tied to the currency of their country of origin. All of the Plan's investments are US dollar denominations and thus are not subject to foreign currency risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Plan investment policy manages credit risk by limiting investments in equities and fixed income securities to those determined as creditworthy by the investment managers and listed as investment grade by nationally recognized rating agencies. Furthermore, the Plan restricts, and is monitored by the Investment Consultant, equity transactions involving:

- Common stock in non-public corporations,
- Short sales of any type,
- Letter stock, and Buying or selling on margin.

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As of February 28, 2021 and February 29, 2020, the credit ratings for mutual funds in fixed income securities were as follows:

Security Name	FYE 2021 Credit Rating	FYE 2020 Credit Rating
Metropolitan West Fund	BBB	A
Vanguard Short Term Fund	BBB	A
Blackrock Multi-Asset Income Fund	BB	BB
JP Morgan Income Builder Fund	BB	BB

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Plan's investment policy states it is set to establish asset allocation parameters that will provide for sufficient diversification of asset classes to control investment risk and achieve the investment return objectives. The Plan is exposed to minimal interest rate risk, since more than 80% of the fixed income allocation of the plan has an average maturity of less than 4 years, and is benchmarked to the BC Intermediate Government Credit index BC US Credit 1-5 Year Index. The Plan's investment in the Metropolitan West Intermediate Bond fund has a dollar-weighted average maturity expected to range from three to seven years. The average duration of this fund was approximately 4 years and 3.4 years at February 28, 2021 and February 29, 2020, respectively. The Plan's investment in the Vanguard Short-Term Investment Grade Admiral Bond fund has a dollar-weighted average maturity expected to range from one to four years. The average duration of this fund was approximately 2.6 years and 2.4 years at February 28, 2021 and February 29, 2020, respectively.

3. RESTRICTED ASSETS

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

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

Restricted assets represent:

- *Bond Proceeds funds* - Construction of facilities, restricted by purpose of the debt issuance.
- *Debt Service funds* - Current interest and principal of bonded indebtedness, as required by bond covenants.
- *Bond Reserve funds* - Payment of final serial maturity on bonded indebtedness or payment of principal and interest of bonded indebtedness when and to the extent the amount in the debt service funds is insufficient, as required by bond covenants.
- *Repair and Replacement funds* - Unexpected or extraordinary expenditures for which funds are not otherwise available or for debt service to the extent of debt service funds deficiencies as required by bond covenants.

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- *Other funds* – On October 1, 2020 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 \$3.7 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, 2021 and 2020 were as follows:

	2021			2020		
	Cash and Cash Equivalents	Investments	Accrued Interest	Cash and Cash Equivalents	Investments	Accrued Interest
CURRENT RESTRICTED:						
Water Supply System:						
Debt service funds	\$ 1,000	\$ -	\$ -	\$ 944	\$ -	\$ -
Other funds	184	-	-	48	-	-
Water Supply System Total	1,184	-	-	992	-	-
Cost Reimbursable Operations:						
Debt service funds	2,669	-	-	2,573	-	-
Cost Reimbursable Operations Total	2,669	-	-	2,573	-	-
TOTAL CURRENT RESTRICTED	\$ 3,853	\$ -	\$ -	\$ 3,565	\$ -	\$ -
NONCURRENT RESTRICTED:						
Water Supply System:						
Bond reserve funds	\$ 454	\$ 1,795	\$ -	\$ 15	\$ 1,426	\$ -
Repair and replacement funds	2,049	2,957	-	175	4,956	12
Other funds	5	4,171	1	476	4,116	2
Water Supply System Total	2,508	8,923	1	666	10,498	14
Cost Reimbursable Operations:						
Bond proceeds	2,100	-	-	-	-	-
Repair and replacement funds	-	502	-	3	509	-
Cost Reimbursable Operations Total	2,100	502	-	3	509	-
TOTAL NONCURRENT RESTRICTED	\$ 4,608	\$ 9,425	\$ 1	\$ 669	\$ 11,007	\$ 14

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4. CAPITAL ASSETS

A summary of changes in capital assets for August 31, 2021 follows:

Classification	Balance at September 1, 2020	Additions and Transfers	Deletions and Transfers	Balance at August 31, 2021
Capital assets, not being depreciated/amortized:				
Land, storage and water rights	\$ 106,899	\$ -	\$ -	\$ 106,899
Construction in progress	11,311	2,664	(928)	13,047
Total capital assets, not being depreciated/amortized	118,210	2,664	(928)	119,946
Capital assets, being depreciated/amortized:				
Reservoirs, water treatment and sewerage facilities	139,472	-	-	139,472
Buildings, structures and improvements	118,352	1,054	(22)	119,384
Vehicles	3,887	422	-	4,309
Furniture	749	-	-	749
Computers	4,968	81	(823)	4,226
Tools and heavy equipment	10,638	1,510	(251)	11,897
Total capital assets, being depreciated/amortized	278,066	3,067	(1,096)	280,037
Total Capital Assets	\$ 396,276	\$ 5,731	\$ (2,024)	\$ 399,983
Less accumulated depreciation/amortization:				
Reservoirs, water treatment and sewerage facilities	\$ 61,976	\$ 2,869	\$ -	\$ 64,845
Buildings, structures and improvements	56,807	5,014	(22)	61,799
Vehicles	2,757	342	-	3,099
Furniture	746	3	-	749
Computers	3,682	338	(750)	3,270
Tools and heavy equipment	6,778	580	(158)	7,200
Total accumulated depreciation/amortization	\$ 132,746	\$ 9,146	\$ (930)	\$ 140,962
Net Capital Assets	\$ 263,530	\$ (3,415)	\$ (1,094)	\$ 259,021

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A summary of changes in capital assets for August 31, 2020 follows:

Classification	Balance at September 1, 2019	Additions and Transfers	Deletions and Transfers	Balance at August 31, 2020
Capital assets, not being depreciated/amortized:				
Land, storage and water rights	\$ 106,899	\$ -	\$ -	\$ 106,899
Construction in progress	14,097	3,798	(6,584)	11,311
Total capital assets, not being depreciated/amortized	120,996	3,798	(6,584)	118,210
Capital assets, being depreciated/amortized:				
Reservoirs, water treatment and sewerage facilities	139,472	-	-	139,472
Buildings, structures and improvements	113,264	5,088	-	118,352
Vehicles	3,531	467	(111)	3,887
Furniture	776	-	(27)	749
Computers	4,951	17	-	4,968
Tools and heavy equipment	10,072	619	(53)	10,638
Total capital assets, being depreciated/amortized	272,066	6,191	(191)	278,066
Total Capital Assets	\$ 393,062	\$ 9,989	\$ (6,775)	\$ 396,276
Less accumulated depreciation/amortization:				
Reservoirs, water treatment and sewerage facilities	\$ 59,107	\$ 2,869	\$ -	\$ 61,976
Buildings, structures and improvements	51,961	4,846	-	56,807
Vehicles	2,587	280	(110)	2,757
Furniture	766	7	(27)	746
Computers	3,257	425	-	3,682
Tools and heavy equipment	6,287	537	(46)	6,778
Total accumulated depreciation/amortization	\$ 123,965	\$ 8,964	\$ (183)	\$ 132,746
Net Capital Assets	\$ 269,097	\$ 1,025	\$ (6,592)	\$ 263,530

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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, 2021 and 2020 were as follows:

	2021		2020	
	Current Unearned Revenues	Noncurrent Unearned Revenues	Current Unearned Revenues	Noncurrent Unearned Revenues
Unrestricted				
Water Supply System:				
Lake Granbury	\$ 306	\$ -	\$ 28	\$ -
Lake Limestone	1,395	-	1,328	-
Possum Kingdom Lake	468	-	483	-
Federal Reservoirs	4,392	-	6,952	-
Other Water Supply System	227	-	167	-
Total Water Supply System	6,788	-	8,958	-
Cost Reimbursable Operations:				
Williamson County RRWL	(121)	135	297	181
Temple-Belton WWTP	2,255	-	1,558	-
Clute-Richwood RWS	392	-	405	-
Hutto WWS	896	-	630	-
Total Cost Reimbursable Operations	3,422	135	2,890	181
Total Unrestricted	\$ 10,210	\$ 135	\$ 11,848	\$ 181
Restricted				
Cost Reimbursable Operations:				
Williamson County RRWL	\$ 2,246	\$ -	\$ 1,853	\$ -
Total Restricted	\$ 2,246	\$ -	\$ 1,853	\$ -

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6. NONCURRENT LIABILITIES

Revenue Bonds Payable

Revenue bonds payable consists of the following at August 31, 2021:

	Balance at September 1, 2020	Additions	Retired	Balance at August 31, 2021	Amount Due Within One Year
<i>Water Supply System:</i>					
Series 2002 State Participation Loan*	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ 260
Series 2009 Revenue Bonds*	11,250	-	1,135	10,115	1,160
Series 2015 Revenue Bonds	13,665	-	720	12,945	750
Total Water Supply System	<u>\$ 30,915</u>	<u>\$ -</u>	<u>\$ 1,855</u>	<u>\$ 29,060</u>	<u>\$ 2,170</u>
<i>Cost Reimbursable Operations:</i>					
Series 2011 Revenue Bonds	\$ 13,480	\$ -	\$ 13,480	\$ -	\$ -
Series 2019 Revenue Bonds	14,095	-	830	13,265	1,010
Series 2020 Revenue Bonds		13,375	-	13,375	1,170
Total Cost Reimbursable Operations	<u>\$ 27,575</u>	<u>\$ 13,375</u>	<u>\$ 14,310</u>	<u>\$ 26,640</u>	<u>\$ 2,180</u>
<i>Net Premium/(Discount) on revenue bonds payable</i>	<u>\$ 1,796</u>	<u>\$ 1,525</u>	<u>\$ 422</u>	<u>\$ 2,899</u>	<u>\$ -</u>
<i>Total Net Revenue Bonds Payable</i>	<u><u>\$ 60,286</u></u>	<u><u>\$ 14,900</u></u>	<u><u>\$ 16,587</u></u>	<u><u>\$ 58,599</u></u>	<u><u>\$ 4,350</u></u>

Revenue bonds payable consists of the following at August 31, 2020:

	Balance at September 1, 2019	Additions	Retired	Balance at August 31, 2020	Amount Due Within One Year
<i>Water Supply System:</i>					
Series 2002 State Participation Loan*	\$ 6,000	\$ -	\$ -	\$ 6,000	\$ -
Series 2009 Revenue Bonds*	12,365	-	1,115	11,250	1,135
Series 2015 Revenue Bonds	14,355	-	690	13,665	720
Total Water Supply System	<u>\$ 32,720</u>	<u>\$ -</u>	<u>\$ 1,805</u>	<u>\$ 30,915</u>	<u>\$ 1,855</u>
<i>Cost Reimbursable Operations:</i>					
Series 1999 State Participation Loan*	\$ 14,955	\$ -	\$ 14,955	\$ -	\$ -
Series 2011 Revenue Bonds	14,390	-	910	13,480	950
Series 2019 Revenue Bonds	-	14,095	-	14,095	830
Total Cost Reimbursable Operations	<u>\$ 29,345</u>	<u>\$ 14,095</u>	<u>\$ 15,865</u>	<u>\$ 27,575</u>	<u>\$ 1,780</u>
<i>Net Premium/(Discount) on revenue bonds payable</i>	<u>\$ 441</u>	<u>\$ 1,406</u>	<u>\$ 51</u>	<u>\$ 1,796</u>	<u>\$ -</u>
<i>Total Net Revenue Bonds Payable</i>	<u><u>\$ 62,506</u></u>	<u><u>\$ 15,501</u></u>	<u><u>\$ 17,721</u></u>	<u><u>\$ 60,286</u></u>	<u><u>\$ 3,635</u></u>

***Bonds represent the BRA's Direct Placement Bonds for the Fiscal Year.**

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Revenue bonds payable at August 31, 2021 and 2020 are further detailed as follows:

Water Supply System:

- *Series 2002 (\$6,000) (Direct Placement Bonds) 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) (Direct Placement Bonds) 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) (Direct Placement Bonds) 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% **(refunded November 20, 2019 with Series 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% **(refunded October 1, 2020 with Series 2020)**
- *Series 2019 (\$14,095) Brazos River Authority Contract Revenue Refunding Bonds, (Williamson County Regional Raw Water Line Project)* - to refund the outstanding payment obligations pursuant to that certain Master Agreement between the Texas Water Development Board and the BRA relating to the construction and acquisition of the Williamson County Regional Raw Water Line, Effective as of November 3, 1999 (the “refunded Obligations”); due in annual payments of \$830 to \$1,540 through 2032; interest at 3.0% to 5.0%

Series 2020 (New) (\$13,375) Brazos River Authority Contract Revenue Refunding and Improvement Bonds, (Williamson County Regional Raw Water Line Project) - to refund the outstanding Series 2011 Contract Revenue and Refunding Bonds, along with other funds, to (i) add a copper ion generator, (ii) pay the cost of engineering and design, and (iii) pay issuance cost on the Bonds; due in annual payments of \$1,170 to \$1,510 through 2030; interest at 2.0% to 3.0%

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On October 1, 2020, the Authority issued \$13,375 of Contract Revenue Bonds for a current refunding of \$12,530 of the Series 2011 Contract Revenue Bonds. The refunding was done to reduce the total future debt service payments. The reacquisition price was less than the net carrying amount of the old debt by \$845. The difference between the present values of the two debt service streams of \$2,803 constitutes the economic gain on the transaction and a reduction of \$2,950 in future debt service payments.

On November 20, 2019, the Authority issued \$14,095 of revenue bonds for a current refunding of \$14,955 of the TWDB obligation. The refunding was done to reduce the total future debt service payments. The reacquisition price was less than the net carrying amount of the old debt by \$860. The difference between the present values of the two debt service streams of \$3,759 constitutes the economic gain on the transaction and a reduction of \$4,290 in future debt service payments.

The BRA's outstanding revenue bonds and outstanding direct placement bonds contain event of default that states the owners may seek a writ of mandamus to compel the BRA or BRA officials to carry out the legally imposed duties with respect to the bonds if there is no other available remedy at law to compel performance of the bonds or the resolution and the BRA's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rest with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Management has evaluated the event of default or termination provisions with possible finance-related consequences and in the opinion of BRA's management, the likelihood is remote that these provisions will have a significant effect on the BRA's financial position or results of operations. In addition, no collateral is pledged on the bonds, only the Net Revenues of the BRA.

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, 2021 and 2020, the BRA's coverage rate was 8.56 and 8.26, 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, 2021 and 2020 the cumulative unamortized deferred outflows of resources amounted to \$201 and \$281, respectively. The deferred amount resulted from refunding of debt in 2011 and 2020 for the period ending August 31, 2021 and refunding of debt in 2011 and 2015 for period ending August 31, 2020.

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Annual requirements to retire revenue bonds outstanding including interest at August 31, 2021 are:

	Revenue Bonds		Direct Placement Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 2,930	\$ 1,188	\$ 1,420	\$ 592
2023	3,035	1,091	1,465	551
2024	3,130	990	1,505	507
2025	3,225	902	1,555	460
2026	3,310	818	1,600	410
2027-2031	18,150	2,341	5,985	1,282
2032-2036	5,805	304	2,585	473
Total	<u>\$ 39,585</u>	<u>\$ 7,634</u>	<u>\$ 16,115</u>	<u>\$ 4,275</u>

Contracts Payable consists of the following at August 31, 2021:

	Balance at September 1, 2020	Retired/ (Additions)	Balance at August 31, 2021	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%	\$ 475	\$ 114	\$ 361	\$ 117
\$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%	1,628	221	1,407	227
\$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%	9,311	296	9,015	306
\$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; interest at 3.25%	3,951	157	3,794	161
\$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%	4,047	139	3,908	145
Total	<u>\$ 19,412</u>	<u>\$ 927</u>	<u>\$ 18,485</u>	<u>\$ 956</u>

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Contracts Payable consists of the following at August 31, 2020:

	Balance at September 1, 2019	Retired/ (Additions)	Balance at August 31, 2020	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%	\$ 587	\$ 112	\$ 475	\$ 114
\$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%	1,843	215	1,628	221
\$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%	9,598	287	9,311	296
\$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; interest at 3.25%	4,102	151	3,951	157
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc; due in annual installments of principal only of \$10 to \$45 through 2020	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%	4,180	133	4,047	139
Total	<u>\$ 20,355</u>	<u>\$ 943</u>	<u>\$ 19,412</u>	<u>\$ 927</u>

Annual requirements to retire contracts payable outstanding, including interest at August 31, 2021, were:

	Contracts Payable		Total
	Principal	Interest	
2022	\$ 956	\$ 631	\$ 1,587
2023	987	600	1,587
2024	1,006	569	1,575
2025	911	536	1,447
2026	942	506	1,448
2027-2031	4,143	2,086	6,229
2032-2036	4,498	1,349	5,847
2037-2041	4,332	541	4,873
2042	710	23	733
Total	<u>\$ 18,485</u>	<u>\$ 6,841</u>	<u>\$ 25,326</u>

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Other Noncurrent Liabilities Other noncurrent liability activity for the years ended August 31, 2021 and 2020 was as follows:

	Balance at September 1, 2020	Additions	Reductions	Balance at August 31, 2021	Amounts Due Within One Year
Unearned Revenues:					
WCRRWL	\$ 226	\$ -	\$ 45	\$ 181	\$ 46
Total	<u>\$ 226</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 181</u>	<u>\$ 46</u>
Other Liabilities:					
Trans TX Phase II	\$ 210	\$ -	\$ -	\$ 210	\$ -
Compensated Absences*	163	-	18	145	11
Due to Jonah SUD	896	829	843	882	-
Other	40	-	-	40	-
Total	<u>\$ 1,309</u>	<u>\$ 829</u>	<u>\$ 861</u>	<u>\$ 1,277</u>	<u>\$ 11</u>

	Balance at September 1, 2019	Additions	Reductions	Balance at August 31, 2020	Amounts Due Within One Year
Unearned Revenues:					
WCRRWL	\$ 271	\$ -	\$ 45	\$ 226	\$ 45
Total	<u>\$ 271</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 226</u>	<u>\$ 45</u>
Other Liabilities:					
Hydroelectric	\$ -	\$ -	\$ -	\$ -	\$ -
Trans TX Phase II	210	-	-	210	-
Compensated Absences*	171	-	8	163	11
Due to Jonah SUD	908	802	814	896	-
Other	111	1	72	40	-
Total	<u>\$ 1,400</u>	<u>\$ 803</u>	<u>\$ 894</u>	<u>\$ 1,309</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:

	2021	2020
Net capital assets	\$ 259,021	\$ 263,530
Deferred outflows of resources	201	281
Revenue bonds payable - current & noncurrent	(56,499)	(60,286)
Contracts payable - current & noncurrent	(18,485)	(19,412)
Total Net Position of investment in capital assets	<u>\$ 184,238</u>	<u>\$ 184,113</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, 2021, and 2020. The BRA had the following balances related to its pension accounts:

	BRA Plan	TCDRS Plan	2021 Total
Net Pension Liability	\$ 8,772	\$ 882	\$ 9,654
Net Pension Asset	-	-	-
Deferred Outflows of Resources	176	3,193	3,369
Deferred Inflows of Resources	2,035	1,152	3,187
Pension Expense	136	1,017	1,153

	BRA Plan	TCDRS Plan	2020 Total
Net Pension Liability	\$ 11,471	\$ -	\$ 11,471
Net Pension Asset	-	763	763
Deferred Outflows of Resources	-	1,153	1,153
Deferred Inflows of Resources	414	978	1,392
Pension Expense	1,800	1,164	2,964

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.

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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, 2021, and March 1, 2020, is composed of the following:

Group	2021	2020
Retirees and beneficiaries currently receiving benefits	158	147
Terminated Plan members entitled to but not yet receiving benefits	100	101
Deferred beneficiaries	4	7
Transferred Canal Division employees*	4	4
Active Plan members	64	74
Total	<u>330</u>	<u>333</u>

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

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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, 2021 and March 1, 2020 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, 2020 and 2019 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, 2021 and February 29, 2020.

Net Pension Liability

The BRA's net pension liability was measured as of March 1, 2021 and March 1, 2020, 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, 2021 and March 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Information		
	2021	2020
Actuarial valuation date	March 1, 2021	March 1, 2020
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 multi-year 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 Pub-2010 General Table, Fully Generational with Scale MP-2018.

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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, 2021 and February 29, 2020 are summarized in the following tables:

Target Allocation

<u>Asset Class</u>	<u>2021 and 2020</u>
Domestic equities	40%
International equity	15%
Domestic fixed income	25%
GTTA	10%
Master limited partnerships	0%
Real estate investment trusts	10%
Cash	0%

Long-Term Expected Real Rate of Return

<u>Asset Class</u>	<u>2021 and 2020</u>
Domestic equities	7.50%
International equity	8.50%
Domestic fixed income	2.50%
GTTA fixed income	5.50%
Master limited partnerships	7.50%
Real estate investment trusts	4.50%
Global Tactical Assets	7.80%
Cash	0.00%

Discount rate

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

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Sensitivity in the discount rate

The following presents the net pension liability of the 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:

Brazos River Authority's Net Pension Liability			
	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
August 31, 2021	\$ 12,039	\$ 8,772	\$ 5,996
August 31, 2020	\$ 14,796	\$ 11,471	\$ 8,654

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 1, 2020	\$ 31,934	\$ 20,463	\$ 11,471
Changes for the year:			
Service cost	36	-	36
Interest	2,006	-	2,006
Differences between expected and actual experience	617	-	617
Change in assumptions	-	-	-
Benefit payment, including refunds of employee contributions	(2,250)	(2,250)	-
Employer contributions	-	1,391	(1,391)
Net investment income	-	4,049	(4,049)
Administrative expenses	-	(82)	82
Other	-	-	-
Net changes	409	3,108	(2,699)
Balances at August 31, 2021	\$ 32,343	\$ 23,571	\$ 8,772

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 1, 2019	\$ 32,829	\$ 19,851	\$ 12,978
Changes for the year:			
Service Cost	46	-	46
Interest	2,068	-	2,068
Differences between expected and actual experience	(861)	-	(861)
Change in assumptions	-	-	-
Benefit payment, including refunds of employee contributions	(2,148)	(2,148)	-
Employer contributions	-	1,425	(1,425)
Net investment income	-	1,414	(1,414)
Administrative expenses	-	(79)	79
Other	-	-	-
Net changes	(895)	612	(1,507)
Balances at August 31, 2020	\$ 31,934	\$ 20,463	\$ 11,471

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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, 2021 and 2020, the Employer GASB 68 pension expense and the components of the expense were as followed:

	2021	2020
Service Cost	\$ 36	\$ 46
Interest	2,006	2,068
Amortization of differences between expected and actual experience	118	(454)
Amortization of changes of assumptions	-	862
Projected earnings on pension plan investments	(1,300)	(1,265)
Amortization of differences between projected and actual earnings	(805)	463
Pension plan administrative expenses	81	80
Total	<u>\$ 136</u>	<u>\$ 1,800</u>

Deferred outflows and deferred inflows of resources

For the years ended August 31, 2021 and 2020, 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 1st.

August 31, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 176	\$ 2,035
Change in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	-
Total	<u>\$ 176</u>	<u>\$ 2,035</u>

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Deferred outflows and deferred inflows of resources - continued

August 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (323)
Change in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	(91)
Total	<u>\$ -</u>	<u>\$ (414)</u>

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

Year ended August 31, 2021		Year ended August 31, 2020	
2022	\$ (272)	2021	\$ (579)
2023	(457)	2022	102
2024	(580)	2023	92
2025	(550)	2024	(29)
2026	-	2025	-
Thereafter	-	Thereafter	-
Total	<u>\$ (1,859)</u>	Total	<u>\$ (414)</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. TCERS is a non-profit public trust providing pension, disability, and death benefits for the eligible employees of participating counties and districts. TCERS was established by legislative act in 1967 under authority of Article XVI of the Texas Constitution. The TCERS Act (Subtitle F, Title 8, and Texas Government Code) is the basis for TCERS administration. TCERS 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.tcders.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 TCERS. A percentage of each employee's paycheck is deposited into his or her TCERS 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, 2020 and December 31, 2019, is composed of the following:

Group	2020	2019
Retirees and beneficiaries currently receiving benefits	86	74
Terminated Plan members entitled to but not yet receiving benefits	88	97
Active Plan members	227	221
Total	401	392

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 2021 and 2020 was 7.57% and 7.50% 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, 2020 and December 31, 2019, 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, 2020 and the December 31, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Information		
	2021	2020
Actuarial valuation date	December 31, 2020	December 31, 2019
Actuarial cost method	Entry age	Entry age
Actuarial Assumptions		
Investment return	7.5%*	8.0%
Projected salary increases	2.0%	2.0%
Inflation	2.5%*	2.75%

*For the December 31, 2020 actuarial valuation, two assumption changes occurred. The TCDRS board reduced the investment return assumption to 7.5%. In addition, the inflation assumption has also been decreased to 2.5%. TCDRS says the long-term outlook anticipates that rates and returns will remain below historical norms. The forecast show decreased returns across all asset classes. Soundness requires synchronizing assumptions with expectations.

For the December 31, 2019 and 2020 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 2021 and January 2020 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 long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

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Long-term Expected rate of return by Asset Class
Actuarial Valuation December 31, 2020
Based on January 2021 information for a 10 year time horizon

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	11.50%	4.25%
Private Equities	25.00%	7.25%
Global Equities	2.50%	4.55%
International Equities Developed	5.00%	4.25%
International Equities-Emerging	6.00%	4.75%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Hedge Funds	6.00%	1.85%

Long-term Expected rate of return by Asset Class
Actuarial Valuation December 31, 2019
Based on April 2020 information for a 10 year time horizon

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	14.50%	5.20%
Private Equities	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities Developed	7.00%	5.20%
International Equities-Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%

Discount rate

The discount rate used to measure the total pension liability as of December 31, 2020 and December 31, 2019 was 7.5% and 8.0% respectively. 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% and 7.5% for August 31, 2021 and 2020, respectively, 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:

	TCDRS net pension liability/(net pension asset)		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
August 31, 2021	\$ 6,543	\$ 882	\$ (3,864)
	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
August 31, 2020	\$ 3,835	\$ (763)	\$ (4,639)

Changes in the Net Pension Liability/(Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balances at September 1, 2020	\$ 33,527	\$ 34,290	\$ (763)
Changes for the year:			
Service cost	1,903	-	1,903
Interest	2,834	-	2,834
Effect of economic/demographic gains or losses	204	-	204
Benefit payment, including refunds of employee contributions	(894)	(894)	-
Employer contributions	-	1,219	(1,219)
Change in assumptions	2,456	-	2,456
Member contributions	-	975	(975)
Net investment income	-	3,545	(3,545)
Administrative expenses	-	(29)	29
Other	-	42	(42)
Net changes	6,503	4,858	1,645
Balances at August 31, 2021	\$ 40,030	\$ 39,148	\$ 882

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balances at September 1, 2019	\$ 29,528	\$ 28,202	\$ 1,326
Changes for the year:			
Service cost	1,840	-	1,840
Interest	2,517	-	2,517
Differences between expected and actual experience	252	-	252
Benefit payment, including refunds of employee contributions	(610)	(610)	-
Employer contributions	-	1,108	(1,108)
Change in assumptions	-	-	-
Member contributions	-	932	(932)
Net investment income	-	4,630	(4,630)
Administrative expenses	-	(26)	26
Other	-	54	(54)
Net changes	3,999	6,088	(2,089)
Balances at August 31, 2020	\$ 33,527	\$ 34,290	\$ (763)

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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, 2021 and 2020, the Employer GASB 68 pension expense and the components of the expense were as followed:

	2021	2020
Service cost	\$ 1,903	\$ 1,840
Interest	2,834	2,517
Member contributions	(975)	(932)
Effect of plan changes	-	-
Amortization of differences between expected and actual experience	(130)	(165)
Amortization of changes of assumptions	524	32
Projected earnings on pension plan investments	(2,830)	(2,342)
Amortization of differences between projected and actual earnings	(296)	242
Pension plan administrative expenses	29	26
Other *	(42)	(54)
Total pension expense	<u>\$ 1,017</u>	<u>\$ 1,164</u>

* Relates to allocation of system-wide items.

Deferred outflows and inflows of resources:

For the years ended August 31, 2021 and 2020, the BRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

August 31, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 382	\$ 26
Change in assumption	1,975	-
Net difference between projected and actual earnings on pension plan investments	-	1,126
BRA's contributions subsequent to the measurement date *	836	-
Total	<u>\$ 3,193</u>	<u>\$ 1,152</u>

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Deferred outflows and deferred inflows of resources - continued

August 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 293	\$ 271
Change in assumption	44	-
Net difference between projected and actual earnings on pension plan investments	-	707
BRA's contributions subsequent to the measurement date *	816	-
Total	<u>\$ 1,153</u>	<u>\$ 978</u>

*For Fiscal Years ending August 31, 2021 and 2020, a total of \$836 and \$816 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, 2022 and 2021 respectively.

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

Year ended August 31, 2021		Year ended August 31, 2020	
2022	\$ 252	2021	\$ (291)
2023	563	2022	(137)
2024	1	2023	175
2025	389	2024	(388)
2026	-	2025	-
Thereafter	-	Thereafter	-
Total	<u>\$ 1,205</u>	Total	<u>\$ (641)</u>

BRA's 401(a) plan

In addition to the two pension plans noted above, the BRA also contributes to a 401(a) plan. 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 BRA service. Non-vested employer contributions are deposited into the Mass Mutual Sagic Diversified II Fund until vesting occurs. Total deposits into the non-vested account for the twelve months ended August 31, 2021 and August 31, 2020 were \$46 and \$51, respectively.

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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:

Contracting Party	Date of Issue	Original Amount	Date of Maturity	Interest Rate	Balance at August 31, 2021
Jonah Water SUD	2007	\$ 3,170	2009-2028	4.0% to 4.5%	\$ 1,410
Jonah Water SUD	2008	\$ 2,630	2010-2029	3.0% to 5.0%	1,325
Jonah Water SUD	2012	\$ 5,090	2015-2032	3.0% to 5.0%	3,480
Total					<u>\$ 6,215</u>

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 131 to 132 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. The BRA's Board of Directors has the authority to establish or amend this plan. The plan is available to all regular full-time and part-time BRA employees; the plan permits employees to defer a portion of their salary until future years. Participation in the plan is optional.

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.

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Other

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

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

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 86th Texas Legislature passed House Bill 2846 in 2019, 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, 2021, the BRA had approximately \$13,680 in open contract commitments, including change orders. The BRA has recorded construction in progress (CIP) related to these contracts totaling \$13,047. The following identifies some of those projects and selected details regarding the commitments.

Name	Construction In Progress at August 31, 2021	Total Project Budgeted Cost	Estimated Project Comp. Date
Lake Limestone Improvement Projects	\$ 3,923	\$ 57,216	2026+
DeCordova Bend Dam Low Flow Facility	3,272	5,073	2023
Lake Belton-Stillhouse Hollow Pipeline	1,761	53,203	2026+
Lake Granbury Improvement Projects	1,708	7,237	2024+
Trinity Groundwater	869	23,545	2026+
Possum Kingdom Lake Improvement Projects	415	5,431	2024
Allens Creek Reservoir	495	442,238	2026+
Other	604	42,832	various
Total	<u>\$ 13,047</u>	<u>\$ 636,775</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. Total Board Designated Reserves is the sum of Total Current Assets Unrestricted less the Total Current Liabilities Unrestricted on the Statement of Net Position.

The balances of those reserves at August 31, 2021 are represented as follows:

Working Capital Reserve	\$ 10,908
Contingency Reserve Fund	5,500
Self Insurance Fund	500
Rate Stabilization Reserve Fund	104,316
Total	<u>\$ 121,224</u>

13. RECENTLY ISSUED GASB STATEMENTS

Effects of New Accounting Standards on Current Period Financial Statements:

In October 2021, GASB issued Statement No 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for Fiscal years ending after December 15, 2021 and the BRA has elected to early adopt during this current year's ACFR.

Upcoming GASB Standards:

GASB has approved GASB Statement No. 87, *Leases*, Statement 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus*, Statement No. 93, *Replacement of Interbank Offered Rates*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, Statement No. 97, *Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*.

The statements referenced above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years. When they become effective, application of these standards may restate portions of these financial statements.



Required Supplemental Information