



# *BRAZOS RIVER AUTHORITY*



*Comprehensive Annual Financial Report  
For The Fiscal Year Ended August 31, 2010  
Waco, Texas*





# ***The Brazos River Authority***

*An Agency of the State of Texas*



## ***Comprehensive Annual Financial Report For The Fiscal Year Ended August 31, 2010***

*Prepared by the Finance and Administration Department*

**BRAZOS RIVER AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2010**

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# Boating Safety

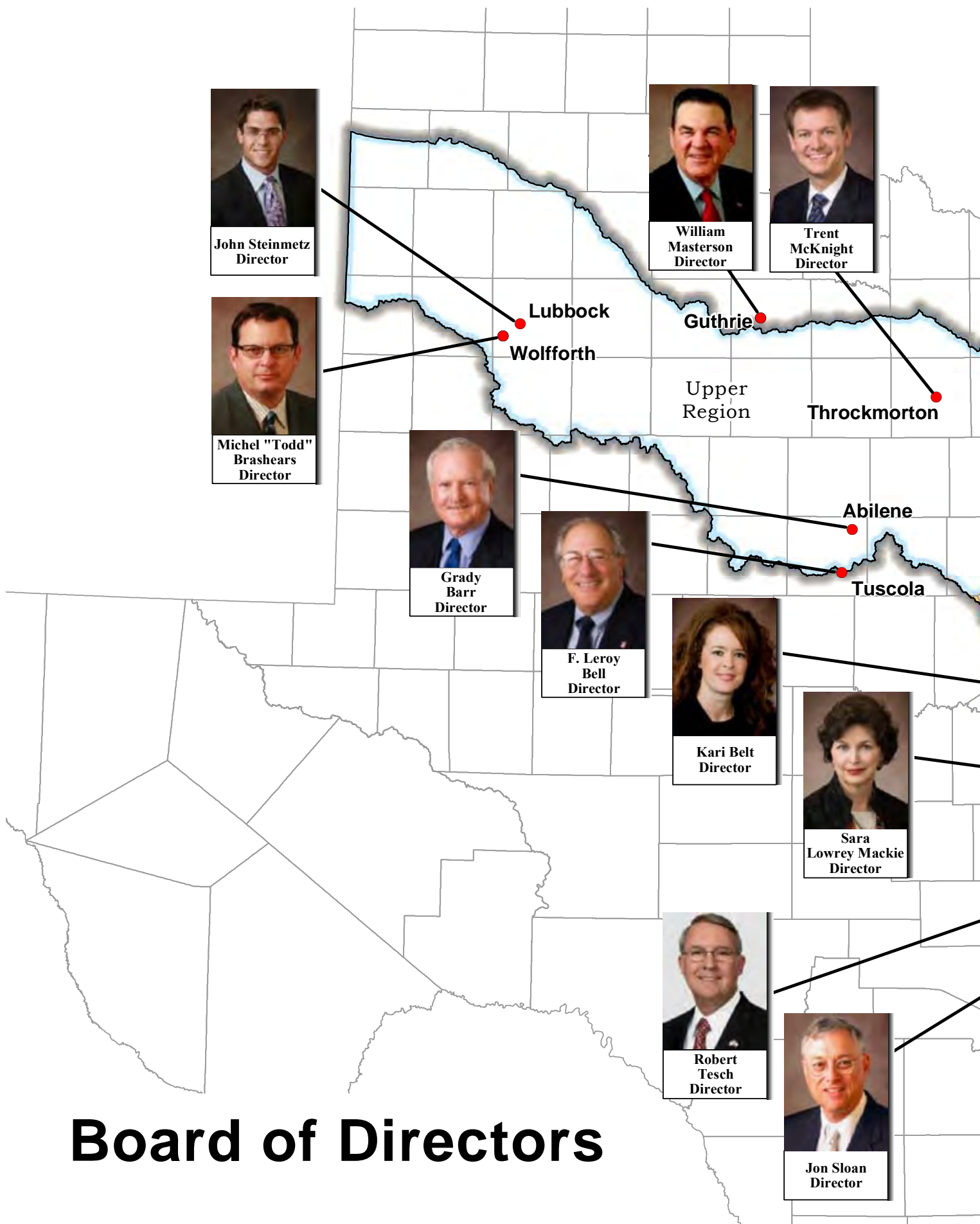
- *Travel only in areas open to your type of boat*
- *Make sure you have enough fuel and oil for the entire trip*
- *Check the weather forecast for your destination. Plan clothing, equipment and supplies accordingly*
- *Carry a Coast Guard approved Personal Flotation Device (PFD) for each person onboard*
- *Always operate your boat at a safe speed*
- *Always have a designated lookout to keep an eye out for other boaters, objects and swimmers*
- *Never jump a wake. If crossing a wake, cross at low speeds and keep a close lookout for skiers and towable*
- *Comply with all signs and respect barriers. This includes speed limits, no-wake zones and underwater obstacles*
- *Don't mix boating with alcohol or drugs*
- *Be courteous to other boaters while in boat ramp areas. Launch and retrieve your boat as quickly as possible*
- *Always carry a Coast Guard approved working fire extinguisher and warning flares*
- *Know distress signals and warning symbols. Know your limitations. Apply sunscreen, drink lots of water and know your energy level*



# ***INTRODUCTORY SECTION***

**Brazos River Authority  
FY2010 Comprehensive Annual Financial Report**





# Board of Directors





# Brazos River Authority



**Richard Ball**  
Director



**Mary Ward**  
Director



**Christopher S. Adams Jr.**  
Director



**Peter Bennis**  
Director



**Christopher D. DeCluitt**  
Presiding Officer



**Robert M. Christian**  
Secretary



**Jeffrey Tallas**  
Director



**Carolyn Johnson**  
Director



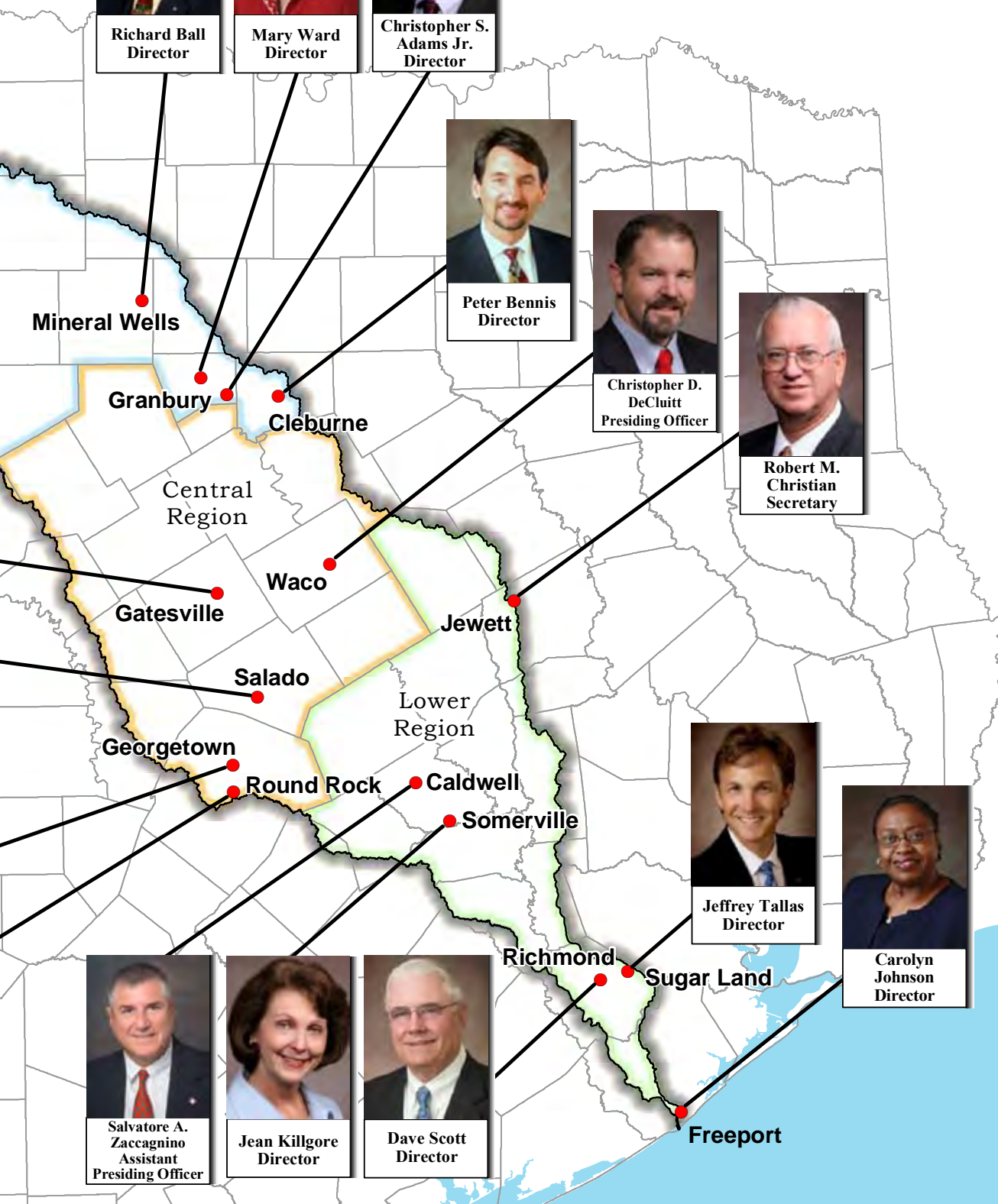
**Salvatore A. Zaccagnino**  
Assistant  
Presiding Officer



**Jean Killgore**  
Director



**Dave Scott**  
Director





## Management Team



**John Hawes**  
Chief Financial Officer



**Phillip J. Ford**  
General Manager/CEO



**Lauralee Vallon**  
General Counsel



**Bech Bruun**  
Government  
& Customer  
Relations  
Manager



**John DeVine**  
Internal Auditor



**Jim Forte**  
Planning &  
Development  
Manager



**Pat Gill**  
Information  
Technology  
Manager



**John Hofmann**  
Central/Lower  
Basin Manager



**Terry Lopas**  
Technical  
Services  
Manager



**Mike McClendon**  
Upper Basin Manager



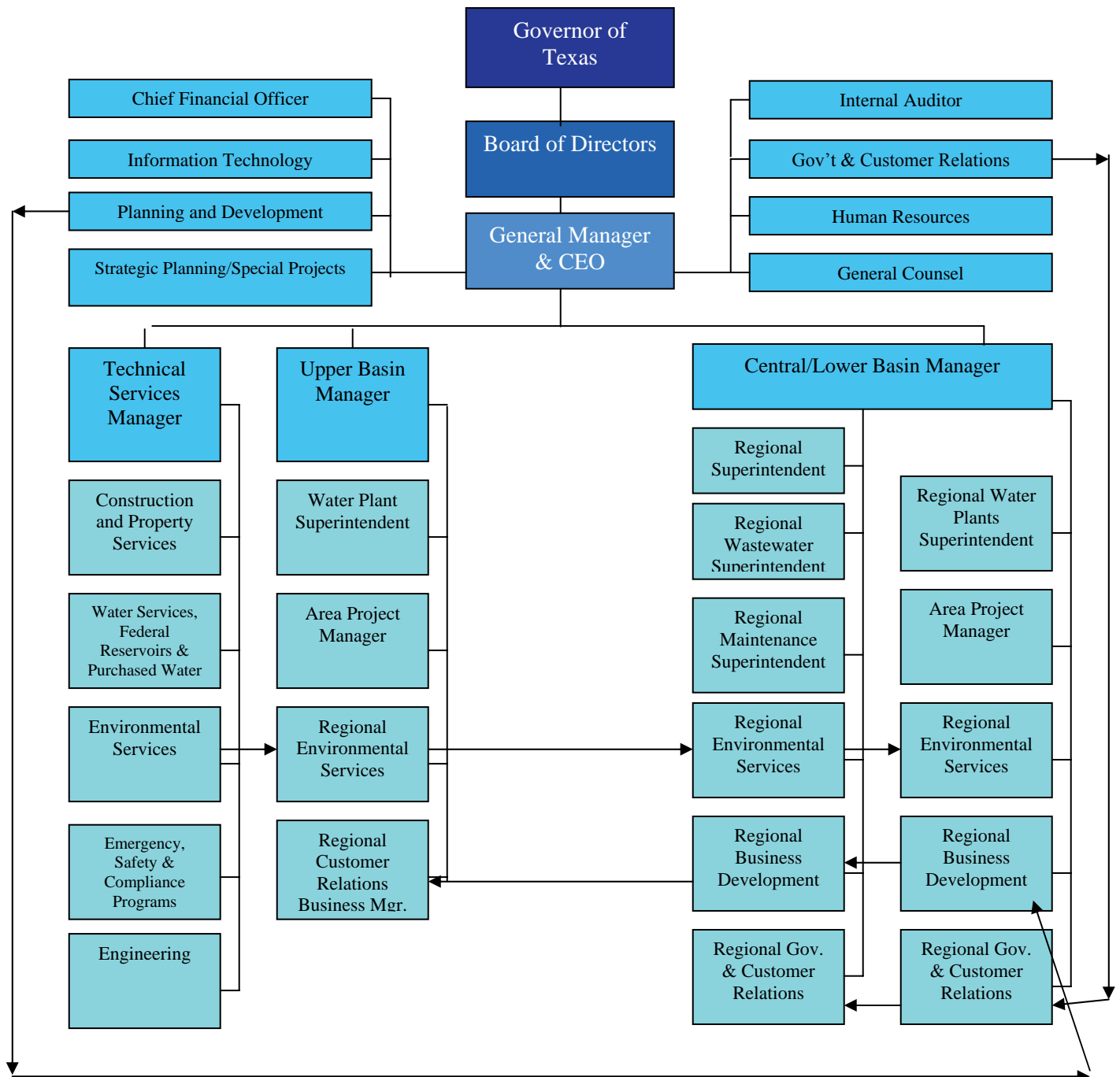
**Monica Wheelis**  
Human Resource  
Manager



# Brazos River Authority Organizational Chart

## CONSTITUENCY/CUSTOMERS OF THE BRA

Advisory Boards, Water Customers, Elected Officials, Bond Rating Companies, Citizens of the Brazos River Basin





Brazos River Authority



January 31, 2011

Mr. Christopher D. DeCluitt, Presiding Officer  
and Members of the Board of Directors  
Brazos River Authority  
4600 Cobbs Drive  
Waco, TX 76710

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Brazos River Authority (Authority) for the fiscal year ended August 31, 2010. 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 Authority. The Authority's Finance Department has prepared the CAFR in accordance with generally accepted accounting principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority 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 Authority.

The Authority's financial statements for the fiscal years ended August 31, 2010 and 2009 have been audited by Padgett Stratemann & Co. LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal years ended August 31, 2010 and 2009 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 unqualified opinion and that the Authority's financial statements for the fiscal years ended August 31, 2010 and 2009 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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 Authority's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE AUTHORITY**

The Authority was created by the Texas Legislature in 1929 as the first state agency in the United States specifically created for the purpose of developing and managing the water resources of an entire river basin. Although the Authority 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 Authority is entirely self-supporting; maintaining and operating reservoirs, transmission facilities, and treatment systems through revenues from the customers it serves.

The Authority's Board of Directors consists of 21 members appointed by the Governor and subject to confirmation by the Texas Senate. Directors serve a six-year, staggered term, with one-third being either replaced or reappointed each odd-numbered year.

The Authority functions under the direction of a General Manager/CEO. The more than 42,000 square miles that make up the Brazos River basin are divided into geographic regions – each with distinctive climate, topography and water needs. Each region falls under the direction of a Regional Basin Manager.

### **Water Supply**

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

Together, the twelve reservoirs have conservation storage of more than 800 billion gallons of water. The Authority contracts to supply water from these reservoirs on a wholesale basis to municipal, industrial, and agricultural water customers from West Texas to the Gulf Coast.

### **Water and Wastewater Treatment**

The Authority operates potable (drinking) water treatment systems for Lee County Fresh Water District and the City of Leander and two regional water treatment systems, one at Lake Granbury and one at Lake Granger. The plants have won numerous awards for operations, maintenance, and design from State and Federal governmental agencies.

Wastewater treated and released by the Authority at its eight sewerage systems in Temple-Belton, Sugar Land, Brushy Creek (in Williamson County), Lee County Fresh Water District, Clute, Hutto, Liberty Hill, and Georgetown is returned to the Brazos River cleaner than the water in the river. At the wastewater plants, waste separated from liquids in the treatment process are used for beneficial purposes. Wastes at the Temple-Belton plant is composted with wood chips and sold as fertilizers and soil enhancers to local municipalities.

### **Water Quality**

Water quality is a high priority with the Authority. Staff charged with environmental concerns work to protect and improve the quality of water resources in the Brazos River basin through sampling and analysis. Since 1991, the Authority has contracted with the Texas Commission on Environmental Quality (TCEQ) to conduct the Clean Rivers Program for the basin. The Authority, working with other agencies and basin residents, identifies and evaluates water quality and watershed management issues, establishes priorities for corrective actions, and works to implement those solutions. As part of a basin monitoring program, the staff collects water quality samples at strategic locations throughout the Brazos River basin.

### **Regional Water Planning**

The Authority supports and participates in ongoing regional water planning processes to meet water supply needs in the basin. The Authority participates in development of regional water plans authorized by the Texas Legislature in 1997 with the passage of Senate Bill 1 including Regions O (High Plains) and H (Houston-area), and serves as the administrative agency for Region G (Central Texas).

## ECONOMIC CONDITION AND OUTLOOK

For the Fiscal Year ended August 31, 2010, the economy remained mired in the remnants of the financial storm that hit during 2008, with continued consumer anxiety and weak employment conditions. The disease, that had been setting roots over the past decade, had wreaked devastating damage that threatened to derail the entire system – both domestically and globally. The disease started in the home mortgage sector and impacted a broad spectrum of victims. Lax credit standards and creative security structures affected not only the borrowers that began to default on their loans, but also global investors that purchased the loans. Even the U.S. Government Agencies that had become the conduit between many mortgage payers and mortgage investors, crumpled under the weight and required direct intervention to remain viable.

The U.S. Government and the Federal Open Market Committee (FOMC) have taken significant steps to keep the economy from falling off the edge. Although there has been much discussion about the vast programs and funds that have been injected into the market, one can only imagine where the economy would be today had those steps not been taken. The recession is technically over, however, the “green shoots” that the FOMC referred to in many communications in early 2010 have only established limited roots. As we enter into a new fiscal year, there is more speculation that the FOMC will embark upon a new round of stimulative actions.

During the past year, the tide has slowly begun to turn, but the hole that was left by the Great Recession (as the 2008/2010 economic cycle has been named) will take a prolonged period to repair. While the markets would prefer a quick recovery, a prolonged recovery might actually prove to be favorable. Consumers became more sober during the financial distress and reevaluated their own balance sheets. Spending was curtailed and debts were paid down. Although both of those activities are not ideal for immediate economic recovery, they will make for a much stronger consumer once this period is behind us.

The outlook for fiscal year 2010/2011 appears cautiously positive. There remain many challenges related to the mortgage sector and unemployment, but recent economic reports seem to indicate that we have found the bottom and are building a solid base upon which to grow. Home sales are beginning to increase and the private sector has been adding jobs every month since January 2010.

The Texas economy has fared better than the national economy and has not seen the dramatic impact on employment and housing that other regions have experienced. However, Texas typically trails those areas as the economy rises and falls. Since September 2009, Texas has added 152,800 jobs representing an increase of 1.5% over this time last year. By comparison, California has experienced a decline of 0.3%, New York has declined 0.2%, Florida has increased 0.4%, and Illinois has grown 0.1%. Texas sales tax revenues increased 6.8% over last year.

On the flip side, Texas’ unemployment rate has experienced a 0% change for the year compared to the -0.2% decline in the U.S. rate. Texas is becoming more challenged in the housing sectors. Texas single-family housing permits were down 16.5% from this time last year, while multi-family permits were up 79.8%. Mortgage foreclosures in Texas rose 26.9% compared to the U.S. average of 5.5%.

Interest rates for investments allowed by the Authority’s Investment Policy and State Law have slipped over the year. Investment Pool rates were 0.32% at the end of August 2009 and 0.22% at the end of August 2010. Rates for Certificates of Deposit (CD) have declined more significantly. At the end of August 2009, a one-year CD was approximately 1.05%. Rates for a one-year CD at the end of August 2010 had fallen to 0.70%. CDs still remain significantly more attractive than alternative Treasury and Agency positions.

## **LONG-TERM FINANCIAL PLANNING**

In July 2010, the Authority's Board of Directors reviewed the Fiscal Year 2011 Long Range Financial Plan. This fifty-year look into the future is both an inventory of projects anticipated to be undertaken by the Authority to satisfy its mission, as well as an analysis of the implications of those projects on the Authority's System Water Rate. The inventory of projects is a mixture of water development, transportation, and treatment initiatives and range from those that are anticipated to be fully supported by the System Water Rate to those which will have a specific customer base (such as a regional treatment plant), for which a cost of service-based fee will be calculated. Initial indications based on this analysis are that the Authority's System Water Rate over the next several decades will continue to be among the lowest in the State of Texas; while maintaining a level of service sufficient to address the obligations placed upon it by both our enabling legislation, our Strategic Plan, and the vision of our Directors and management. Future rate-making will be based upon a combination of both debt-funded initiatives, as well as those in which a cash infusion will be made, through the use of the Board-mandated series of Reserve Funds, to balance and stabilize rates. Additional information on the Authority's Board Designated Reserves can be found in Note 12, of the Notes to the Basic Financial Statements.

## **RELEVANT FINANCIAL POLICIES**

### **Risk Management**

The Authority has continued its emphasis on a loss control program to minimize risk exposures. In addition, the Authority has initiated the development of an Enterprise Risk Management Program. Employees are well trained in safety practices and maintain a constant vigil to correct safety hazards. Third-party insurance coverage is currently maintained to reduce risk exposures. Additional information on the Authority's risk management activity can be found in Note 11, of the Notes to the Basic Financial Statements.

### **Internal Accounting Controls**

Internal accounting controls are designed to provide reasonable assurance regarding safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We believe that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of all financial transactions.

As a recipient of Federal and State loans and grants, the Authority is also responsible for ensuring that adequate internal controls are in place to document compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluation by management. As part of the Authority's audit, tests were made of the internal controls and of its compliance with laws and regulations that could have a material effect on the Authority's financial statements. Although this testing was not sufficient to support an opinion on the Authority's internal control system or its compliance with laws and regulations, no material instance of noncompliance related to the audit for the year ended August 31, 2010 are disclosed.

### **Budgetary Controls**

The annual budget serves as the basis for the Authority's financial planning and control. Budgetary controls are maintained to ensure the proper management of resources, and are required pursuant to certain contracts for service. Although there are no legal requirements to include comparative budget-to-actual expense statements in this report, such information is included in the Supplemental Information section. In addition, it is provided to the Board of Directors on a quarterly basis throughout the fiscal year.

Charges for services are based on budgeted operating expenses, including debt service requirements and capital expenditures, but excluding depreciation and amortization. In the cost reimbursable operations, charges for services are adjusted accordingly at the end of each year to a break-even basis. These year-end adjustments are recorded as either accounts receivable or unearned revenue.

## **MAJOR INITIATIVES**

During Fiscal Year 2010 the Authority managed more than 40 new and ongoing water quality and water supply projects. Development of new water supply remains the priority for the Authority as we continue to work to obtain a major water right and pursue a groundwater initiative. The following is a synopsis of select programs and projects managed by the Authority in Fiscal Year 2010:

### **Allens Creek Reservoir**

Allens Creek Reservoir is a planned water storage lake permitted for construction on Allens Creek, a tributary of the Brazos River. Along with the City of Houston and the Texas Water Development Board (TWDB), the Authority purchased the site and acquired the permit originally held by Houston Lighting and Power. Work continues with the City of Houston on determination of a construction date for the Allens Creek project. The water right permit for this project requires that construction begin by 2018 and be completed by 2021.

### **Brazos-Colorado Water Alliance**

The Authority has continued the 15 year Alliance program with the Lower Colorado River Authority (LCRA) in FY 2010 to cooperate in the conservation, planning, and development of regional water resources. Through this alliance, the Authority has 25,000 acre-feet of water under contract from the Colorado basin of which 22,000 acre-feet has been sold to the City of Round Rock and Liberty Hill Water Supply Corporation.

### **East Williamson County Regional Water System**

Formerly owned and operated by the City of Taylor, the 5.5 MGD plant was purchased by the Authority in 2004. Expansion plans for an additional 7.5 MGD to meet both State standards and the growing needs of the region began immediately and the plant is now capable of functioning at full capacity as needed at 13 MGD. The \$17.4 million expansion included refurbishment of the existing plant and replacement of computer and water testing systems to compliment the new facility.

The next phase of the expansion began in 2009 with the engineering of a new water intake to serve the plant. Construction on the intake is expected to be completed in 2012.

### **Grant Initiatives**

During FY 2010, applications were submitted for twelve diverse projects. Seven grants were received for \$1.8 million, four grants were not awarded, and one loan for \$100 million was approved.

### **John Graves Act**

The 79th Legislature passed Senate Bill 1354, which designated a portion of the Brazos River within Parker and Palo Pinto Counties as the John Graves Scenic Riverway. SB 1354 was enacted to provide stricter regulatory oversight of quarries operating between Morris Sheppard Dam at Possum Kingdom Lake and the headwaters of Lake Granbury, with the objective of addressing excess sedimentation and erosion into the Brazos River and its tributaries.

The TCEQ is the agency responsible for implementing the John Graves Act with cooperation from the Texas Parks and Wildlife (TPWD) and the Authority. The bill requires representatives of all three agencies to monitor quarry operations by air and water twice each year. The Authority, TCEQ, and TPWD will continue to monitor the quarry operations for regulatory compliance as required.



### **Instream Flow Modeling Project**

In FY2010, the Authority contracted with the TCEQ to perform water quality modeling in the lower Brazos River basin to support Senate Bill 2 Instream Flow efforts. The model will be a predictive tool to evaluate how certain water quality parameters react to different flow regimes. The model will cover the mainstem of the Brazos River from below the low water dam in Waco to the Gulf Coast, and portions of the Navasota and Little River watersheds. The project is anticipated to be completed by the end of FY2011.

### **Lake Granbury Flood Plain Mapping**

In late 2007, the Authority contracted for an update of flood plain maps at Lake Granbury. The purpose of the project was to produce updated flood plain information for the Authority for its management of the reservoir and for the Federal Emergency Management Agency (FEMA), which is in the process of updating its flood plain maps for all of Hood County. The Authority portion of the project was completed and submitted to FEMA in January 2010. FEMA is expected to complete the remainder of the project by 2011.

### **Lake Granbury Watershed Protection Plan**

The Lake Granbury Watershed Protection Plan (WPP) is a locally developed plan to reduce bacterial impairments in all parts of Lake Granbury that do not meet state water quality standards (primarily older man-made canals serving residential developments) or the local stakeholder goal. The WPP established a bacteria concentration goal for Lake Granbury that is protective for current conditions and is also intended to ensure exceptional water quality conditions into the future.

During FY2010, the WPP was finalized and a completed plan was approved and adopted by stakeholder groups. The final report was submitted to TCEQ on August 3, 2010 and on August 10, 2010 was conditionally approved by TCEQ, pending acceptance by the Environmental Protection Agency (EPA). The TCEQ submitted the final report to the EPA for review on August 10, 2010. We are currently waiting for EPA approval or additional comments. A grant application to fund the Watershed Coordinator and Educational Program recommended by stakeholders in the WPP was submitted to TCEQ on September 24, 2010. TCEQ will not announce the selected grants until January 2011.

### **Lake Granbury Surface Water and Treatment System (SWATS)**

The Authority has completed ultra filtration and reverse osmosis modifications and additions to the potable water treatment plant bringing the capacity to approximately 13 MDG. Staff is currently assessing options to bring the facility back up to its former full contracted capacity of 15.54 MGD.

### **Possum Kingdom Lake Property Divestiture**

During FY2010, a contract was negotiated and finalized with Patterson PK Land Partnership, LTD, for the third-party sale of residential and some commercial leases at Possum Kingdom Lake as part of the divestiture project. Final closing papers were signed on October 22, 2010. The Authority continues to monitor activities related to encroachments into the Federal Energy Regulatory Commission (FERC) boundary area and other related issues.

### **Opening of Phase III - Possum Kingdom Trail System**

The Authority opened Phase III of the Possum Kingdom Lake Hike and Bike Trails System in FY2010. The five-mile addition links the 11 miles of Phases I and II to area camp grounds and parks. Funding for trail development is provided on a cost-share basis through grants with the TPWD.

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

In April 2008, the Board authorized a detailed feasibility study to evaluate water supply storage reallocation

or a “pool rise” at Lake Aquilla. The goal is to increase the water supply available to Authority customers from Lake Aquilla by raising the normal operating pool level to increase conservation storage capacity.

The study is a cost-shared program with the USACE. In the past two years, significant progress on various study elements has been made, including evaluation and remediation of seepage issues at the dam that must be addressed before a reallocation can occur. The Authority has requested federal funding necessary for continued work by the USACE in FY2011. The feasibility study is expected to be completed in 2012.

### **Regional Water Planning**

The Authority supports and participates in ongoing regional water planning processes to meet future water supply needs in the basin. During FY 2010, the Authority participated in development of the Initially Prepared Regional Water Plans for Region O (High Plains) Region H (Houston-area), and Region G (Brazos). The Authority continues to serve as the administrative agency for Brazos G and participates in each planning group as they finalize their five-year plans and submit them for inclusion in the State Water Plan.

### **Salt Creek, Graham, Texas Flood Plain Project**

In FY2010, the Authority continued its work as the non-Federal sponsor in partnership with the USACE on a project to minimize the flood risk to homeowners and commercial businesses located within the 10-year flood plain of the City of Graham. The project includes acquiring property and relocating residents and businesses to comparable housing/structures outside of the project area.

Approximately sixty residential property tracts have been acquired by the USACE on behalf of the Authority. The majority of the structures on acquired property have been demolished and their lots cleared. Approximately seventy commercial and residential properties remain to be acquired. The project received \$484K in federal funding for FY2010; the first federal allocation since FY2007.

### **Strategic Plan/Long Range Financial Plan**

An update to the Authority’s Strategic Plan continued in FY2010 to more closely align the Authority’s practices and core business with the strategic direction set by the Board of Directors. The Strategic Plan is implemented through a project process and will assist in determining the direction the Authority will take in allocating its resources in order to address the basin’s future.

### **System Operations Permit**

In 2003, the Authority initiated the System Operations Permit project with the goal of maximizing use of existing reservoir storage, in conjunction with unappropriated sources of water throughout the basin. If approved as originally requested, the System Operations Permit will add approximately 421,000 acre-feet to the Authority’s currently permitted available water supply.

During FY2010, the Authority received the draft System Operations Permit from the TCEQ and an initial hearing was held before the organizations’ Commissioners resulting in a referral of the permit to the State Office of Administrative Hearings (SOAH). The first SOAH hearing was held in June 2010 and the discovery phase of the hearing process has begun. The final permit hearing before SOAH is set for May 2011.

### **Salt Water Barrier Project-TWDB Application for Environmental Infrastructure Program Funding**

Saltwater intrusion occurs when ocean water from the Gulf of Mexico moves up the mouth of the Brazos River when river flows are low. This intrusion threatens the supply of fresh water to industry, agriculture, and municipalities in the lower Brazos River basin and impacts water supplies identified to meet current and future water demands in the State Water Plan. Construction of a saltwater barrier would block saltwater intrusion and protect existing water diversion facilities.

In FY2010, the Authority filed a Statement of Interest with the TWDB for federal funding through the Texas Environmental Infrastructure Program (TEIP) for a project feasibility study. During FY2010, the TWDB was not successful in acquiring any TEIP federal funding.

### **Temple-Belton Regional Sewerage System Expansion**

Over the past 38 years, the Authority has owned and operated the Temple-Belton Regional Sewage System (TBRSS) for the Cities of Temple and Belton. Peak flows over the past several years have triggered a state mandate to begin planning and designing for plant expansion to accommodate the future regional growth. During FY2010, the Authority continued to facilitate expansion activities. Construction is expected to begin in FY2012.

### **Data Collection Initiatives in the Brazos River Basin**

In 2009, the Authority contracted with the TCEQ's Surface Water Quality Monitoring Team to perform monitoring and source analysis in seven impaired water bodies in the Brazos River basin. The Authority will collect the additional data necessary for the TCEQ to determine what course of action is most appropriate to address the impairments in each water body. Information obtained from this project will provide federal, state, and local decision makers with a variety of mechanisms that can be employed to promote the orderly restoration of the basin aquatic environment and to prevent additional degradation. This project is a collaborative effort between the TCEQ, the Authority and the Texas Institute for Applied Environmental Research (TIAER). Project completion is scheduled for August 2012.

### **West Central Brazos Water Distribution System**

Purchased from Kerr-McGee Corporation, the 70-mile pipeline was acquired as a means to deliver water westward from Possum Kingdom Lake to meet municipal and industrial needs in the region. The Authority anticipates that the first municipal customer of the pipeline, Stephens Regional Special Utility District (SUD), will connect to the pipeline within the next 18 - 24 months. The SUD facility will be a 1 MGD advanced water treatment plant.

### **Williamson County Regional Raw Water Line**

During FY2010, the Authority continued work on pump upgrades for Phase II of the Williamson County Regional Raw Water Line project. The goal for the Phase II pump upgrade is to install capability to deliver up to 43,000 acre-feet of water annually to Lake Georgetown to meet the needs of the Cities of Round Rock and Georgetown, as well as Brushy Creek Municipal Utility District, Chisholm Trail SUD and Jonah Water SUD.

The Authority let bids and awarded a contract for the rehabilitation and installation of two new pumps during FY2010. The rehabilitation is expected to be complete with pumps available during FY2011.

### **Williamson County Water Supply Plan & Groundwater Acquisition**

The Authority has been actively engaged in groundwater acquisition efforts near Williamson County to be used conjunctively with surface water supplies. In February 2010, the Authority received approval for a \$100 million loan from the TWDB to be used for the second phase of the Authority's Conjunctive Use Project. The Authority had one year to close the loan. In January 2011, the Authority informed the TWDB that negotiations for the property for the project was unsuccessful and, therefore, declined the \$100 million loan financing.

### **Possum Kingdom Lake Hydrogeneration**

In June 2010, the 10th Court of Appeals in Waco issued their opinion in the Brazos River Authority vs. Brazos Electric Power Cooperative, Inc. case. The court reversed the trial court's order denying our plea to the

jurisdiction and rendered judgment dismissing BEPC's action against the Authority for lack of subject matter jurisdiction. BEPC has since appealed and the case is currently pending before the Supreme Court of Texas.

The hydroelectric facility has not generated power since August 8, 2007 due to issues related to the integrity of the penstocks which convey water from the lake to the hydroelectric turbines.

The Authority completed a cost benefit analysis of continued operations vs. decommissioning the facility and presented the information to the Board in November 2010. The Board voted to decommission the facility and staff has initiated the process by notifying FERC on November 8, 2010 of its intent to surrender its license.

## **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 Authority for its CAFR for the Fiscal Year ended August 31, 2009. This was the 24th consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, the Authority published an easily readable and efficiently organized CAFR. The 2009 report satisfied both GAAP and applicable legal requirements.

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

In addition, the Authority also received its third GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year beginning September 1, 2009. In order to qualify for the Distinguished Budget Presentation Award, the Authority's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communication device.

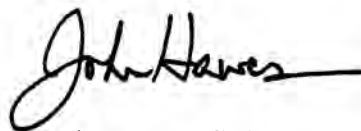
The preparation of this CAFR would not have been possible without the efficient and dedicated endeavors of the entire staff of the Finance and Administration Department. We would like to express our sincere appreciation to Matt Wheelis, Melissa Anthony, Judy Wallace, Michele Giroir, Paula Thamez, Lupe Diaz, Janie Crowder, Cheryl Hoelscher, Kim Goolsby, Kim Tosh, Gina Romano, Debbie Eckert, Marian Kuntz, Tom Downey and all other employees who contributed to the preparation of this report.

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

Respectfully submitted,



Phillip J. Ford  
General Manager/CEO



John Hawes, CPA  
Chief Financial Officer



# Equipment Maintenance

## ***There are three common types of maintenance:***

1. *Emergency repairs - When something breaks*
2. *Preventative maintenance - This is carried out on a piece of equipment at a certain interval*
3. *Predictive maintenance - This is carried out when tests indicate that maintenance is needed*

***Regardless of the type of maintenance, a number of important activities must take place if the maintenance is to be carried out in a safe manner.***

- *Maintenance personnel must be trained on the equipment. The proper equipment must be used to safely carry out maintenance. Proper safety equipment such as gloves, eye protection, foot protection and hard hats should always be used.*
- *Maintenance procedures must be developed for all equipment. These procedures should follow the manufacturer's recommendations and include all instructions, drawings and list of parts needed.*
- *Maintenance activities must be planned, even emergency repairs. The time it takes to plan a job, read the maintenance procedures and get the needed safety equipment will be made up in the safety of the job and the ease in completing the job. A little planning goes a long way in doing safe maintenance. To rush into an emergency repair is to invite disaster.*
- *Equipment selected to have maintenance carried out must be isolated from the other equipment in the same system. This includes insuring that all sources of electrical power to the equipment are disconnected and tagged "OFF" (The power source should be tagged "OFF-UNIT UNDER REPAIR" with date and signature of person authorizing the procedure.) so someone does not turn the power on until the work is completed.*
- *Any safety devices or shields removed during maintenance MUST be reinstalled on the equipment prior to completion of maintenance. Any shields and safety devices originally installed on a piece of equipment must not be left off to "make it easier to fix the next time."*
- *Prior to returning the equipment to service a supervisor who is familiar with the equipment and the maintenance, should check the equipment to insure that the maintenance is complete, the equipment is properly reassembled, all safety equipment and any tools used in the maintenance have been removed.*



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Brazos River Authority  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A stylized, handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

# ***FINANCIAL SECTION***

**Brazos River Authority  
FY2010 Comprehensive Annual Financial Report**



**Padgett Stratemann & Co. LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## Independent Auditors' Report

To the Board of Directors  
Brazos River Authority

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of Brazos River Authority (the "Authority") as of and for the years ended August 31, 2010 and 2009, which collectively comprise the Authority's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of August 31, 2010 and 2009, and the respective changes in net assets, and, where applicable, cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13 of the Notes to the Basic Financial Statements, the Authority implemented the provisions of Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, of the Governmental Accounting Standards Board in 2010 by retroactively restating its prior year financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental schedules of Combining Statements of Fiduciary Net Assets, Schedule of Changes in Assets and Liabilities (Agency Funds), and the Comparison of Budgeted Revenues and Expenditures to Actual (Non-GAAP Basis), as listed in the foregoing table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections, as listed in the foregoing table of contents, have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

*Padgett, Stratemann & Co., LLP*

Certified Public Accountants  
January 31, 2011



# *Trench Safety*



- *Do not enter an unprotected trench*
- *Slope or bench trench walls*
- *Shield trench walls with trench boxes*
- *Provide safe access through use of ladders, ramps or stairways*
- *Keep heavy equipment away from trench edges*
- *Know where underground utilities are prior to digging*
- *Keep excavated or other materials at least 2 feet back from the edge of trench*
- *Always use a protective system for trenches 5 feet deep or greater*
- *Employ a registered professional engineer to design a protective system for trenches 20 feet deep or greater*



# ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**Brazos River Authority  
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**BRAZOS RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2010, 2009 AND 2008 (in thousands)**

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As Management of the Brazos River Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended August 31, 2010 in comparison with the two prior year financial results. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on Pages x to xviii of the Introductory Section of this report.

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## Financial Highlights

- Total assets at the end of Fiscal Year 2010, 2009 and 2008 were \$390,499, \$390,831 and \$367,122, respectively. Total assets exceeded liabilities at the end of Fiscal Year 2010, 2009 and 2008 by \$184,961, \$178,999 and \$170,203, respectively.
- Total assets for Fiscal Year 2010 decreased \$332 over prior year, primarily as a net result of continued income from operations and increased capital improvement cost and increased depreciation expense over prior year.
- Total assets for Fiscal Year 2009 increased \$23,709 over prior year primarily as a result of increased water sales and the issuance of the Series 2009 Revenue bonds.
- The Authority ended Fiscal Year 2010 with an increase in net assets of \$5,962, an increase in net assets of \$8,796 for Fiscal Year 2009 and an increase in net assets of \$11,783 in Fiscal Year 2008.
- The increases and decreases in capital assets for the past three years and the events causing these changes are noted below:

	2010	2009	2008
Net additions to land storage and water rights	\$ -	\$ -	\$ -
Additions to construction-in-progress	4,818	12,945	13,943
Transfers from construction-in-progress to capital assets being depreciated	(1,548)	(19,966)	(33,556)
Additions and transfers to capital assets being depreciated	1,970	21,899	34,431
Deletions and transfers	(38)	(164)	(544)
Normal annual depreciation and amortization	(9,659)	(9,784)	(8,692)
<b>TOTAL</b>	<b>\$ (4,457)</b>	<b>\$ 4,930</b>	<b>\$ 5,582</b>

- For Fiscal Year 2010, total outstanding debt decreased by \$6,981. This net decrease is a result of annual principal payments on revenue bonds, contracts payable and accretion on capital appreciation bonds of \$5,955, \$1,146 and \$120, respectively.

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- For Fiscal Year 2009, total outstanding debt increased by \$15,635. This net increase is a result of \$22,000 in new bonds being issued for the cost of the deep water intake structure at Granger Lake. In addition required annual principal payments on revenue bonds, contracts payable and accretion on capital appreciation bonds of \$5,375, \$1,103 and \$113, respectively.
- For Fiscal Year 2008, total outstanding debt decreased by \$5,749. This decrease is a result of required annual principal payments on revenue bonds, contracts payable and accretion on capital appreciation bonds of \$4,795, \$1,061 and \$107, respectively.

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## **Overview of the Financial Statements**

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are composed of Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, Statements of Cash Flows, Combined Statements of Fiduciary Net Assets, and Notes to the Basic Financial Statements. 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 Authority's finances, in a manner similar to private-sector business.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Net Assets can be found on Page 16 of this report.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets 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 assets may serve as an indicator of the effect of the Authority's current year operations on its financial position. The Statement of Revenues, Expenses and Changes in Net Assets can be found on Page 18 of this report.

The *Statement of Cash Flows* summarizes all of the Authority's cash flows into three categories, as applicable: 1) cash flows from operating activities, 2) cash flows from capital and related financing activities, and 3) cash flows from investing activities. The Statement of Cash Flows can be found on Page 19 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:

**BRAZOS RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2010, 2009 AND 2008 (in thousands)**

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

The *Combined Statement of Fiduciary Net Assets* summarizes all of the Authority's agency fund transactions. Generally, an agency fund is created to act as a custodian for other funds, governmental entities, or private entities. Assets are recorded by the agency fund, held for a period of time as determined by a legal contract or circumstance and then returned to their owners. Generally, only assets and a liability representing the parties that are entitled to the assets are presented in the Combined Statement of Fiduciary Net Assets. The Combined Statement of Fiduciary Net Assets can be found on Page 20.

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 Financial Statements can be found starting on Page 22 of this report.

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## **Financial Analysis**

**Schedule of Net Assets** - As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities for Fiscal Year 2010, 2009 and 2008 by \$184,961, \$178,999 and \$170,203, respectively. For the past three years, the Authority has experienced consistent increases in total net assets which indicate continued improvements in the Authority's financial position.

The largest portion of the Authority's net assets, 58%, in Fiscal Year 2010, reflects its investment in capital assets (e.g., land, storage rights, reservoirs, water treatment and sewerage facilities, and buildings and equipment) less any related debt used to acquire those assets that is still outstanding. Although the Authority'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 the current year, current assets increased as a result of operations, increased oil royalties receivable and the year end allocation of deferred expenditures on the pending sale of leased property at Possum Kingdom Lake. Current liabilities increased as a result of increases in the deferred revenue computation for the Authority's cost reimbursable operations.

For Fiscal Year 2009, current assets-restricted and noncurrent liabilities both increased over prior year primarily as a result of the \$22,000 Water Supply System Revenue Bonds, Series 2009, and as noted earlier will be used to fund the construction of the deep water intake structure at Granger Lake.

**BRAZOS RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Condensed Schedule of Net Assets**  
**August 31, 2010, 2009 and 2008**

	2010	2009	2008
<b>ASSETS</b>			
Current assets - unrestricted	\$ 62,631	\$ 55,886	\$ 55,853
Current assets - restricted	37,700	39,977	21,110
Capital assets, net	284,236	288,693	283,762
Noncurrent assets	<u>5,932</u>	<u>6,275</u>	<u>6,397</u>
<b>TOTAL ASSETS</b>	<u>390,499</u>	<u>390,831</u>	<u>367,122</u>
<b>LIABILITIES</b>			
Current liabilities (payable from current assets)	16,745	14,759	13,236
Current liabilities (payable from restricted assets)	15,206	13,992	14,729
Noncurrent liabilities	<u>173,587</u>	<u>183,081</u>	<u>168,954</u>
<b>TOTAL LIABILITIES</b>	<u>205,538</u>	<u>211,832</u>	<u>196,919</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	107,653	104,239	111,857
Restricted	29,844	31,940	13,774
Unrestricted	<u>47,464</u>	<u>42,820</u>	<u>44,572</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 184,961</u>	<u>\$ 178,999</u>	<u>\$ 170,203</u>

For Fiscal Year 2010, about 74% (\$137,497) of the Authority's net assets represent resources that are restricted. The remaining balance of *unrestricted net assets* (\$47,464) may be used to meet the Authority's ongoing obligations.

**BRAZOS RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2010, 2009 AND 2008 (in thousands)**

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**Condensed Schedule of Revenues, Expenses and Changes in Net Assets**  
**Fiscal Years Ended August 31, 2010, 2009 and 2008**

	2010	2009	2008
OPERATING REVENUES			
Water supply system	\$ 40,467	\$ 40,624	\$ 36,536
Cost reimbursable operations	<u>18,119</u>	<u>19,871</u>	<u>18,347</u>
TOTAL OPERATING REVENUES	<u>58,586</u>	<u>60,495</u>	<u>54,883</u>
OPERATING EXPENSES			
Operating and Maintenance	36,891	36,329	34,738
Depreciation and amortization	<u>9,789</u>	<u>9,905</u>	<u>8,804</u>
TOTAL OPERATING EXPENSES	<u>46,680</u>	<u>46,234</u>	<u>43,542</u>
OPERATING INCOME	11,906	14,261	11,341
Total net non-operating expenses	<u>7,147</u>	<u>6,500</u>	<u>219</u>
INCOME BEFORE CONTRIBUTIONS	4,759	7,761	11,122
Capital contributions	<u>1,203</u>	<u>1,035</u>	<u>661</u>
CHANGE IN NET ASSETS	5,962	8,796	11,783
NET ASSETS, BEGINNING	<u>178,999</u>	<u>170,203</u>	<u>158,420</u>
NET ASSETS, ENDING	<u>\$ 184,961</u>	<u>\$ 178,999</u>	<u>\$ 170,203</u>



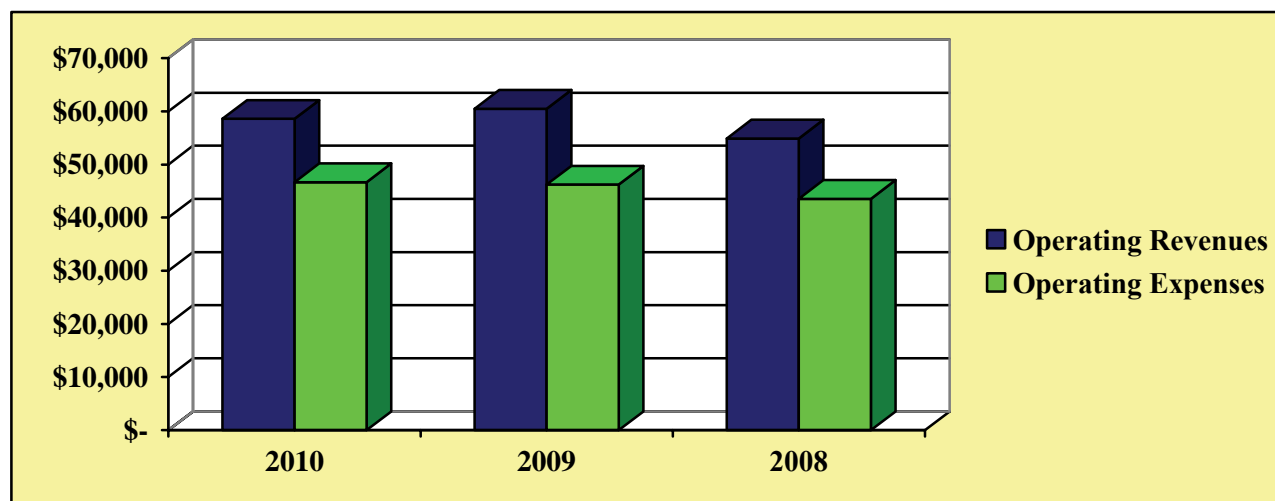
**BRAZOS RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2010, 2009 AND 2008 (in thousands)**

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**Operating Income**

Operating income decreased by \$2,355, or 17% after increasing in the prior year by 26%. This decrease in the current year is a result of decreased water sales and the decrease in cost reimbursable operational contractual needs. The prior years increase in operating income is a result of an increase in the sale of raw water and a 4.59% increase in the price charged to customers for an acre foot of water sold in 2009.

Total operating revenues consist primarily of raw water sales, cost reimbursable operations, and lake operations. Other operating revenues include the sale of treated water, operation of a wastewater treatment facility, grants and hydroelectric operations. Total operating expenses consist primarily of personnel services, materials and supplies, utilities, depreciation and amortization and outside services.



**Total net non-operating expenses**

Total net non-operating expenses increased by \$647 after increasing in the prior year by \$6,281. These fluctuations are a result of litigation settlement proceeds received in 2008, steady increases in required interest payments on the debt service requirements as a result of \$40,355 new bond issuances over the past three years, and the steady decrease in the interest rates experience on the Authority's investments.

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**AUGUST 31, 2010, 2009 AND 2008 (in thousands)**

## Capital Assets and Outstanding Debt

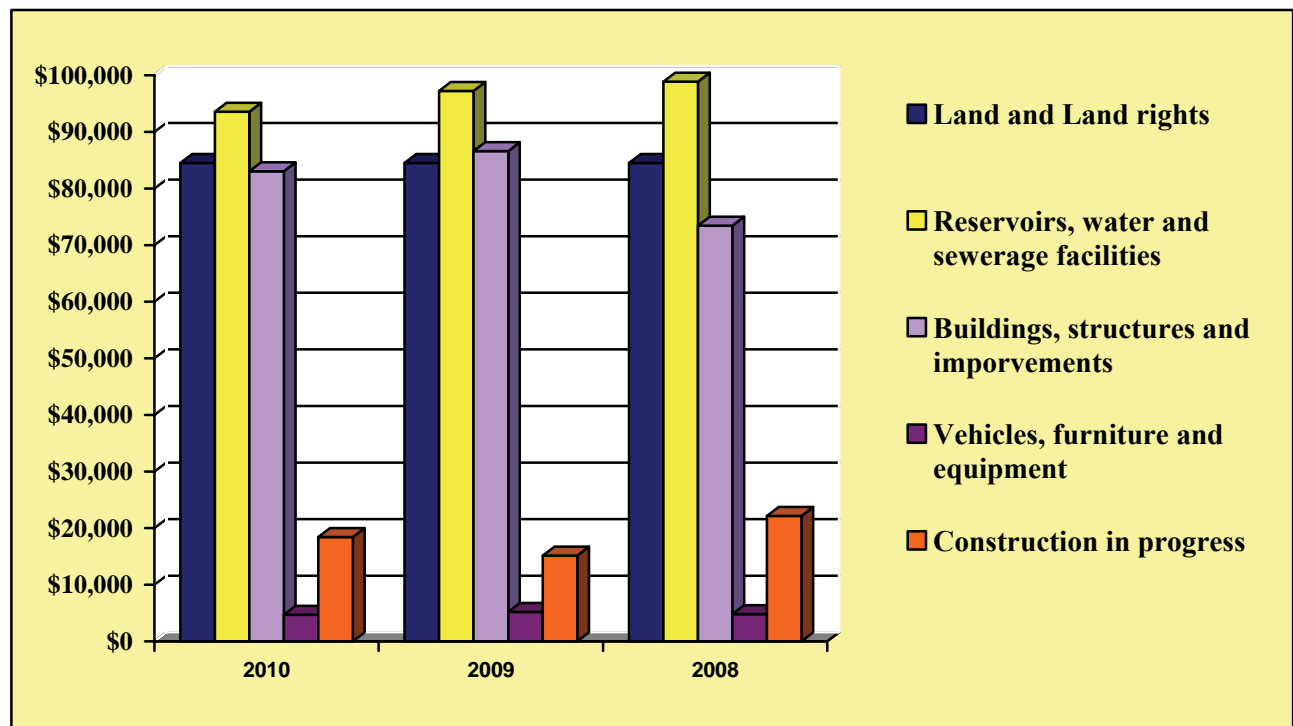
**Capital Assets** - The Authority's capital assets, as of August 31, 2010, 2009 and 2008, amounted to \$284,236, \$288,693 and \$283,762, respectively, (net of accumulated depreciation and amortization). The decrease in capital assets for 2010 is primarily due to the systematic allocation of depreciation and reduced capital additions over the prior year. The following table summarizes capital assets, net of depreciation and amortization.

### Capital Assets

(net of accumulated depreciation and amortization) August 31, 2010, 2009 and 2008

	2010	2009	2008
Land, storage and water rights	\$ 84,500	\$ 84,500	\$ 84,500
Reservoirs, water and sewerage facilities	93,575	97,230	98,864
Buildings, structures and improvements	83,052	86,598	73,438
Vehicles, furniture and equipment	4,687	5,213	4,788
Construction in progress	18,422	15,152	22,172
<b>TOTAL</b>	<b>\$ 284,236</b>	<b>\$ 288,693</b>	<b>\$ 283,762</b>

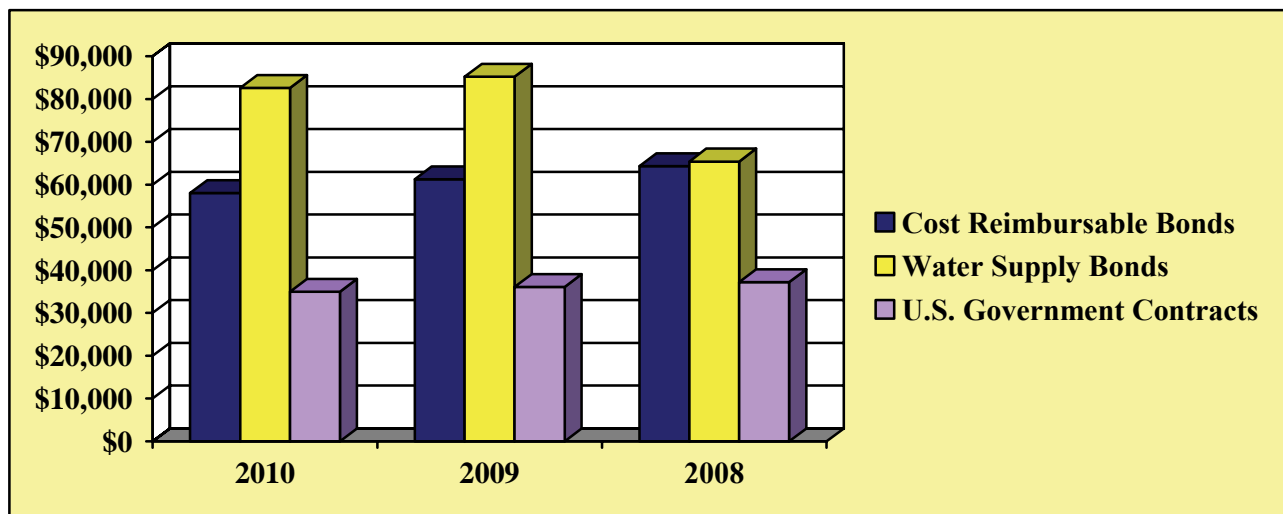
Additional information on the Authority's capital assets can be found in Notes 4 and 10, of this report.



**BRAZOS RIVER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2010, 2009 AND 2008 (in thousands)**

**Outstanding Debt** – At the end of Fiscal Year 2010, 2009 and 2008, the Authority had total outstanding debt of \$175,598, \$182,579 and \$166,944, respectively. Of the 2010 amount, 67% and 33% is reflected in Water Supply System and Cost Reimbursable Operations, respectively.

On July 21, 2009 Standard & Poor's Ratings Services raised its underlying rating (SPUR) on the Authority's water supply system revenue bonds one notch to 'AA' from 'AA-' based on the Authority'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 Tennessee during a time when demand is increasing rapidly from both municipalities and electric power generators.



The changes in the Authority's debt for Fiscal Year 2010, 2009 and 2008 are shown in the following table:

	2010	2009	2008
Accretion of interest on capital appreciation bonds	\$ 120	\$ 113	\$ 107
Principal payments made during each year	(7,101)	(6,478)	(5,856)
New Series 2009 Revenue Bonds	-	22,000	-
<b>INCREASE (DECREASE) IN DEBT</b>	<b>\$ (6,981)</b>	<b>\$ 15,635</b>	<b>\$ (5,749)</b>

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

**BRAZOS RIVER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2010, 2009 AND 2008 (in thousands)**

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## **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority'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.

## ***Basic Financial Information***

**Brazos River Authority  
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**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF NET ASSETS**  
**AUGUST 31, 2010 AND 2009 RESTATED (in thousands)**

	2010	2009
ASSETS		
CURRENT ASSETS:		
UNRESTRICTED:		
Cash and cash equivalents	\$ 10,760	\$ 9,138
Investments	44,788	41,287
Receivables:		
Accounts	4,324	3,193
Accrued interest	23	146
Current portion of contracts receivables	166	162
Other current assets	2,570	1,960
TOTAL UNRESTRICTED	<u>62,631</u>	<u>55,886</u>
RESTRICTED:		
Cash and cash equivalents	9,391	30,085
Investments	28,284	9,884
Interest	25	8
TOTAL RESTRICTED	<u>37,700</u>	<u>39,977</u>
TOTAL CURRENT ASSETS	<u>100,331</u>	<u>95,863</u>
NONCURRENT ASSETS:		
CAPITAL ASSETS:		
Land, storage and water rights	84,500	84,500
Reservoirs, water treatment and sewerage facilities	169,260	169,260
Building, structures and improvements	106,454	105,304
Vehicles, furniture and equipment	18,726	18,142
Construction in progress	18,422	15,152
TOTAL CAPITAL ASSETS	<u>397,362</u>	<u>392,358</u>
Less accumulated depreciation	<u>(113,126)</u>	<u>(103,665)</u>
NET CAPITAL ASSETS	<u>284,236</u>	<u>288,693</u>
OTHER NONCURRENT ASSETS:		
Contract receivable, net of current portion	708	875
Bond related costs	2,749	2,815
Other assets, net	2,475	2,585
TOTAL OTHER NONCURRENT ASSETS	<u>5,932</u>	<u>6,275</u>
TOTAL NONCURRENT ASSETS	<u>290,168</u>	<u>294,968</u>
TOTAL ASSETS	<u>\$ 390,499</u>	<u>\$ 390,831</u>

The accompanying notes are an integral part of these statements.



**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF NET ASSETS**  
**AUGUST 31, 2010 AND 2009 RESTATED (in thousands)**

	2010	2009
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
<b>PAYABLE FROM CURRENT ASSETS:</b>		
Accounts payable	\$ 4,469	\$ 5,756
Contracts payable	1,185	1,146
Accrued interest	665	700
Unearned revenues	10,426	7,157
<b>TOTAL PAYABLE FROM CURRENT ASSETS</b>	<b>16,745</b>	<b>14,759</b>
<b>PAYABLE FROM RESTRICTED ASSETS:</b>		
Accrued interest	2,020	1,943
Revenue bonds payable	7,350	5,955
Unearned revenues	3,456	3,536
Other	2,380	2,558
<b>TOTAL PAYABLE FROM RESTRICTED ASSETS</b>	<b>15,206</b>	<b>13,992</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>31,951</b>	<b>28,751</b>
<b>NONCURRENT LIABILITIES:</b>		
Revenue bonds payable, net of current portion	133,297	140,527
Discount on revenue bonds payable	(1,006)	(1,132)
Contracts payable, net of current portion	33,766	34,951
Unearned revenues	6,634	7,843
Other liabilities	896	892
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>173,587</b>	<b>183,081</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 205,538</b>	<b>\$ 211,832</b>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt	\$ 107,653	\$ 104,239
Restricted for construction and debt service	29,844	31,940
Unrestricted	47,464	42,820
<b>TOTAL NET ASSETS</b>	<b>\$ 184,961</b>	<b>\$ 178,999</b>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FISCAL YEARS ENDED AUGUST 31, 2010 AND 2009 RESTATED (in thousands)**

	2010	2009
OPERATING REVENUES:		
Water Supply System:		
Raw water sales	\$ 28,640	\$ 29,579
Treated water	1,571	1,232
Wastewater treatment	3,285	3,012
Lake operations	4,492	3,243
Hydroelectric	-	514
Grants	1,552	1,578
Other	927	1,466
Cost Reimbursable Operations:		
Water conveyance/supply	1,853	3,235
Water treatment	8,221	8,903
Wastewater treatment	8,045	7,733
TOTAL OPERATING REVENUES	<u>58,586</u>	<u>60,495</u>
OPERATING EXPENSES:		
Personnel services	16,615	16,355
Materials and supplies	2,769	3,011
Utilities	4,506	5,121
Depreciation and amortization	9,789	9,905
Outside services	5,422	4,525
Other	7,579	7,317
TOTAL OPERATING EXPENSES	<u>46,680</u>	<u>46,234</u>
OPERATING INCOME	<u>11,906</u>	<u>14,261</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income	891	1,329
Interest expense	(7,341)	(7,419)
Other expenses	(735)	(303)
Gain / (Loss) on sale of capital assets	38	(107)
TOTAL NET NON-OPERATING EXPENSES	<u>(7,147)</u>	<u>(6,500)</u>
INCOME BEFORE CONTRIBUTIONS	4,759	7,761
Capital contributions	<u>1,203</u>	<u>1,035</u>
CHANGE IN NET ASSETS	5,962	8,796
NET ASSETS, BEGINNING	<u>178,999</u>	<u>170,203</u>
NET ASSETS, ENDING	<u>\$ 184,961</u>	<u>\$ 178,999</u>

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FISCAL YEARS ENDED AUGUST 31, 2010 AND 2009 RESTATED (in thousands)**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 62,746	\$ 61,557
Cash received from others	-	43
Cash paid to suppliers for goods and services	(28,665)	(24,990)
Cash paid to employees for services	(12,554)	(12,698)
Net cash provided by operating activities	<u>21,527</u>	<u>23,912</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Bond proceeds	-	22,000
Payment of debt issuance costs	-	(185)
Cash paid for capital assets	(6,665)	(15,939)
Interest paid	(7,303)	(7,238)
Principal payments on long-term debt	(6,975)	(6,478)
Proceeds from disposal of capital assets	48	49
Capital contributions	1,203	1,036
Other	-	325
Net cash used in capital and related financing activities	<u>(19,692)</u>	<u>(6,430)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sales of investments	50,965	79,164
Purchases of investments	(72,868)	(72,817)
Interest received	996	1,105
Net cash provided by/(used in) investing activities	<u>(20,907)</u>	<u>7,452</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(19,072)</u>	<u>24,934</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b> (including \$30,085 and \$10,281, respectively, reported in restricted accounts)	<u>39,223</u>	<u>14,289</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> (including \$9,391 and \$30,085, respectively, reported in restricted accounts)	<u>\$ 20,151</u>	<u>\$ 39,223</u>
<b>RECONCILIATION OF OPERATING INCOME TO</b>		
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 11,906	\$ 14,261
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,659	9,784
Amortization	130	121
Change in current assets and liabilities:		
Increase in accounts receivable	(775)	(193)
(Increase) Decrease in other current assets	(387)	104
Decrease in accounts payable	(934)	(686)
decrease in unearned revenue and other liabilities	1,928	521
Total adjustments	<u>9,621</u>	<u>9,651</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 21,527</u>	<u>\$ 23,912</u>
<b>NONCASH INVESTING ACTIVITY:</b>		
Net decrease in fair value of investments	\$ (1)	\$ (143)
Amounts recorded for accretion on WCRRWL Series 2000 Capital Appreciation Bonds	\$ 120	\$ 113

The accompanying notes are an integral part of these statements.

**BRAZOS RIVER AUTHORITY**  
**COMBINED STATEMENTS OF FIDUCIARY NET ASSETS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

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	2010	2009
<b>ASSETS</b>		
Cash	\$ 845	\$ 1,289
Investments	2,341	2,494
Accrued Interest	-	3
<b>TOTAL ASSETS</b>	<u>\$ 3,186</u>	<u>\$ 3,786</u>
<b>LIABILITIES</b>		
Held for future debt service	\$ 2,603	\$ 3,132
Held for future construction cost	583	654
<b>TOTAL LIABILITIES</b>	<u>\$ 3,186</u>	<u>\$ 3,786</u>

The accompanying notes are an integral part of these statements.

***Notes to the Basic  
Financial Statements***

**Brazos River Authority  
FY2010 Comprehensive Annual Financial Report**

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity** - The Brazos River Authority (the “Authority”) 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 Authority is governed by a Board of 21 Directors appointed by the Governor for six-year terms, subject to approval by the Texas Senate. The Authority is not financially accountable to the State of Texas. The Authority is responsible for conservation, control, and development of the surface water resources of the Brazos River Basin. The Authority 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 Authority 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 Authority consists of a single enterprise fund through which all financial activities are recorded, and three agency funds that report assets and liabilities held by the Authority in a custodial capacity for others. Under GASB Codification, the Authority has elected not to apply Financial Accounting Standards Board (“FASB”) Statements and Interpretations issued after November 30, 1989.

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

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

**Agency Funds** - The Authority’s Agency Funds are created to act as a custodian for the City of Robinson, the City of Keene and Jonah Water Special Utility District for the facilitating of bond proceeds in accordance with the Texas Water Development Board Rules and Inter-local Agreements relating to financial programs. The Agency Funds only report assets and liabilities in a statement of fiduciary net assets.



**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

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

The Authority has constructed reservoir, water treatment and sewerage system facilities which were financed primarily by the issuance of revenue bonds and/or federal grants. The recipients of the services provided by these facilities generally contract to pay the Authority amounts equivalent to operating and maintenance expenses and the debt service requirements of the related revenue bonds. Revenue bond debt service is predominantly applicable to interest in the early years, with the portion applicable to principal retirements increasing in later years. Depreciation expense, provided on the straight-line method, usually exceeds the portion of revenues applicable to the principal portion of bond retirements which partially results in reporting operating losses in early years which will reverse in later years.

**Cash and Cash Equivalents** - All highly liquid investments (including restricted assets) with original maturities of three months or less when purchased are considered to be cash equivalents.

**Deposits** - The Authority's collateral agreement requires that all deposits be fully collateralized by government securities or Texas municipal bonds rated A or better that have a market value exceeding the total amount of cash and investments held at all times.

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

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

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

The Authority capitalizes net interest costs, as applicable, as a component cost of construction in progress. The one project that meets the capitalization rule is Morris Sheppard Dam project at Possum Kingdom Lake. For the years ended August 31, 2010 and 2009, the Authority had \$150 and \$124 in net capitalized interest, respectively.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

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During Fiscal Year 2010, the Authority adopted the provisions of GASB 51 *Accounting and Financial Reporting for Intangible Assets*. The Authority owns, through contracts with the United States government, conservation storage space in nine Corps of Engineer lakes operated in the Brazos River watershed. These rights have been determined to have no evident limited life and therefore will have no amortization recognized. As a result, the Authority has retroactively restated the prior Fiscal Year 2009 column in the Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets. See Footnote 13.

***Compensated Absences*** – Prior to May 1, 2002 the Authority'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 Authority's current policy states that upon termination an employee will be paid for 100% of unused vacation time and 50% of their PTO balance up to a maximum of 160 hours (20 days) combined. In addition, for employees eligible to retire only, unused sick leave is paid out at a rate of 50% of their balance or 144 hours (18 days) whichever is less. The total recorded liability for compensated absences, as of August 31, 2010 and 2009, was \$785 and \$728, respectively. Based on historical data, a portion of the accrual for compensated absences is classified as other noncurrent liabilities.

***Budgets and Budgetary Accounting*** - The Authority is not required under its enabling act to adopt a budget; therefore, comparative statements of actual expenses compared to budgeted expenses are not part of the basic financial statements.

***Use of Estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

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

***Other Assets*** – The Authority capitalizes bond and loan issuance costs and amortizes such costs over the term of the related bonds and loan using the straight-line method. At August 31, 2010 and 2009, bond and loan issuance costs, net of accumulated amortization, of approximately \$1,820 and \$1,950, respectively, were included in bond related cost in the accompanying statement of net assets.

By agreement in 1988, the Authority amended a water contract with a utility company which provided for the sale of 162,000 acre feet of water per year through the year 2030. The amendment reduced the utility company's right to purchase water to 83,000 acre feet per year beginning January 1, 1989. As consideration for the 79,000 acre-feet reduction, the Authority (1) paid the utility company \$3,823 in 1988 and (2) reduced charges to the utility company by approximately \$350 per year beginning January 1, 1989. The Authority has sold the 79,000 acre-feet to various third parties under long-term water contracts. The balance of \$2,267 and \$2,352 at August 31, 2010 and 2009, respectively, is included in other 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, 2010 AND 2009 (in thousands)**

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

**2. DEPOSITS AND INVESTMENTS**

As of August 31, 2010 and 2009, the Authority had the following investments:

Investment Type	2010		2009	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Certificates of Deposit	\$ 70,064	0.78	\$ 45,022	0.81
US Agencies:				
FHLB	3,002	0.35	5,005	0.06
FNMA	6	0.75	1,148	0.07
<b>Total Value</b>	<b>\$ 73,072</b>		<b>\$ 51,175</b>	
<b>Portfolio weighted average maturity</b>		<b>0.76</b>		<b>0.72</b>

**Credit Risk**

*Certificates of Deposit* - The Authority's adopted Investment Policy ("Policy") and State law restrict certificates of deposit to those which are fully collateralized or insured by the FDIC or its successor. The certificates of deposit must be from banks doing business within the State of Texas or be obtained through a depository institution that has its main office or a branch office in Texas and that contractually agrees to place the funds in a federally insured depository institutions with the conditions prescribed in Section 2256.010(b) of the Act. A written depository agreement approved by the bank board or loan committee is required. By Policy, the certificates of deposit must be collateralized to 102% of principal and interest by obligations of the U.S. Government, its agencies and instrumentalities including mortgage backed securities which pass the bank test or obligations of municipal entities of any state rated as to investment quality by a nationally recognized rating agency as "A" or its equivalent or by Letter of Credit issued or guaranteed by the US Government, its agencies and instrumentalities. The bank party is held contractually liable for maintaining the margin daily. All pledged collateral is held by an independent custodian in the Authority's name. All certificates of deposit are restricted to a maximum of twenty four (24) months to its stated maturity.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

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

*Money Market Mutual Funds* - The Authority's adopted Policy requires that SEC registered money market mutual funds be AAA-rated as to investment quality, with a dollar weighted average portfolio maturity of 90 days or less and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. However, the Policy restricts Authority participation in these funds to 10% of the total assets of any individual money market mutual fund, excluding bond proceeds and reserves and other funds held for debt service in money market mutual funds.

The Authority's adopted Policy does not require that SEC registered mutual funds be rated as to investment quality. State law prohibits investment in mutual funds for any bond proceeds or debt service funds. Participation in such funds is dependent upon specific Board review and authorization.

*Local Government Investment Pools* - The local government investment pools in Texas are required by state statute to be rated no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service. Pools must comply with the restrictions of state statute (Local Government Code 2256.016).

Portfolio disclosure as of August 31, 2010:

- Certificates of deposits represented 74.5% of the total portfolio,
- Investment in local government investment pools (Texpool & TexasTerm) represented 2.2% of the total portfolio rated AAAM,
- Fully collateralized demand deposits represented 20.1 % of the total portfolio, and
- The remainder of the portfolio (3.2 %) was in US Government securities rated AAA.
- The Authority had one certificate of deposit for \$2 million with a maturity greater than two years with a maturity of 11/20/2012.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

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**Concentration of Credit Risk**

The Authority's adopted Investment Policy requires diversification on all investments and diversification is monitored on at least a monthly basis. Diversification by investment type is established by Policy with the following maximum percentages of investment type to the total Authority investment portfolio:

	Maximum
a. U.S. Treasury Bills/Notes/Bonds.....	80%
b. U.S. Agencies & Instrumentalities.....	80%
c. States, Agencies, Counties, Cities, & Other.....	50%
Limit per issuer.....	5%
d. Certificates of Deposit.....	80%
e. Authorized Local Government Investment Pools.....	75%
Limit per pool.....	50%
f. Money Market Mutual Funds.....	75%
Limit per fund.....	50%
g. Repurchase Agreements.....	50% (excluding bond proceeds)

Portfolio disclosure as of August 31, 2010:

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

**Interest Rate Risk**

In order to limit interest and market rate risk from changes in interest rates, the Authority's adopted Investment Policy sets a maximum maturity on any investment of three (3) years in operating funds and five (5) years in repair and replacement funds and reserve funds. Bond proceeds are to be matched to the planned expenditures of the funds. The Policy restricts the dollar weighted average maturity of operating funds to less than 365 days. The maximum dollar weighted average maturity for repair and replacement funds are two years, reserve funds are three years, and debt service funds are one year.

Portfolio disclosure as of August 31, 2010:

- Holdings maturing beyond two years totaled \$2,000 or 5.55% of the Operating Reserve Fund which represented 2.15% of the total portfolio.
- One mortgage backed security holding had stated maturity of nine months and an estimated life of seven months and represented 0.02 % of the Operating Reserves and 0.01 % of the total portfolio.
- The dollar weighted average maturity of the total portfolio was 175 days.

As of August 31, 2010, the portfolio contained no structured securities and one mortgage backed security as follows:

Security Note	Par	Coupon	Purchase Date	Maturity Date	Call Date	Structure	Cusip	Fair Value
<b>Mortgage Backed Securities:</b>								
FNMA	<u>\$ 6</u>	7.00%	9/1/2005	06/01/11	NA	NA	31371FKA9	<u>\$ 6</u>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

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**Custodial Credit Risk**

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

Portfolio disclosure as of August 31, 2010:

- The portfolio contained 64 certificates of deposit
- The portfolio contained no repurchase agreements
- All bank demand deposits were fully insured and collateralized. All pledged bank collateral for demand deposits were held by an independent institution outside the bank's holding company.

**3. RESTRICTED ASSETS**

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

Net assets have 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 interest and principal of bonded indebtedness when and to the extent the amount in the debt service funds is insufficient, as required by bond covenants.
- *Repair and Replacement funds* – unexpected or extraordinary expenditures for which funds are not otherwise available or for debt service to the extent of debt service funds deficiencies as required by bond covenants.
- *Other funds* – Future health benefit payments.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

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The cash and cash equivalents, investments, and accrued interest components of each fund represented by restricted assets at August 31, 2010 and 2009 were as follows:

Lines of Business	2010			2009		
	Cash and Cash Equivalents	Invest- ments	Accrued Interest	Cash and Cash Equivalents	Invest- ments	Accrued Interest
<b>Water Supply System:</b>						
Bond proceeds funds	\$ 1,586	\$ 21,930	\$ 22	\$ 20,680	\$ 3,512	\$ -
Debt service funds	-	-	-	2	-	-
Bond reserve funds	-	1,426	2	1,404	-	-
Repair and replacement funds	-	449	-	-	455	3
Other funds	1,154	1,581	-	860	2,803	1
<b>Water Supply System Total</b>	<u>\$ 2,740</u>	<u>\$ 25,386</u>	<u>\$ 24</u>	<u>\$ 22,946</u>	<u>\$ 6,770</u>	<u>\$ 4</u>
<b>Cost Reimbursable Operations:</b>						
Bond proceeds funds	\$ -	\$ -	\$ -	\$ 899	\$ -	\$ -
Debt service funds	5,797	135	-	5,683	121	-
Bond reserve funds	9	2,588	1	55	2,618	3
Repair and replacement funds	845	175	-	502	375	1
<b>Cost Reimbursable Operations Total</b>	<u>\$ 6,651</u>	<u>\$ 2,898</u>	<u>\$ 1</u>	<u>\$ 7,139</u>	<u>\$ 3,114</u>	<u>\$ 4</u>
<b>TOTAL</b>	<u><u>\$ 9,391</u></u>	<u><u>\$ 28,284</u></u>	<u><u>\$ 25</u></u>	<u><u>\$ 30,085</u></u>	<u><u>\$ 9,884</u></u>	<u><u>\$ 8</u></u>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

**4. CAPITAL ASSETS**

A summary of changes in capital assets for August 31, 2010 follows:

	Balance at August 31, 2009 restated	Additions and Transfers	Deletions and Transfers	Balance at August 31, 2010
<b>Capital assets, not being depreciated/amortized:</b>				
Land, storage and water rights	\$ 84,500	\$ -	\$ -	\$ 84,500
Construction in progress	15,152	4,818	(1,548)	18,422
Total capital assets, not being depreciated/amortized	99,652	4,818	(1,548)	102,922
<b>Capital assets, being depreciated/amortized:</b>				
Reservoirs, water treatment and sewerage facilities	169,260	-	-	169,260
Buildings, structures and improvements	105,304	1,150	-	106,454
Vehicles	2,877	232	(186)	2,923
Furniture	765	-	-	765
Computers	4,548	124	(2)	4,670
Tools and heavy equipment	9,952	464	(48)	10,368
Total capital assets, being depreciated/amortized	292,706	1,970	(236)	294,440
<b>TOTAL</b>	<b>\$ 392,358</b>	<b>\$ 6,788</b>	<b>\$ (1,784)</b>	<b>\$ 397,362</b>
<b>Less accumulated depreciation/amortization:</b>				
Reservoirs, water treatment and sewerage facilities	\$ 72,030	\$ 3,655	\$ -	\$ 75,685
Buildings, structures and improvements	18,706	4,696	-	23,402
Vehicles	2,189	263	(184)	2,268
Furniture	708	29	-	737
Computers	3,608	301	-	3,909
Tools and heavy equipment	6,424	715	(14)	7,125
Total accumulated depreciation/amortization	\$ 103,665	\$ 9,659	\$ (198)	\$ 113,126
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>\$ 288,693</b>	<b>\$ (2,871)</b>	<b>\$ (1,586)</b>	<b>\$ 284,236</b>



**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

A summary of changes in capital assets for August 31, 2009 follows:

	Balance at August 31, 2008 restated	Additions and Transfers	Deletions and Transfers	Balance at August 31, 2009 restated
<b>Capital assets, not being depreciated/amortized:</b>				
Land, storage and water rights	\$ 84,500	\$ -	\$ -	\$ 84,500
Construction in progress	22,173	12,945	(19,966)	15,152
Total capital assets, not being depreciated/amortized	106,673	12,945	(19,966)	99,652
<b>Capital assets, being depreciated/amortized:</b>				
Reservoirs, water treatment and sewerage facilities	167,349	2,856	(945)	169,260
Buildings, structures and improvements	87,918	17,386	-	105,304
Vehicles	2,910	275	(308)	2,877
Furniture	770	-	(5)	765
Computers	4,382	166	-	4,548
Tools and heavy equipment	8,864	1,216	(128)	9,952
Total capital assets, being depreciated/amortized	272,193	21,899	(1,386)	292,706
<b>TOTAL</b>	<b>\$ 378,866</b>	<b>\$ 34,844</b>	<b>\$ (21,352)</b>	<b>\$ 392,358</b>
<b>Less accumulated depreciation/amortization:</b>				
Reservoirs, water treatment and sewerage facilities	\$ 68,485	\$ 4,338	\$ (793)	\$ 72,030
Buildings, structures and improvements	14,480	4,226	-	18,706
Vehicles	2,220	275	(306)	2,189
Furniture	682	31	(5)	708
Computers	3,314	294	-	3,608
Tools and heavy equipment	5,922	620	(118)	6,424
Total accumulated depreciation/amortization	\$ 95,103	\$ 9,784	\$ (1,222)	\$ 103,665
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>\$ 283,763</b>	<b>\$ 25,060</b>	<b>\$ (20,130)</b>	<b>\$ 288,693</b>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

**5. UNEARNED REVENUES**

Nonrefundable charges to contracting parties relating to the acquisition of capital assets or project development costs are initially recorded as noncurrent unearned revenues and are amortized to income over periods equal to the lives of the assets purchased from such charges on a straight-line basis. Charges that do not yet meet the criteria for revenue recognition are recorded as current unearned revenues until they are available to liquidate liabilities of the current period. Unearned revenues at August 31, 2010 and 2009 were as follows:

Unrestricted	2010		2009	
	Current Unearned Revenues	Noncurrent Unearned Revenues	Current Unearned Revenues	Noncurrent Unearned Revenues
Water Supply System:				
Lake Granbury	\$ 328	\$ -	\$ 438	\$ -
Lake Limestone	812	5,761	621	6,720
Possum Kingdom Lake	983	-	513	-
East Williamson Co RWS	-	-	105	-
Federal Reservoirs	3,787	-	3,063	-
Other Water Supply System	21	36	122	36
Total Water Supply	<u>5,931</u>	<u>5,797</u>	<u>4,862</u>	<u>6,756</u>
Cost Reimbursable Operations:				
Williamson County RRWL	1,067	677	-	722
Lake Granbury SWATS	1,312	159	688	343
Temple-Belton RSS	318	1	236	22
Sandy Creek WTS	154	-	-	-
Clute/Richwood WWS	106	-	222	-
Hutto WWS	186	-	77	-
Brushy Creek RWS	1,271	-	993	-
Liberty Hill WTP	31	-	17	-
Lee County FWD	50	-	62	-
Total Cost Reimbursable Operations	<u>4,495</u>	<u>837</u>	<u>2,295</u>	<u>1,087</u>
<b>Total Unrestricted</b>	<u>\$ 10,426</u>	<u>\$ 6,634</u>	<u>\$ 7,157</u>	<u>\$ 7,843</u>
<b>Restricted</b>				
Cost Reimbursable Operations:				
Williamson County RRWL	\$ 1,381	\$ -	\$ 1,362	\$ -
Temple-Belton RSS	426	-	433	-
Lake Granbury SWATS	1,649	-	1,741	-
<b>Total Restricted</b>	<u>\$ 3,456</u>	<u>\$ -</u>	<u>\$ 3,536</u>	<u>\$ -</u>

**BRAZOS RIVER AUTHORITY**  
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**6. NONCURRENT LIABILITIES**

**Revenue Bonds Payable**

Revenue bonds payable consists of the following at August 31, 2010:

	Balance at August 31, 2009	A d d i t i o n s	R e t i r e d	Balance at August 31, 2010	A m o u n t s D u e W i t h i n O n e Y e a r
<b><i>Water Supply System :</i></b>					
Series 1972 Refunding Serial Bonds	\$ 2,855	\$ -	\$ 895	\$ 1,960	\$ 945
Series 2001A (AMT) Serial and Term Bonds	5,730	-	485	5,245	510
Series 2001B Serial Bonds	515	-	85	430	85
Series 2002 State Participation Loan	6,000	-	-	6,000	-
Series 2002 (AMT) Term Bonds	7,525	-	400	7,125	415
Series 2005A (AMT) Revenue Bonds	12,470	-	425	12,045	440
Series 2005B (AMT) Revenue Bonds	10,335	-	330	10,005	345
Series 2006 Revenue Bonds	17,805	-	-	17,805	-
Series 2009 Revenue Bonds	22,000	-	-	22,000	1,060
	<u>\$ 85,235</u>	<u>\$ -</u>	<u>\$ 2,620</u>	<u>\$ 82,615</u>	<u>\$ 3,800</u>
<b><i>Cost Reimbursable Operations:</i></b>					
Series 1997 Serial and Term Bonds	\$ 9,980	\$ -	\$ 1,190	\$ 8,790	\$ 1,260
Series 1999 State Participation Loan	14,955	-	-	14,955	-
Series 2000 Serial and Capital Appreciation Bonds	14,832	120	670	14,282	735
Series 2001 Serial and Term Bonds	8,365	-	425	7,940	445
Series 2002 Revenue Bonds	11,970	-	495	11,475	520
Series 2004 Revenue Bonds	1,145	-	555	590	590
	<u>\$ 61,247</u>	<u>\$ 120</u>	<u>\$ 3,335</u>	<u>\$ 58,032</u>	<u>\$ 3,550</u>
<b><i>Total Revenue Bonds Payable</i></b>	<u><u>\$ 146,482</u></u>	<u><u>\$ 120</u></u>	<u><u>\$ 5,955</u></u>	<u><u>\$ 140,647</u></u>	<u><u>\$ 7,350</u></u>

**BRAZOS RIVER AUTHORITY**  
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Revenue bonds payable consists of the following at August 31, 2009:

	Balance at August 31, 2008	Additions	Retired	Balance at August 31, 2009	Amounts Due Within One Year
<b><i>Water Supply System:</i></b>					
Series 1972 Refunding Serial	\$ 3,700	\$ -	\$ 845	\$ 2,855	\$ 895
Series 2001 A (AMT) Serial and Bonds	6,200	-	470	5,730	485
Series 2001 B Serial Bonds	595	-	80	515	85
Series 2002 State Participation	6,000	-	-	6,000	-
Series 2002 (AMT) Term Bonds	7,905	-	380	7,525	400
Series 2005 A (A MT) Revenue	12,875	-	405	12,470	425
Series 2005 B (AMT) Revenue	10,335	-	-	10,335	330
Series 2006 Revenue Bonds	17,805	-	-	17,805	-
Series 2009 Revenue Bonds	-	22,000	-	22,000	-
	<u>\$ 65,415</u>	<u>\$ 22,000</u>	<u>\$ 2,180</u>	<u>\$ 85,235</u>	<u>\$ 2,620</u>
<b><i>Cost Reimbursable Operations:</i></b>					
Series 1997 Serial and Term Bonds	\$ 11,105	\$ -	\$ 1,125	\$ 9,980	\$ 1,190
Series 1999 State Participation	14,955	-	-	14,955	-
Series 2000 Serial and Capital Appreciation Bonds	15,364	113	645	14,832	670
Series 2001 Serial and Term Bonds	8,770	-	405	8,365	425
Series 2002 Revenue Bonds	12,445	-	475	11,970	495
Series 2004 Revenue Bonds	1,690	-	545	1,145	555
	<u>\$ 64,329</u>	<u>\$ 113</u>	<u>\$ 3,195</u>	<u>\$ 61,247</u>	<u>\$ 3,335</u>
<b><i>Total Revenue Bonds Payable</i></b>	<u><u>\$ 129,744</u></u>	<u><u>\$ 22,113</u></u>	<u><u>\$ 5,375</u></u>	<u><u>\$ 146,482</u></u>	<u><u>\$ 5,955</u></u>

**BRAZOS RIVER AUTHORITY**  
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Revenue bonds payable at August 31, 2010, are further detailed as follows:

***Water Supply System:***

- *Series 1972 (\$16,885) Brazos River Authority Water Supply Refunding* - serial bonds to finance DeCordova Bend Dam and Lake Granbury; due in annual installments of \$555 to \$1,015 through 2011; interest at 5.5%
- *Series 2001A (\$8,925) Brazos River Authority* – serial and term bonds for repairs to Morris Sheppard Dam and Possum Kingdom facility and refunding the Series 1991 Water Supply Revenue Bonds; due in annual installments of \$340 to \$1,700 through 2021; interest at 4.35% to 5.65%
- *Series 2001B (\$1,060) Brazos River Authority* – serial bonds to refund Lake Whitney Corps of Engineers contract; due in annual installments of \$60 to \$100 through 2015; interest at 3.3% to 5.125%
- *Series 2002 (\$6,000) Brazos River Authority State Participation Loan (Allens Creek Project)* – for purchase of land for Allens Creek Reservoir site; due in installments of \$260 to \$580 (2022-2036) interest at 5.776% to 5.876%
- *Series 2002 (\$9,635) Brazos River Authority* – term bonds for repairs and renovations at DeCordova Bend Dam on Lake Granbury due in annual installments of \$325 to \$715 through 2023; interest at 3% to 4.85%
- *Series 2005A (\$12,875) Brazos River Authority* – revenue bonds for repairs and renovations at Morris Sheppard Dam on Possum Kingdom Lake due in annual installments of \$405 to \$980 through 2028; interest at 4.25% to 4.7%
- *Series 2005B (\$10,335) Brazos River Authority* – revenue bonds for acquisition and expansion of the East Williamson County Regional Water System due in annual installments of \$330 to \$775 through 2029; interest at 4% to 4.8%
- *Series 2006 (\$17,805) Brazos River Authority* – revenue bonds for the expansion of the East Williamson County Regional Water System due in annual installments of \$535 to \$1,275 through 2035; interest at 4% to 4.5%
- *Series 2009 (\$22,000) Brazos River Authority* – revenue bonds for the construction of a new deep water intake structure, raw water pump station and transmission pipeline at Granger Lake due in annual installments of \$1,065 to \$1,180 through 2023; interest at .07% to 2.25%

***Cost Reimbursable Operation:***

- *Series 1997 (\$19,935) Brazos River Authority* – serial and term bonds to refund the Lake Granbury Surface Water and Treatment System Series 1987 serial bonds; due in annual installments of \$730 to \$1,335 through 2011; term bonds due from 2012 through 2016 in amounts of \$1,415 to \$1,690; interest at 5.2% to 6.05%

**BRAZOS RIVER AUTHORITY**  
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***Cost Reimbursable Operation: (continued)***

- *Series 1999 (\$14,955) Brazos River Authority Texas Water Development Board State Participation Loan for Williamson County Regional Raw Water Line* – due in annual installments of \$860 to \$1,630 (2021-2033) – Interest at 4.35% to 5.50%
- *Series 2000 (\$17,262) Brazos River Authority* – serial and capital appreciation bonds for Williamson County Regional Raw Water Line; due in annual installments of \$265 to \$1,015 through 2030; interest at 4.35% to 5.80%
- *Series 2001 (\$10,530) Brazos River Authority* – serial and term bonds for expansion of Lake Granbury Surface Water and Treatment System; due in annual installments of \$320 to \$2,345 through 2022; interest at 4.375% to 5.55%
- *Series 2002 (\$13,750) Brazos River Authority and Johnson County Rural WSC Contract Revenue Bonds* - to replace Series 2001 Brazos River Authority taxable serial bonds for Lake Granbury Surface Water and Treatment System; due in annual payments of \$425 to \$1,090 (2006-2025); interest at 3.875% to 5.5%
- *Series 2004 (\$3,705) Brazos River Authority and Temple-Belton Regional Sewerage System Revenue Refunding Bonds* – to replace Series 1989 and 1989A Brazos River Authority serial bonds to construct the Temple-Belton Regional Sewerage System improvements; due in annual payments of \$490 to \$590 through 2011; interest at 2.0% to 3.75%

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 Water Supply System bond covenants require that the Authority 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, 2010 and 2009, the Authority's coverage rates were 2.48 and 3.61, respectively. The Authority was in compliance with this and all other bond covenants and restrictions.

The Authority has adopted the provisions of Governmental Accounting Standards Board Statement No. 23, "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. For the years ended August 31, 2010 and 2009 the cumulative unamortized deferred amount of \$158 and \$198, respectively, are included as an element of discount on revenue bonds payable. The deferred amount resulted from refunding of debts in 1997, 2001, and 2004.

**BRAZOS RIVER AUTHORITY**  
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Annual requirements to retire revenue bonds outstanding, including interest, are:

	Water Supply System		Cost Reimbursable Operations	
	Principal	Interest	Principal	Interest
2011	\$ 3,800	\$ 3,133	\$ 3,550	\$ 3,297
2012	3,785	3,055	3,469	3,048
2013	2,845	2,948	2,997	2,883
2014	2,935	2,866	3,068	2,898
2015	3,510	3,057	3,205	2,745
2016-2020	19,180	13,358	10,873	11,553
2021-2025	20,205	8,249	15,410	7,072
2026-2030	17,495	3,872	10,820	3,198
2031-2035	8,280	1,297	4,640	399
2036-2037	580	34	-	-
	<u>\$ 82,615</u>	<u>\$ 41,869</u>	<u>\$ 58,032</u>	<u>\$ 37,093</u>

Details of invested in capital assets, net of related debt:

	2010	2009 restated
Net capital assets	\$ 284,236	\$ 288,693
Revenue bonds payable - current & noncurrent	(140,647)	(146,482)
Contract receivable, net of current portion	708	875
Bond related costs	2,749	2,815
Noncurrent unearned revenues	(6,634)	(7,843)
Discount on revenue bonds payable	1,006	1,132
Contracts payable, net of current portion	(33,765)	(34,951)
	<u>\$ 107,653</u>	<u>\$ 104,239</u>

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**Contracts Payable** consists of the following at August 31, 2010:

	Balance at August 31, 2009	Retired/ (Additions)	Balance at August 31, 2010	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 2.5% to 2.544%	\$ 1,560	\$ 87	\$ 1,473	\$ 89
\$1,314 to acquire water conservation storage space in the Proctor Reservoir; due in annual installments of principal and interest of \$43 through 2015 and \$35 from 2016 through 2024; interest at 2.699%	474	30	444	31
\$7,127 to acquire water conservation storage space in the Stillhouse Hollow Reservoir; due in annual installments of principal and interest of \$284 through 2018; interest at 2.72%	2,235	222	2,013	229
\$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 2.742%	3,702	164	3,538	169
\$5,532 to acquire water conservation storage space in the Waco Reservoir; due in annual installments of principal and interest of \$188 through 2015; interest at 2.5%	1,037	162	875	166
\$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 3.256%	12,013	208	11,805	215
\$7,130 to acquire water conservation storage space in the Georgetown (formerly Northfork) Reservoir; due in annual installments of principal and interest ranging from \$285 through 2032 to \$135 in 2042; the interest at 3.253%	5,377	110	5,267	113
\$11,194 to acquire water conservation storage space in Aquilla Reservoir; due in annual installments of principal and interest of \$593 through 2032 and \$531 from 2033 through 2042; interest on the remaining principal portion is compounded annually at 5.116%	9,209	123	9,086	128
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc., due in annual installments of principal only of \$10 to \$45 through 2020.	490	40	450	45
<b>TOTAL</b>	<b>\$ 36,097</b>	<b>\$ 1,146</b>	<b>\$ 34,951</b>	<b>\$ 1,185</b>



**BRAZOS RIVER AUTHORITY**  
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Annual requirements to retire contracts payable outstanding, including interest, are:

	Contracts Payable		Total
	Principal	Interest	
2011	\$ 1,185	\$ 1,244	\$ 2,429
2012	1,221	1,209	2,430
2013	1,257	1,172	2,429
2014	1,295	1,134	2,429
2015	1,334	1,095	2,429
2016-2020	5,698	4,902	10,600
2021-2025	5,334	4,002	9,336
2026-2030	4,821	3,071	7,892
2031-2035	4,981	2,144	7,125
2036-2040	5,440	1,141	6,581
2041-2042	2,385	145	2,530
	<u>\$ 34,951</u>	<u>\$ 21,259</u>	<u>\$ 56,210</u>

**Other Noncurrent Liabilities** Other noncurrent liability activity for the year ended August 31, 2010 was as follows:

	Balance at August 31, 2009	Additions	Reductions	Balance at August 31, 2010	Amounts Due Within One Year
<b>Discount on Revenue</b>					
<b>Bonds Payable:</b>	<u>\$ 1,132</u>	<u>\$ -</u>	<u>\$ 126</u>	<u>\$ 1,006</u>	<u>\$ 122</u>
<b>Unearned Revenues:</b>					
Lake Limestone	6,720	-	960	5,760	960
WCRRWL	722	-	45	677	45
SWATS	343	-	184	159	64
Other	58	-	20	38	1
	<u>\$ 7,843</u>	<u>\$ -</u>	<u>\$ 1,209</u>	<u>\$ 6,634</u>	<u>\$ 1,070</u>
<b>Other Liabilities:</b>					
Hydroelectric	\$ 318	\$ -	\$ -	\$ 318	\$ -
Trans TX Phase II	210	-	-	210	-
Compensated Absences	255	4	-	259	-
Other	109	-	-	109	-
	<u>\$ 892</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 896</u>	<u>\$ -</u>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**7. RETIREMENT PLANS**

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

**Plan Description**

The Plan, a single employer plan, was established in 1959 by the Authority, 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 Authority approved adoption to freeze the Plan as of September 30, 2007. The resolution amended the Plan by closing the Plan to new entrants, freezing benefit accrual service, limiting compensation and service contributions to the defined contribution component of the Plan. The Plan is administered by a Retirement Committee appointed by the Authority'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 Authority's office: P.O. Box 7555, Waco, TX 76714-7555.

As of February 28, 2010, and February 28, 2009, total participation in the defined contribution component of the Plan was 160 and 186 respectively. Participation in the defined benefit component of the Plan, as of the beginning of the year evaluation date, March 1, 2009, and March 1, 2008, is composed of the following:

Group	2009	2008
Retirees and beneficiaries currently receiving benefits	94	90
Terminated plan members entitled to but not yet receiving benefits	86	79
Transferred Canal Division employees*	7	8
Active plan members	183	196
TOTAL	370	373

\*These participants were transferred to the Galveston County Water Authority on July 21, 1988. They will continue to accrue vesting as long as they remain employed by the Galveston County Water Authority.

**BRAZOS RIVER AUTHORITY**  
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*Defined Benefit Component*

The Plan provides pension and death benefits. The Plan's normal retirement age is 65. A participant may retire after reaching both the age of 55 and completing fifteen years of service or after attaining both age 62 and completing ten years of service. Benefits vest after fifteen years of service or after both the attainment of age 45 and the completion of five years of service.

Pension benefits are based on the participant's final average monthly compensation and credited service. Final average monthly compensation is defined as the participant's average monthly rate of basic compensation during whichever five successive calendar years out of the last ten calendar years immediately preceding the participant's termination date provides the highest average monthly rate of compensation for the participant. Provided, however, compensation for calendar years beginning on or after January 1, 2008 shall not be included in the determination of average monthly compensation.

At normal retirement date, a disabled participant will receive the monthly income to which he or she would have been entitled if he or she had continued in employment with the Authority at his or her last regular rate of compensation until his or her normal retirement date; however, income payable at the normal retirement date cannot exceed the amount that he or she was receiving under disability retirement immediately preceding the normal retirement date.

Upon the death of a participant while employed or disabled prior to normal retirement, the participant's beneficiary normally receives monthly benefits payable for ten years certain and life thereafter. Such benefits are based on final average monthly compensation and credited service. If the participant dies after normal retirement but prior to actual retirement, the beneficiary normally receives monthly benefits payable for ten years certain and life thereafter. Such benefits equal the benefits the participant would have been entitled to receive if he or she had retired on his or her date of death.

*Defined Contribution Component*

Whenever a participant or beneficiary is to receive a distribution of a payment account balance, the form of such distribution shall be in accordance with one of the following options selected by the recipient:

- (a) A single, lump-sum payment in cash
- (b) Substantially equal periodic annual, monthly, or quarterly cash installments
- (c) Irregular, non-periodic distributions paid once a year

In the event of disability or death, the participant or beneficiary shall also be entitled to receive a distribution of the participant's account.

**BRAZOS RIVER AUTHORITY**  
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**Funding Policy**

*Defined Benefit Component*

The Authority's employees were not required or allowed to contribute to the defined benefit component of the Plan. The Authority intends, but does not guarantee, to make annual contributions in amounts at least equal to the amounts that would be required to meet the minimum funding requirements of Section 412 of the Internal Revenue Code (Code).

*Defined Contribution Component*

Prior to the resolution to freeze entry into the plan, each plan year, all participants, other than prior plan-electing participants, were required to contribute an amount each pay period equal to 3.0% of their compensation earned during such pay period.

Prior to the resolution to freeze entry into the plan, each plan year, the employer contributed a total amount which equals 3.0% of each participant's compensation earned during the plan year, less applicable forfeitures from non-vested employer contribution accounts.

In addition to the above employer contribution, the employer contributed, prior to the amendment to freeze the Plan, a total amount of matching employer contributions which equaled 50% of the amount of compensation amounts deferred by active participants to the eligible deferred compensation plan (457 Plan) sponsored by the employer pursuant to Code Section 457(b), less applicable forfeitures from non-vested matching employer contribution accounts. The matching employer contribution amount contributed on behalf of a particular active participant was based on actual deferrals made to the 457 Plan but not to exceed 3% of compensation earned during the Plan year.

**Annual Pension Cost**

For the fiscal year ended August 31, 2010, the Authority's Annual Required Contribution was \$296. The Authority's Annual Required Contribution, Annual Pension Cost, the percentage of Annual Pension Cost and the Net Pension Obligation for 2010 and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Annual Pension Cost (A P C)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation Balance</b>
August 31 , 2008	\$ -	\$ -	N / A	N / A
August 31 , 2009	\$ 14	\$ 14	0 %	\$ 14
August 31 , 2010	\$ 296	\$ 296	100 %	\$ -

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 and 50 parameters based on the actuarial valuation date of March 1, 2009.

**BRAZOS RIVER AUTHORITY**  
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**Funding Status and Funding Progress**

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

Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
March 1, 2010	\$ 20,944	\$ 23,645	\$ 2,701	88.6%	\$ 8,416	32.09%

\*As a result of the amendment to freeze the Plan, the valuation period March 1, 2009 will be the first year the covered payroll information is no longer needed for the calculation of the ARC.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over the time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 1, 2010, actuarial valuation, the unit credit method actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (compounded annually, net of expenses). The amortization method used was a closed 30 year period and the asset valuation method was market value with gains and losses smoothed over a 5 year period.

**BRAZOS RIVER AUTHORITY**  
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**Texas County and District Retirement System**

**Plan Description**

The Authority provides retirement, disability, and death benefits for all of its employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 602 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive CAFR on a calendar year basis. The CAFR is available upon written request from the TCDRS Finance Division at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the Board of Directors, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 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 Authority.

**Funding Policy**

The Authority 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 2010 and 2009 was 7.61% and 7.97% respectively. The required contribution rate payable by the employee members is the rate of 6.0% as adopted by the Board of Directors. the employee and employer contribution rates may be changed by the Authority's Board of Directors within the options available in the TCDRS Act.

**Annual Pension Cost**

For the year ended August 31, 2010 and August 31, 2009, the actual contributions made by the employees were \$799 and \$814, respectively, and those made by the Authority were \$1,032 and \$1,087, respectively.

The annual required contributions were actuarially determined as a percent of the covered payroll of the employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2009.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Funding Status and Funding Progress**

As of December 31, 2009, the most recent actuarial valuation date, the plan was 69.67% funded. The actuarial accrued liability for benefits was \$6,294, and the actuarial value of assets was \$4,385, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,909. The covered payroll (annual payroll of active employees covered by the plan) was \$13,585, and the ratio for the UAAL to the covered payroll was 14.06%.

**Actuarial Methods and Assumptions**

<b>Actuarial Valuation Information</b>	
	<b>2010</b>
Actuarial valuation date	December 31, 2009
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period of years	20
Asset Valuation method	SAF: 10-yr smoothed value ESF: Fund value
<b>Actuarial assumptions:</b>	
Investment return*	8.0%
Projected salary increases*	5.4%
Inflation	3.5%

\*Includes inflation at the stated rate

**8. FINANCING ARRANGEMENTS**

The Authority has entered into agreements with cities (contracting parties) to issue tax-exempt debt for the benefit of the contracting parties. The Authority issues the debt in amounts sufficient to provide for construction of sewage treatment and water supply systems. The contracting parties then make payments to the Authority in amounts sufficient to service the debt.

The Authority has no liabilities for repayment of the bonds. The contracting parties pledge revenues from the project as security for the bondholders. Upon redemption of the bonds and completion of the projects, title and interest in the projects transfer to the contracting parties. Accordingly, the constructed assets and the related debt are not reflected in the basic financial statements of the Authority. However, bond proceeds, monies received from the contracting parties, and the related disbursements are included in the Authority's agency funds.



**BRAZOS RIVER AUTHORITY**  
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The following is a schedule of the debt issued and outstanding for the contracting parties:

Contracting Party	Date of Issue	Original Amount	Date of Maturity	Interest Rate	Balance at August 31, 2010
Jonah Water SUD	2007	\$ 3,170	2009-2028	4.0% to 4.5%	\$ 2,955
Jonah Water SUD	2008	\$ 2,630	2010-2029	3.0% to 5.0%	2,545
TOTAL					<u>\$ 5,500</u>

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

The Authority has no liability for repayment of these bonds. The payments from the companies and the constructed facilities represent the only security for the bondholders. Upon completion of construction, title to the facility transfers to the companies. Accordingly, the assets and debt related to these financing agreements are not reflected in the accompanying basic financial statements.

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

Year Issued	Original Amount	Year of Maturity	Interest Rate %	Balance at August 31, 2010
1995	\$ 91,945	2015	4.000	\$ 91,945
1997	50,000	2018	5.050	50,000
1998A	100,000	2019	Variable	100,000
1998B	90,000	2020	Variable	90,000
1998C	100,000	2019	Variable	100,000
1998D	68,700	2015	4.900	68,700
1999A	100,000	2019	5.375	100,000
1999B	100,000	2018	7.750	100,000
2004	43,820	2017	4.250	43,820
2004B	83,565	2017	4.250	83,565
2004A	33,470	2012	3.625	33,470
Sub Total for Center Point				<u>\$ 861,500</u>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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- 2) Texas Utilities Energy Company LLC - Air and/or Water Pollution Control and Waste Disposal Facilities:

Year Issued	Original Amount	Year of Maturity	Interest Rate %	Balance at August 31, 2010
1994A	39,170	2029	5.40	\$ 39,170
1994B	39,170	2029	Variable	39,170
1995A	50,670	2030	Variable	49,770
1995B	118,355	2030	Variable	113,895
1999A	110,545	2033	7.70	110,545
1999B	15,955	2034	6.75	15,955
1999C	50,000	2032	7.70	50,000
2001A	120,750	2030	8.25	70,750
2001B	19,180	2029	Variable	19,180
2001C	273,985	2036	5.75	217,180
2001D-1	170,895	2033	8.25	170,895
2001D-2	97,410	2033	Variable	97,410
2001I	62,920	2036	Variable	61,790
2002A	60,650	2037	Variable	44,630
2003A	43,685	2038	6.75	43,685
2003B	39,025	2032	6.30	39,025
2003C	72,335	2038	6.75	51,825
2003D	30,820	2029	5.40	30,820
2006	100,000	2041	5.00	100,000
Subtotal for Texas Utilities Energy Company LLC				\$ 1,365,695
TOTAL POLLUTION CONTROL FINANCING ARRANGEMENTS				\$ 2,227,195

**9. SEGMENT INFORMATION**

The Authority issues separate revenue bonds to finance operations. Within the Water Supply System and the Cost Reimbursable Operations are separate identifiable activities. Each of these activities have a separate agreement with the Authority that requires the revenue stream from that activity be pledged in support of the debt issued. Additionally, each of these activities requires that related revenues, expenses, gains and losses, assets and liabilities be accounted for separately. Within the Condensed Statements are six operations: Brushy Creek RWWS, Hutto WWS, Sandy Creek WTS, Clute Richwood WWS, Lee County FWD and Liberty Hill WWS. These six operations do not meet the aforementioned requirements but are listed for purpose of other contractual obligations. Those activities that meet these two requirements are as follows:

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**CONDENSED STATEMENTS**  
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	Water Supply System		Cost Reimbursable Operations			
	Lake Granbury	All Other Water Supply Systems	WCRRWL	Lake Granbury SWATS	Temple-Belton RSS	Liberty Hill WWS

**Condensed Statement of Net Assets**

Assets:

Current assets - unrestricted	\$ 36	\$ 57,818	\$ 775	\$ 1,728	\$ 227	\$ 38
Current assets - restricted	250	27,902	3,100	5,847	601	-
Capital assets	11,230	212,254	29,148	30,174	1,206	-
Other assets	-	4,356	1,169	391	16	-
<b>TOTAL ASSETS</b>	<b>11,516</b>	<b>302,330</b>	<b>34,192</b>	<b>38,140</b>	<b>2,050</b>	<b>38</b>

Liabilities:

Current liabilities - unrestricted	36	11,288	1,134	1,832	408	38
Current liabilities - restricted	945	5,362	3,335	4,544	1,020	-
Non-current liabilities	1,015	117,844	28,962	25,767	(1)	-
<b>TOTAL LIABILITIES</b>	<b>1,996</b>	<b>134,494</b>	<b>33,431</b>	<b>32,143</b>	<b>1,427</b>	<b>38</b>

Net Assets:

Investment in capital assets, net of related debt	250	103,354	620	2,573	632	-
Restricted	9,270	16,375	499	3,528	172	-
Unrestricted	-	48,107	(358)	(104)	(181)	-
<b>TOTAL NET ASSETS</b>	<b>\$ 9,520</b>	<b>\$ 167,836</b>	<b>\$ 761</b>	<b>\$ 5,997</b>	<b>\$ 623</b>	<b>\$ -</b>

**Condensed Statement of Revenues,  
Expenses and Changes In Net Assets**

Operating revenues:

Pledged against identifiable bonds/ storage contracts	\$ 1,038	\$ 39,139	\$ 1,853	\$ 7,268	\$ 2,821	\$ -
Pledge against operations	-	-	-	-	-	247
Depreciation and amortization expense	(137)	(4,828)	(1,835)	(2,377)	(551)	-
Other operating expenses	-	(24,622)	(342)	(3,300)	(2,188)	(248)
<b>OPERATING INCOME (LOSS)</b>	<b>901</b>	<b>9,689</b>	<b>(324)</b>	<b>1,591</b>	<b>82</b>	<b>(1)</b>

Non-operating revenues (expenses):

Investment income	3	819	9	45	-	1
Interest expense	(149)	(3,848)	(1,681)	(1,629)	(34)	-
Other Income/(Expense)	-	(752)	-	17	-	-
Gain/(loss) on Sale of Capital Assets	-	38	-	-	-	-
Contributed capital	-	96	1,093	(37)	34	-
<b>CHANGE IN NET ASSETS</b>	<b>755</b>	<b>6,042</b>	<b>(903)</b>	<b>(13)</b>	<b>82</b>	<b>-</b>
Beginning net assets	8,765	162,579	1,664	5,225	541	-
Adjustments	-	(785)	-	785	-	-
<b>ENDING NET ASSETS</b>	<b>\$ 9,520</b>	<b>\$ 167,836</b>	<b>\$ 761</b>	<b>\$ 5,997</b>	<b>\$ 623</b>	<b>\$ -</b>

**Condensed Statement of Cash Flows**

Net cash provided by (used in) :

Operating activities	\$ 1,027	\$ 12,958	\$ 1,846	\$ 4,408	\$ 777	\$ 18
Capital and related financing activities	(1,027)	(12,299)	(2,075)	(3,630)	(619)	-
Investing activities	-	(21,193)	9	279	(15)	-
Net Increase (Decrease) -	-	(20,534)	(220)	1,057	143	18
Beginning Cash and Cash Equivalents	-	30,007	3,863	3,491	360	20
<b>Ending Cash and Cash Equivalents</b>	<b>\$ -</b>	<b>\$ 9,473</b>	<b>\$ 3,643</b>	<b>\$ 4,548</b>	<b>\$ 503</b>	<b>\$ 38</b>

**BRAZOS RIVER AUTHORITY**  
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**CONDENSED STATEMENTS**  
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Cost Reimbursable Operations					
Brushy Creek RWWS	Hutto WWS	Sandy Creek WTS	Clute/ Richwood WWS	Lee County FWD	GRAND TOTAL
\$ 1,444	\$ 195	\$ 203	\$ 117	\$ 50	\$ 62,631
-	-	-	-	-	37,700
133	12	35	44	-	284,236
-	-	-	-	-	5,932
<u>1,577</u>	<u>207</u>	<u>238</u>	<u>161</u>	<u>50</u>	<u>390,499</u>
1,444	195	203	117	50	16,745
-	-	-	-	-	15,206
-	-	-	-	-	173,587
<u>1,444</u>	<u>195</u>	<u>203</u>	<u>117</u>	<u>50</u>	<u>205,538</u>
133	12	35	44	-	107,653
-	-	-	-	-	29,844
-	-	-	-	-	47,464
<u>\$ 133</u>	<u>\$ 12</u>	<u>\$ 35</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 184,961</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,119
4,232	471	869	552	96	6,467
(41)	(2)	(5)	(13)	-	(9,789)
<u>(4,238)</u>	<u>(472)</u>	<u>(832)</u>	<u>(553)</u>	<u>(96)</u>	<u>(36,891)</u>
(47)	(3)	32	(14)	-	11,906
11	1	1	1	-	891
-	-	-	-	-	(7,341)
-	-	-	-	-	(735)
-	-	-	-	-	38
<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,203</u>
(19)	(2)	33	(13)	-	5,962
152	14	2	57	-	178,999
-	-	-	-	-	-
<u>\$ 133</u>	<u>\$ 12</u>	<u>\$ 35</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 184,961</u>
\$ 357	\$ 101	\$ 217	\$ (178)	\$ (4)	\$ 21,527
(5)	-	(37)	-	-	(19,692)
<u>11</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>(20,907)</u>
363	102	180	(177)	(4)	(19,072)
1,079	93	23	233	54	39,223
<u>\$ 1,442</u>	<u>\$ 195</u>	<u>\$ 203</u>	<u>\$ 56</u>	<u>\$ 50</u>	<u>\$ 20,151</u>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**10. COMMITMENTS & CONTINGENCIES**

**Deferred Compensation Plans**

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

All regular full-time and part-time employees who contribute to the 457 Deferred Compensation Plan are eligible for employer contributions to the 401 (a) plan. The employer contribution is based on 50% of the employee's 457 semi-monthly deferral (maximum employer contribution is 3% of the employee's semi-monthly gross compensation). Employees are vested in the employer contribution and related investment earnings (losses) after completing five or more years of continuous Authority service. Non-vested employer contributions are deposited into the ICMA Traditional Growth Fund until vesting occurs. Total deposits into the non-vested account for the twelve months ended August 31, 2010 and August 31, 2009 was \$48 and \$48, respectively.

Investments are managed by the plan's administrator under various participant-directed investment options. The choice of the investment option(s) is made by the participant. In accordance with GASB Statement 32, this plan is not reported because the assets are not held by the Authority in a trustee capacity or as an agent for the participant.

**Construction Projects**

During Fiscal Year 2010, the Authority made progress on the following projects:

Name	Construction In Progress at August 31, 2010	Total Project Budgeted Cost	Estimated Project Comp. Date
System Permit Application	\$ 7,360	\$ 9,459	2012
Graham Flood Control	3,680	5,740	2011
Lake Granger /Groundwater Intake	2,169	22,000	2012
PK Nose Baffles & Pier 8	1,714	4,042	2012
WCRRWL Phase II Pumping	1,472	4,437	2011
Lower Basin Ground Water Acquisition	722	971	2011
DeCordova Bend Dam Improvements	401	2,357	2011
Temple Belton Expansion	278	45,660	2016
Allens Creek Reservoir	237	67,198	2025
Other	389	-	various
TOTAL	<u>\$ 18,422</u>		

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Other**

The Authority 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 Authority has a hydroelectric generation facility located at the Morris Sheppard Dam at Possum Kingdom Lake. Since 1991, the Authority has operated the facility under a Power Sales Contract (PSC) with the Brazos Electric Power Cooperative (BEPC) to sell power generated from the facility to BEPC. In August 2007, due to maintenance and safety concerns, the operations of the facility were ceased. In November 2007, the Authority signed a new agreement, a Facility Use Agreement (FUA), to lease the hydroelectric facility to BEPC. The terms of the agreement were to take effect when approvals are received from both the Federal Energy Regulatory Commission (FERC) and the Rural Utility Services (RUS). Simultaneously, the two parties entered into a Facility Cost Agreement (FCA) which established BEPC's responsibility to reimburse the Authority for all costs associated with the hydroelectric plant until final approval from the regulatory agencies. The FCA expired in May 2009. In July 2009, BEPC filed suit against the Authority claiming breach of the PSC, FUA and FCA. The Authority filed a Plea to the Jurisdiction, claiming immunity from suit. Arguments were heard in September, October, and November 2009. On November 24, 2009, the trial court, by letter, stated the court's intention to deny the Plea to the Jurisdiction. By Order signed and dated December 22, 2009, the trial court denied the Plea to the Jurisdiction filed by the Authority. The Authority perfected an appeal of the trial court ruling to the Tenth Court of Appeals in Waco, Texas. The Plea to the Jurisdiction raises the argument by the Authority that the court does not have jurisdiction to hear the case filed by BEPC because of the Authority's sovereign or governmental immunity. On June 23, 2010, the Tenth Court of Appeals reversed the order of the trial and, in a unanimous opinion, rendered judgment dismissing the case for lack of jurisdiction. On August 9, 2010, BEPC filed a Petition for Review with the Texas Supreme Court. On October 7, 2010, in response to a request by the Texas Supreme Court, the Authority filed a Response to BEPC's Petition for Review. BEPC's Reply is due November 22, 2010. The Texas Supreme Court has not granted or, alternatively, denied the Petition for Review. If the Plea to the Jurisdiction of the Authority is ultimately upheld on appeal, the lawsuit will be finally dismissed for want of jurisdiction. If the position of the Authority regarding jurisdiction and immunity is not ultimately upheld on appeal, the case would return to the trial court for a decision on the merits at which time the Authority would have the right to assert factual and legal defenses to the claims being made by BEPC. All discovery in the lawsuit is stayed, both by statutory provisions, and by order of the trial court, pending the outcome of the appeal on the Plea to the Jurisdiction. The Authority intends to vigorously pursue its appeal and claim of sovereign or governmental immunity and, if necessary, to also vigorously contest and defend the claims asserted in this matter. The disposition of such litigation and ultimate financial impact is not determinable at this time.

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The Authority is subject to various other claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the Authority 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 Authority.

**11. RISK MANAGEMENT**

The Authority 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 Authority carries commercial insurance or participates in the Texas Municipal League Intergovernmental Risk Pool (Pool). The Authority'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 Authority has the responsibility to notify the Pool of all potential claims and pay for any amounts up to the agreement's deductible.

The Authority maintains a partially self-insured plan for medical and dental. The purpose of the partially self-insured plan is to reduce total medical cost for both employees and the Authority. Medical claims exceeding \$1,920 for the group and \$80 per covered individual are insured through Texas Municipal League. Annual costs exceed the plan year's additions, and as a result, the Authority's previously accumulated restricted health insurance investment account decreased by \$205. These funds will be available in any future year the health cost exceed that plan years additions.

The past three years of changes to the restricted investment account and the accrued liability account, are as follows:

<b>Fiscal Year Ended</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
August 31, 2008	\$ 2,095	\$ 2,019	\$ (1,644)	\$ 2,470
August 31, 2009	\$ 2,470	\$ 2,246	\$ (2,198)	\$ 2,518
August 31, 2010	\$ 2,518	\$ 1,944	\$ (2,149)	\$ 2,313

Liabilities are reported when a contingency risk exists that may exceed reasonable cost projections. In the past three years, the Authority has had no settlements which exceeded insurance coverage. The Schedule of Insurance can be found on Page 86 of this report.



**BRAZOS RIVER AUTHORITY**  
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**12. BOARD DESIGNATED RESERVES**

On April 25, 2005, the Board of Directors of the Authority approved and adopted a contingency reserves policy and incorporated such policy into Section 4.06, "Contingency Reserve" of the Brazos River Authority Operations Policies Manual.

The balances of those reserves at August 31, 2010 are represented as follows:

Working Capital Reserve	\$ 6,156
Repair and Replacement Fund	4,274
Contingency Reserve Fund	5,000
Self Insurance Fund	500
Rate Stabilization Reserve Fund	29,956
<b>TOTAL</b>	<u><u>\$ 45,886</u></u>

**13. RESTATEMENT**

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, of the Governmental Accounting Standards Board was effective for periods beginning after June 15, 2009.

Management has restated the accompanying 2009 financial statements to reflect a change in accounting principle for the required implementation of GASB 51. The statement requires that all intangible assets subject to the provisions of the statement should be classified as capital assets. Prior to this provision, the Authority had recorded all storage and water rights as Other Assets on the Statements of Net Assets. The net effect on the August 31, 2008 Net Assets was an increase of \$28,449 for the reversal of accumulated amortization. The following summarizes the adjustments made to the 2009 Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets:

**BRAZOS RIVER AUTHORITY**  
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**STATEMENT OF NET ASSETS**

	2009 Restated	2009 As Previously Reported
<b>CAPITAL ASSETS</b>		
Land, storage and water rights	\$ 84,500	\$ 28,587
Reservoirs, water treatment, and sewerage facilities	169,260	169,260
Building, structure and improvements	105,304	105,304
Vehicles, furniture and equipment	18,142	18,142
Construction in progress	15,152	15,152
<b>TOTAL CAPITAL ASSETS</b>	<b>392,358</b>	<b>336,445</b>
Less: accumulated depreciation	(103,665)	(103,665)
<b>NET CAPITAL ASSETS</b>	<b>\$ 288,693</b>	<b>\$ 232,780</b>
<b>OTHER NONCURRENT ASSETS:</b>		
Storage rights, net	\$ -	\$ 26,144
Contract receivable, net of current portion	875	875
Bond related costs	2,815	2,815
Other assets, net	2,585	2,585
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b>\$ 6,275</b>	<b>\$ 32,419</b>
<b>TOTAL ASSETS</b>	<b>\$ 390,831</b>	<b>\$ 361,062</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 104,239	\$ 74,470
Restricted for construction	31,940	31,940
Unrestricted	42,820	42,820
<b>TOTAL NET ASSETS</b>	<b>\$ 178,999</b>	<b>\$ 149,230</b>

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**

<b>OPERATING EXPENSES:</b>		
Personnel services	\$ 16,355	\$ 16,355
Materials and supplies	3,011	3,011
Utilities	5,121	5,121
Depreciation and amortization	9,905	11,225
Outside services	4,525	4,525
Other	7,317	7,317
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 46,234</b>	<b>\$ 47,554</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 178,999</b>	<b>\$ 149,230</b>

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**14. RECENTLY ISSUED GASB STATEMENTS**

In March 2009, the Government Accounting Standards Board issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB 55 is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

The statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. The statement was effect upon issuance.

In March 2009, the Government Accounting Standards Board issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source; this brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. The statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. The statement was effective upon issuance.

In December 2009 the Government Accounting Standards Board issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The Authority does not anticipate any significant impact from GASB 57 in the financial statements or results of operations at this time.

In December 2009 the Government Accounting Standards Board issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The effective date is for periods beginning after June 15, 2009. The Authority is currently not effected by this Statement.

In June 2010 the Government Accounting Standards Board issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this Statement are effective for periods beginning after June 15, 2010. The Authority should have no significant impact from this Statement.

**BRAZOS RIVER AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

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**15. SUBSEQUENT EVENTS**

On April 2009, the Authority awarded a bid for a third-party sale of most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Properties, Ltd. On October 20, 2010 the final closing occurred and \$50,302 was deposited into the Authority's Operating Account.

On July 26, 2010, the Board of Directors of the Authority approved the issuance and sale of Brazos River Authority Contract Revenue Improvement and Refunding Bond Series 2010 to fund the refunding of the balance owed on the Brazos River Authority Contract Revenue bonds, Series 2000 and to fund the Williamson County Regional Raw Water Line Phase II Pump Improvement Project. The debt resolution authorizes the issuance in a not to exceed principal amount of \$20,000.

On November 8, 2010 the Board of Directors of the Authority approved a resolution instructing the General Manager/CEO to take any and all steps necessary to surrender the Federal Energy Regulatory Commission (FERC) license and to decommission the hydroelectric generation facility at Possum Kingdom Lake.

# ***Required Supplemental Information***

**Brazos River Authority  
FY2010 Comprehensive Annual Financial Report**

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

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

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c) *
March 1, 2008	\$ 22,975	\$ 23,115	\$ 140	99%	\$ 9,357	1.50%
March 1, 2009	\$ 19,739	\$ 23,366	\$ 3,627	84%	\$ 8,416	43.10%
March 1, 2010	\$ 20,944	\$ 23,645	\$ 2,701	89%	\$ 8,416	32.09%

\*As a result of the amendment to freeze the Plan, the valuation period March 1, 2009 will be the first year the covered payroll information is no longer needed for the calculation of the ARC.

**Brazos River Authority TCDRS:**

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
December 31, 2007	\$ 459	\$ 2,524	\$ 2,065	18.19%	\$ 13,047	15.83%
December 31, 2008	\$2,279	\$ 4,225	\$ 1,946	53.94%	\$ 12,926	15.05%
December 31, 2009	\$4,385	\$ 6,294	\$ 1,909	69.67%	\$ 13,585	14.06%

Historical trend information about the TCDRS, a nontraditional defined benefit pension plan, is presented as supplementary information. It is intended to help users assess the plan's funding status on an on-going basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other comparable retirement systems.

# ***Supplemental Information***

**Brazos River Authority  
FY2010 Comprehensive Annual Financial Report**

**BRAZOS RIVER AUTHORITY**  
**SUPPLEMENTAL INFORMATION**  
**COMBINING STATEMENTS OF FIDUCIARY NET ASSETS**  
**AUGUST 31, 2010 AND 2009 (in thousands)**

	2010	2009
<b>City of Robinson Agency Fund</b>		
<b>ASSETS</b>		
Cash	\$ -	\$ 36
Investments	-	112
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 148</b>
<b>LIABILITIES</b>		
Held for future debt service	\$ -	\$ 148
Held for future construction cost	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 148</b>
<b>City of Keene Agency Fund</b>		
<b>ASSETS</b>		
Cash	\$ 217	\$ 535
Investments	1,893	1,935
Accrued interest	-	2
<b>TOTAL ASSETS</b>	<b>\$ 2,110</b>	<b>\$ 2,472</b>
<b>LIABILITIES</b>		
Held for future debt service	\$ 2,110	\$ 2,472
<b>TOTAL LIABILITIES</b>	<b>\$ 2,110</b>	<b>\$ 2,472</b>
<b>Jonah Water SUD Agency Fund</b>		
<b>ASSETS</b>		
Cash	\$ 628	\$ 718
Investments	448	447
Accrued interest	-	1
<b>TOTAL ASSETS</b>	<b>\$ 1,076</b>	<b>\$ 1,166</b>
<b>LIABILITIES</b>		
Held for future debt service	\$ 493	\$ 512
Held for future construction cost	583	654
<b>TOTAL LIABILITIES</b>	<b>\$ 1,076</b>	<b>\$ 1,166</b>
<b>Grand Total</b>		
<b>ASSETS</b>		
Cash	\$ 845	\$ 1,289
Investments	2,341	2,494
Accrued interest	-	3
<b>TOTAL ASSETS</b>	<b>\$ 3,186</b>	<b>\$ 3,786</b>
<b>LIABILITIES</b>		
Held for future debt service	\$ 2,603	\$ 3,132
Held for future construction cost	583	654
<b>TOTAL LIABILITIES</b>	<b>\$ 3,186</b>	<b>\$ 3,786</b>



**BRAZOS RIVER AUTHORITY**  
**SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (AGENCY FUNDS)**  
**YEAR ENDED AUGUST 31, 2010 (in thousands)**

	Balance August 31, 2009	Additions	Deletions	Balance August 31, 2010
<b>City of Robinson Agency Fund</b>				
<b>ASSETS</b>				
Cash	\$ 36	\$ 218	\$ (254)	\$ -
Investments	112	-	(112)	-
<b>TOTAL ASSETS</b>	<b>\$ 148</b>	<b>\$ 218</b>	<b>\$ (366)</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Held for future debt service	\$ 148	\$ 60	\$ (208)	\$ -
Held for future construction cost	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>\$ 148</b>	<b>\$ 60</b>	<b>\$ (208)</b>	<b>\$ -</b>
<b>City of Keene Agency Fund</b>				
<b>ASSETS</b>				
Cash	\$ 535	\$ 2,575	\$ (2,893)	\$ 217
Investments	1,935	1,962	(2,004)	1,893
Accrued interest	2	20	(22)	-
<b>TOTAL ASSETS</b>	<b>\$ 2,472</b>	<b>\$ 4,557</b>	<b>\$ (4,919)</b>	<b>\$ 2,110</b>
<b>LIABILITIES</b>				
Held for future debt service	\$ 2,472	\$ 22	\$ (384)	\$ 2,110
<b>TOTAL LIABILITIES</b>	<b>\$ 2,472</b>	<b>\$ 22</b>	<b>\$ (384)</b>	<b>\$ 2,110</b>
<b>Jonah Water SUD Agency Fund</b>				
<b>ASSETS</b>				
Cash	\$ 718	\$ 1,704	\$ (1,794)	\$ 628
Investments	447	453	(452)	448
Accrued interest	1	-	(1)	-
<b>TOTAL ASSETS</b>	<b>\$ 1,166</b>	<b>\$ 2,157</b>	<b>\$ (2,247)</b>	<b>\$ 1,076</b>
<b>LIABILITIES</b>				
Held for future debt service	\$ 512	\$ 427	\$ (446)	\$ 493
Held for future construction cost	654	1	(72)	583
<b>TOTAL LIABILITIES</b>	<b>\$ 1,166</b>	<b>\$ 428</b>	<b>\$ (518)</b>	<b>\$ 1,076</b>

**BRAZOS RIVER AUTHORITY**  
**SUPPLEMENTAL INFORMATION**  
**COMPARISON OF BUDGETED REVENUES AND EXPENSES TO ACTUAL (NON-GAAP BASIS)**  
**YEAR ENDED AUGUST 31, 2010 (in thousands)**

	2010 Budget	2010 Actual	Variance
OPERATING REVENUES:			
Water Supply System:			
Raw water sales	\$ 27,880	\$ 28,640	\$ 760 <sup>1</sup>
Treated water	1,568	1,571	3
Wastewater treatment	3,140	3,285	145
Lake operations	3,073	4,492	1,419 <sup>2</sup>
Grants	1,221	1,552	331
Other	959	927	(32) <sup>3</sup>
Cost Reimbursable Operations:			
Water Conveyance	3,177	1,853	(1,324) <sup>4</sup>
Water Treatment	10,399	8,221	(2,178) <sup>5</sup>
Wastewater Treatment	9,438	8,045	(1,393) <sup>6</sup>
<b>TOTAL OPERATING REVENUES</b>	<b>60,855</b>	<b>58,586</b>	<b>(2,269)</b>
OPERATING EXPENSES:			
Personnel services	18,977	16,615	2,362 <sup>7</sup>
Materials and supplies	4,085	2,769	1,316 <sup>8</sup>
Utilities	5,307	4,506	801 <sup>9</sup>
Depreciation and amortization	-	9,789	(9,789) <sup>10</sup>
Outside services	5,146	5,422	(276) <sup>11</sup>
Other	11,768	7,579	4,189 <sup>12</sup>
<b>TOTAL OPERATING EXPENSES</b>	<b>45,283</b>	<b>46,680</b>	<b>(1,397)</b>
NON-OPERATING REVENUES (EXPENSES):			
Investment income	789	891	102
Interest expense	(7,633)	(7,341)	292 <sup>13</sup>
Other expenses		(735)	(735) <sup>14</sup>
Gain on sale of capital assets	-	38	38 <sup>14</sup>
Capital contributions	-	1,203	1,203 <sup>15</sup>
Debt service - principal	(7,255)	-	7,255 <sup>16</sup>
<b>TOTAL NET NON-OPERATING EXPENSES</b>	<b>(14,099)</b>	<b>(5,944)</b>	<b>8,155</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 1,473</b>	<b>\$ 5,962</b>	<b>\$ 4,489</b>

- 1 Higher than expected water sales
- 2 Oil & Gas leases higher than expected
- 3 Grants to construct capital assets not included in budget
- 4 Due to wet weather, transported 83% less water than planned
- 5 Flows at LGSWATS 28% lower than expected, capital projects delayed
- 6 Operating expenses at BCRWS less than budgeted
- 7 Normal attrition in the replacement of personnel and positions
- 8 Lower than expected expenditures on fuel and chemicals
- 9 Less water moved through WCRRWL and less water treated at SWATS resulting in lower electric usage
- 10 Depreciation and amortization are not budgeted expenditures
- 11 Higher than expected O&M charges from COE lakes and legal fees for Hydroelectric
- 12 Budget column includes items subsequently reclassified to an asset for the preparation of the CAFR
- 13 Budget column includes two additional bonds that were not issued as expected
- 14 Miscellaneous items that are not budgeted for during the budget process
- 15 Actual column includes reimbursement from customers for various projects
- 16 Debt service principal payments are not GAAP expenditures

# ***STATISTICAL SECTION***

**Brazos River Authority  
FY2010 Comprehensive Annual Financial Report**

## BRAZOS RIVER AUTHORITY STATISTICAL SECTION

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

### **Contents**

### **Pages**

#### **Financial Trends**

These schedules contain information to assist the reader in obtaining a better understanding of how the Authority's financial performance and well-being have changed over time.

65 - 66

#### **Revenue Capacity**

These schedules contain information to assist the reader in obtaining a better understanding of the Authority's significant revenue source, water sales and cost reimbursable operations.

67 - 71

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt, the Authority's ability to issue additional debt in the future, and to provide information to comply with the continuing disclosure requirements of SEC Rule 15c2-12.

72 - 74

#### **Demographic and Economic information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority operates and the geographic regions the Authority manages, each with distinctive climate, topography and water needs.

76 - 83

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

84 - 88

**Sources:** Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports for the relevant year. The Authority implemented GASB Statement 34 in 2003; schedules presenting basic financial information include information beginning in that year.

Statement No. 44 of the Governmental Accounting Standards Board *Economic Condition Reporting: The Statistical Section* was implemented by the Authority during fiscal year 2005. The Statement allows governments to begin the schedules prospectively and are not required to retroactively report years prior to the implementation date of the Statement. However, governments are encouraged to report retroactively back to the year they implemented Statement 34.

**BRAZOS RIVER AUTHORITY**  
**CHANGES IN NET ASSETS (in thousands)**  
**LAST EIGHT FISCAL YEARS (unaudited)**  
(accrual basis of accounting)

	Fiscal Year							
	2010	restated 2009	2008	2007	2006	2005	2004	2003
<b>OPERATING REVENUES:</b>								
Water Supply System:								
Raw water	\$ 28,640	\$ 29,529	\$ 26,093	\$ 23,010	\$ 19,460	\$ 18,653	\$ 18,044	\$ 17,462
Treated water	1,571	1,232	1,022	1,062	1,115	886	247	-
Wastewater treatment	3,285	3,012	2,989	2,572	2,301	1,021	836	-
Lake operations	4,492	3,243	3,181	3,121	2,875	2,508	2,396	2,258
Hydroelectric	-	514	631	603	677	750	625	603
Grants	1,552	1,578	1,264	1,101	1,615	2,863	2,805	2,357
Pollution control financing fees	-	-	-	-	750	-	933	267
Other	927	1,466	1,356	1,229	1,259	1,251	981	962
Total Water Supply Revenue	40,467	40,574	36,536	32,698	30,052	27,932	26,867	23,909
Cost Reimbursable Operations:								
Water conveyance (a)	1,853	3,235	2,346	2,247	1,801	5,954	6,058	5,617
Water treatment	8,221	8,953	8,174	7,880	8,038	6,877	6,632	5,437
Wastewater treatment (b)	8,045	7,733	7,827	7,321	7,186	7,520	9,914	13,761
Total Cost Reimbursable Revenues	18,119	19,921	18,347	17,448	17,025	20,351	22,604	24,815
<b>TOTAL OPERATING REVENUES</b>	<b>58,586</b>	<b>60,495</b>	<b>54,883</b>	<b>50,146</b>	<b>47,077</b>	<b>48,283</b>	<b>49,471</b>	<b>48,724</b>
<b>OPERATING EXPENSES:</b>								
Personnel services	16615	16,355	15,271	14,744	14,670	14,195	15,009	13,588
Materials and supplies	2769	3,011	2,613	2,501	2,792	2,389	2,183	2,518
Utilities	4506	5,121	4,836	4,545	4,355	3,087	3,800	3,704
Depreciation and amortization	9789	9,905	8,804	9,819	9,965	11,478	10,434	10,412
Outside services	5422	4,525	4,993	4,959	4,551	7,358	6,715	5,695
Other	7579	7,317	7,025	6,655	6,677	4,985	5,281	5,070
<b>TOTAL OPERATING EXPENSES</b>	<b>46,680</b>	<b>46,234</b>	<b>43,542</b>	<b>43,223</b>	<b>43,010</b>	<b>43,492</b>	<b>43,422</b>	<b>40,987</b>
<b>OPERATING INCOME</b>	<b>11,906</b>	<b>14,261</b>	<b>11,341</b>	<b>6,923</b>	<b>4,067</b>	<b>4,791</b>	<b>6,049</b>	<b>7,737</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
Investment income	891	1,329	2,187	2,832	1,941	1,253	1,376	1,718
Interest expense	(7,341)	(7,419)	(5,848)	(5,928)	(5,963)	(8,797)	(9,134)	(11,577)
Other income (d)	-	-	4,125	-	-	-	-	-
Other expenses	(735)	(303)	(292)	(765)	(1,352)	(197)	(361)	(305)
Gain/(Loss) on sale of capital assets (a),(b),(c)	38	(107)	(391)	33	(5,674)	(9,418)	1,875	-
<b>TOTAL NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>(7,147)</b>	<b>(6,500)</b>	<b>(219)</b>	<b>(3,828)</b>	<b>(11,048)</b>	<b>(17,159)</b>	<b>(6,244)</b>	<b>(10,164)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS:</b>	<b>4,759</b>	<b>7,761</b>	<b>11,122</b>	<b>3,095</b>	<b>(6,981)</b>	<b>(12,368)</b>	<b>(195)</b>	<b>(2,427)</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>1,203</b>	<b>1,035</b>	<b>661</b>	<b>1,933</b>	<b>1,126</b>	<b>4,177</b>	<b>2,871</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 5,962</b>	<b>\$ 8,796</b>	<b>\$ 11,783</b>	<b>\$ 5,028</b>	<b>\$ (5,855)</b>	<b>\$ (8,191)</b>	<b>\$ 2,676</b>	<b>\$ (2,427)</b>

- (a) On July 14, 2005 a transfer agreement was signed by the City of Lubbock, Texas and the Authority to transfer ownership and operation of the Lake Alan Henery to the City of Lubbock. As a result of this transaction, the Authority removed all related assets, liabilities and net assets from its books resulting in a loss from sale of operations in the amount of \$9,425
- (b) During Fiscal Year 2004, the customer cities of WMARSS and the Authority entered into negotiations for early termination of their contract, which had approximately eight years remaining. Negotiations were completed and the ownership/operation was transferred to the City of Waco on February 24, 2004 and all existing contracts, assets, and related debt were transferred to the City of Waco.
- (c) During Fiscal Year 2006 a transfer agreement was signed by the City of Sugarland, Texas and the Authority, to transfer ownership and operation of the City of Sugarland. As a result of this transaction, the Authority removed all related assets, liabilities and net assets from its books resulting in a loss from sale of operations in the amount of \$5,681
- (d) Proceeds from litigation settlement of capital assets

**BRAZOS RIVER AUTHORITY**  
**NET ASSETS BY COMPONENT** (in thousands)  
**LAST EIGHT FISCAL YEARS** (unaudited)  
(accrual basis of accounting)

		Fiscal Year							
		2010	2009	2008	2007	2006	2005	2004	2003
Invested in capital assets									
net of related debt	\$ 107,653	\$ 104,239	\$ 111,857	\$ 98,880	\$ 98,325	\$ 115,103	\$ 105,899	\$ 88,046	
Restricted	29,844	31,940	13,774	22,634	18,678	12,116	16,139	30,805	
Unrestricted	47,464	42,820	44,572	36,907	35,071	29,404	41,471	41,625	
<b>TOTAL NET ASSETS</b>	<b>\$ 184,961</b>	<b>\$ 178,999</b>	<b>\$ 170,203</b>	<b>\$ 158,421</b>	<b>\$ 152,074</b>	<b>\$ 156,623</b>	<b>\$ 163,509</b>	<b>\$ 160,476</b>	

- a During Fiscal Year 2004, the customer cities of WMARSS and the Authority entered into negotiations for early termination of their contract, which had approximately eight years remaining. Negotiations were completed and the ownership/operation was transferred to the City of Waco on February 24, 2004 and all existing contracts, assets and related debt were transferred to the City of Waco.
- b During Fiscal Year 2006, the customer city of Sugar Land and the Authority entered into negotiations for early termination of their contract. Negotiations were completed and the ownership/operation was transferred to the City of Sugar Land on October 25, 2005 and all existing contracts, assets and related debt were transferred to the City of Sugar Land.
- c During Fiscal Year 2008, the Authority spent the majority of the bond proceeds and completed the expansion project at its East Williamson County Regional Water System.
- d During Fiscal Year 2009, the Authority issued \$22,000 in new debt for the construction of the deep water intake structure on Granger Lake.

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

Year	System Rate			Agriculture			Two-Tier			Other Fixed			Colorado Basin Water			Utilities			Total	
	Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	
2000	142,718	23.50		-	-		108,796	14.66		80,734	17.50		-	-		277,047	28.01		609,295	
2001	161,241	26.00		-	-		128,796	15.87		60,634	20.84		-	-		277,047	28.04		627,718	
2002	189,325	29.90		-	-		98,170	16.35		60,599	20.36		17,360	49.22		227,047	33.77		592,501	
2003	191,039	34.50		-	-		98,170	16.48		60,402	20.40		21,860	49.22		227,047	33.69		598,518	
2004	195,382	39.75		-	-		105,503	15.75		56,976	21.23		21,860	49.22		227,047	45.75		606,768	
2005	206,184	45.75		11,344	39.75		105,503	15.94		56,916	20.86		22,460	53.91	a	205,447	16.57		607,854	
2006	205,817	49.65		11,344	39.75		105,503	16.30		56,300	21.10		22,460	54.08		205,447	16.24		606,871	
2007	224,537	52.50		9,940	39.75		105,503	16.36		56,916	20.00		20,984	62.07		205,447	16.85		623,327	
2008	243,481	54.50		9,990	39.75		103,838	16.59		33,583	17.52	b	21,528	67.73		205,447	18.18		617,867	
2009	289,414	57.00		9,990	39.75		100,238	16.51		33,583	17.71		25,000	72.86		205,447	16.10		663,672	
2010	294,741	60.50		10,190	42.35		100,238	16.54		33,633	17.87		21,528	74.19		205,447	16.42		665,777	

Source: Brazos River Authority Annual Operating Plan.

a - Twenty one thousand acre feet, consisting of four Utility Contracts, expired and were reclassified under System Rate as required by contract.

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

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

**BRAZOS RIVER AUTHORITY**  
**ALL OPERATIONS**  
**MAJOR CUSTOMERS (in thousands)**  
**LAST EIGHT FISCAL YEARS (unaudited)**

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

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

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

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

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

Source: Brazos River Authority billing system



**BRAZOS RIVER AUTHORITY**  
**ALL OPERATIONS**  
**MAJOR CUSTOMERS (in thousands)**  
**LAST EIGHT FISCAL YEARS (unaudited)**

Fiscal Year 2006			Fiscal Year 2005		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
Lower Colorado River Authority	\$ 5,080	10.79%	City of Lubbock	\$ 4,637	9.60%
Johnson County S.U.D.*	4,824	10.25%	Johnson County S.U.S.*	4,345	9.00%
City of Round Rock	3,285	6.98%	City of Sugar Land	3,912	8.10%
City of Georgetown	2,998	6.37%	Lower Colorado River Authority	3,727	7.72%
City of Temple	2,413	5.13%	City of Georgetown	2,959	6.13%
City of Sugar Land	2,155	4.58%	City of Round Rock	2,656	5.50%
NRG Texas, LP (Texas Genco)**	1,919	4.08%	Texas Genco, LP**	2,429	5.03%
TXU Electric Company	1,863	3.96%	City of Temple	2,410	4.99%
City of Taylor	1,160	2.46%	TXU Electric Company	2,361	4.89%
Bell County WCID #1	1,121	2.38%			
	<b>\$ 26,816</b>	<b>56.98%</b>		<b>\$ 29,436</b>	<b>60.96%</b>

Fiscal Year 2004			Fiscal Year 2003		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
TXU Electric Company	\$ 8,230	16.64%	City of Waco	\$ 6,186	12.70%
City of Sugar Land	5,077	10.26%	TXU Electric Company	5,671	11.64%
City of Lubbock	4,534	9.16%	City of Lubbock	4,172	8.56%
Johnson County S.U.D.*	3,751	7.58%	Johnson County R.W.S.C.*	3,476	7.13%
City of Waco	3,230	6.53%	Lower Colorado River Authority	2,948	6.05%
Lower Colorado River Authority	3,044	6.15%	City of Temple	2,482	5.09%
Texas Genco, LP**	2,942	5.95%	City of Round Rock	2,452	5.03%
City of Temple	2,586	5.23%	Texas Genco, LP**	1,988	4.08%
City of Georgetown	2,552	5.16%	City of Georgetown	1,333	2.74%
City of Round Rock	2,339	4.73%	City of Sugar Land	1,307	2.68%
	<b>\$ 38,285</b>	<b>77.39%</b>		<b>\$ 32,015</b>	<b>65.70%</b>

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

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

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

Source: Brazos River Authority Billing System

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

Fiscal Year 2010			Fiscal Year 2009		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total WSS Revenues
City of Georgetown	\$ 3,489	8.62%	City of Georgetown	\$ 3,276	8.06%
City of Round Rock	3,062	7.57%	Gulf Coast Water Authority	3,266	8.04%
NRG Texas Power, L.L.C. **	2,629	6.50%	City of Round Rock	2,975	7.32%
Gulf Coast Water Authority	2,513	6.21%	NRG Texas Power, LLC*	2,525	6.22%
Bell County W.C.I.D. #1	1,782	4.40%	City of Sugar Land	1,846	4.54%
City of Sugar Land	1,743	4.31%	Dow Chemical Company	1,810	4.46%
TXU Electric / Oakgrove	1,545	3.82%	Bell County W.C.I.D. #1	1,727	4.25%
City of Taylor	1,262	3.12%	TXU Electric Company	1,404	3.46%
Texas Water Development Board	1,028	2.54%	Brazos Electric Power Co-op	1,075	2.65%
City of Cleburne	908	2.24%	City of Taylor	1,010	2.49%
	<b>\$ 19,961</b>	<b>49.33%</b>		<b>\$ 20,914</b>	<b>51.49%</b>

Fiscal Year 2008			Fiscal Year 2007		
Customer	Revenues	% of Total WSS Revenues	Customer	Revenues	% of Total WSS Revenues
City of Round Rock	\$ 2,777	7.60%	City of Round Rock	\$ 2,841	8.69%
NRG Texas Power, LLC*	2,187	5.99%	City of Georgetown	2,817	8.62%
Gulf Coast Water Authority	1,789	4.90%	Bell County W.C.I.D. #1	1,648	5.04%
City of Georgetown	1,753	4.80%	City of Sugar Land	1,579	4.83%
Bell County W.C.I.D. #1	1,692	4.63%	NRG Texas Power, LLC*	1,367	4.18%
City of Sugar Land	1,623	4.44%	Gulf Coast Water Authority	1,067	3.26%
City of Taylor	1,094	2.99%	City of Taylor	1,062	3.25%
TXU Electric Company	788	2.16%	TXU Electric Company	1,027	3.14%
Johnson County S.U.D.	734	2.01%	North Texas Living Water Resource	934	2.86%
City of Cleburne	681	1.86%	Johnson County S.U.D.	707	2.16%
	<b>\$ 15,118</b>	<b>41.38%</b>		<b>\$ 15,049</b>	<b>46.02%</b>

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

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

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

Fiscal Year 2006			Fiscal Year 2005		
Customer	Revenues	% of Total WSS Revenues	Customer	Revenues	% of Total WSS Revenues
City of Georgetown	\$ 2,426	8.07%	City of Georgetown	\$ 2,438	8.73%
NRG Texas, LP (Texas Genco)*	1,919	6.39%	City of Round Rock	2,382	8.53%
City of Round Rock	1,851	6.16%	Texas Genco, L.P.*	2,265	8.11%
TXU Electric Company	1,831	6.09%	TXU Electric Coimpany	1,754	6.28%
City of Taylor	1,160	3.86%	Gulf Coast Water Authority	1,057	3.78%
Bell County W.C.I.D. #1	1,121	3.73%	City of Taylor	952	3.41%
Gulf Coast Water Authority	1,093	3.64%	Bell County W.C.I.D. #1	947	3.39%
City of Sugar Land	1,085	3.61%	Brazos Electric Power Cooperative	776	2.78%
Brazos Electric Power Cooperative	686	2.28%	Johnson County S.U.D.	616	2.21%
Johnson County S.U.D.	669	2.23%	Wellborn Special Utility District	500	1.79%
<b>TOTAL</b>	<b>\$ 13,841</b>	<b>46.06%</b>		<b>\$ 13,687</b>	<b>49.01%</b>

Fiscal Year 2004			Fiscal Year 2003		
Customer	Revenues	% of Total WSS Revenues	Customer	Revenues	% of Total WSS Revenues
TXU Electric Company	\$ 8,059	30.00%	TXU Electric Company	\$ 5,670	23.72%
Texas Genco, LP*	2,137	7.95%	Texas Genco, LP*	1,982	8.29%
City of Georgetown	2,031	7.56%	City of Round Rock	1,495	6.25%
City of Round Rock	1,551	5.77%	City of Georgetown	1,107	4.63%
Gulf Coast Water Authority	1,001	3.73%	Bell County W.C.I.D. #1	969	4.05%
Bell County W.C.I.D. #1	924	3.44%	Gulf Coast Water Authority	952	3.98%
Brazos Electric Power Cooperative	650	2.42%	City of Taylor	517	2.16%
Johnson County S.U.D.	536	1.99%	Brazos Electric Power Cooperative	484	2.02%
City of Granbury	514	1.91%	City of Granbury	481	2.01%
City of Taylor	494	1.84%	Johnson County S.U.D.	465	1.94%
	<b>\$ 17,897</b>	<b>66.61%</b>		<b>\$ 14,122</b>	<b>59.05%</b>

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

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

**BRAZOS RIVER AUTHORITY  
WATER SUPPLY REVENUE BOND DEBT  
SERIES 2001A, SERIES 2001B, SERIES 2002 AMT  
SERIES 2005A & B, SERIES 2006 AND SERIES 2009  
AMORTIZATION SCHEDULE (unaudited)**

Fiscal Year Ended August 31	Prior Lien		Subordinate Lien				Total Debt Service Requirements	% Of Principal Retired
	Utilities	Contract Debt (1)	Outstanding Bonds (2)		Outstanding Bonds (3)			
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		
2011	945,000	81,812.50	1,010,000	624,876.26	1,845,000	2,127,826.16	6,634,514.92	4.58%
2012	1,015,000	27,912.50	890,000	582,331.26	1,880,000	2,094,026.16	6,489,269.92	
2013			930,000	538,255.63	1,915,000	2,058,896.16	5,442,151.79	
2014			980,000	493,730.00	1,955,000	2,021,736.46	5,450,466.46	
2015			980,000	447,075.00	2,530,000	1,968,561.21	5,925,636.21	
2016			970,000	399,807.50	2,605,000	1,898,807.76	5,873,615.26	
2017			1,015,000	350,752.50	2,675,000	1,823,222.11	5,863,974.61	
2018			1,070,000	298,640.00	2,755,000	1,741,584.66	5,865,224.66	
2019			1,125,000	242,801.25	2,845,000	1,653,511.46	5,866,312.71	
2020			1,185,000	183,111.25	2,935,000	1,557,865.06	5,860,976.31	
2021			1,250,000	119,200.00	3,045,000	1,453,912.94	5,868,112.94	47.06%
2022			680,000	69,750.00	3,155,000	1,341,665.17	5,246,415.17	
2023			715,000	35,750.00	3,275,000	1,222,096.37	5,247,846.37	
2024					3,405,000	1,095,623.79	4,500,623.79	
2025					3,540,000	960,851.63	4,500,851.63	71.94%
2026					3,680,000	818,728.93	4,498,728.93	
2027					3,835,000	668,476.76	4,503,476.76	
2028					3,995,000	509,477.23	4,504,477.23	
2029					3,130,000	368,436.00	3,498,436.00	92.38%
2030					1,015,000	285,637.50	1,300,637.50	
2031					1,065,000	238,837.50	1,303,837.50	
2032					1,115,000	189,787.50	1,304,787.50	
2033					1,165,000	138,487.50	1,303,487.50	
2034					1,220,000	84,825.00	1,304,825.00	
2035					1,275,000	28,687.50	1,303,687.50	100%
TOTAL	\$ 1,960,000	\$ 109,725.00	\$ 12,800,000	\$ 4,386,080.65	\$ 61,855,000	\$ 28,351,568.52	\$ 109,462,374.17	

(1) Prior Lien Utilities Contract Debt includes Brazos River Authority Water Supply Refunding Revenue Bonds, Series 1972, and bonds issued hereafter on a parity therewith.

(2) Subordinate Lien Outstanding Bonds includes the Authority's Water Supply System Revenue Refunding and Improvements Bonds, Series 2001A (AMT) and the Authority's Water Supply System Revenue Refunding Bonds, Series 2001B and the Authority's Water Supply System Revenue Bonds, Series 2002 (AMT)

(3) Subordinate Lien Outstanding Bonds includes the Authority's Water Supply System Revenue Series 2005A (AMT), the Authority's Water Supply System Revenue Bonds, Series 2005 A&B, the Authority's Water Supply System Revenue Bonds, Series 2006 and the Authority's Water Supply System Revenue Bonds, Series 2009.

Source: Combined Bond Resolutions

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

**BRAZOS RIVER AUTHORITY  
WATER SUPPLY REVENUE BONDS  
SERIES 2001A, SERIES 2001B, SERIES 2002 AMT,  
SERIES 2005A, SERIES 2005B, SERIES 2006 AND SERIES 2009  
COVERAGE AND ACCOUNT BALANCES (in thousands)  
AUGUST 31, 2010 (unaudited)**

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Average Annual Principal and Interest Requirements, 2011 - 2035	\$ 4,296
Coverage of Average Requirements by August 31, 2010 Net Revenues*	2.43
Maximum Principal and Interest Requirements, 2015	5,926
Coverage of Maximum Requirements by August 31, 2010 Net Revenues*	1.76
System Revenue Bonds Outstanding, August 31, 2010	76,615
Interest and Sinking Account Balance, August 31, 2010	- <sup>1</sup>
Reserve Account Balance, August 31, 2010	N/A <sup>2</sup>

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

<sup>1</sup> Funds are transferred to the Interest and Sinking Fund on interest payment date.

<sup>2</sup> Upon delivery of the bonds, the Reserve Fund was fully funded by the purchase of a surety bond.

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

**BRAZOS RIVER AUTHORITY**  
**WATER SUPPLY SYSTEM**  
**CONDENSED SUMMARY OF OPERATING RESULTS (in thousands)**  
**(CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS)**  
**AUGUST 31, 2010 (unaudited)**

	Fiscal Year Ended August 31				
	2010	2009	2008	2007	2006
Gross Revenues:					
Raw water	\$ 27,680	\$ 28,619	\$ 25,133	\$ 22,050	\$ 18,500
Treated water	1,571	1,232	1,022	1,062	1,115
Wastewater treatment	3,285	3,012	2,989	2,572	1,062
Power sales	-	514	631	603	677
Lease income	4,476	3,226	3,181	3,084	2,869
Other	655	1,225	1,159	929	1,581
Interest	822	1,258	2,093	2,434	1,831
Grants	1,552	1,578	1,264	1,101	1,615
Other non-operating	-	-	36	3	8
Less: Existing debt service (1)	<u>(1,027)</u>	<u>(1,025)</u>	<u>(1,016)</u>	<u>(1,020)</u>	<u>(1,016)</u>
<b>TOTAL GROSS REVENUES</b>	<b><u>\$ 39,014</u></b>	<b><u>\$ 39,639</u></b>	<b><u>\$ 36,492</u></b>	<b><u>\$ 32,818</u></b>	<b><u>\$ 28,242</u></b>
Operation & Maintenance Expenses:					
Personnel services	\$ 12,919	\$ 12,737	\$ 11,834	\$ 11,699	\$ 10,882
Materials, supplies & services	1,285	1,467	1,329	1,162	977
Utilities	1,033	1,057	1,001	972	838
Outside services	4,549	3,686	4,150	2,727	2,864
Other	4,650	4,708	4,298	4,087	3,560
Other non-operating	44	379	343	684	679
Program and project expenditures	1,432	-	-	-	-
Other debt service (2)	<u>2,670</u>	<u>2,607</u>	<u>2,426</u>	<u>2,503</u>	<u>2,341</u>
<b>TOTAL OPERATION &amp; MAINTENANCE</b>	<b><u>\$ 28,582</u></b>	<b><u>\$ 26,641</u></b>	<b><u>\$ 25,381</u></b>	<b><u>\$ 23,834</u></b>	<b><u>\$ 22,141</u></b>
<b>NET REVENUES AVAILABLE TO PAY DEBT SERVICE</b>	<b><u>\$ 10,432</u></b>	<b><u>\$ 12,998</u></b>	<b><u>\$ 11,111</u></b>	<b><u>\$ 8,984</u></b>	<b><u>\$ 6,101</u></b>
<b>DEBT SERVICE WATER SUPPLY SYSTEM BONDS</b>	<b><u>\$ 4,210</u></b>	<b><u>\$ 3,603</u></b>	<b><u>\$ 3,123</u></b>	<b><u>\$ 3,053</u></b>	<b><u>\$ 2,043</u></b>
<b>COVERAGE PERCENTAGE</b>	<b>2.48</b>	<b>3.61</b>	<b>3.56</b>	<b>2.94</b>	<b>2.99</b>

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

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

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

# Ten Tips For Lifting Safely

- It's always safe for you to test every load before you lift by pushing the object lightly with your hands or feet to see how easily it moves. This exercise will provide you information on the weight of the load. If it's too heavy for you, do not try to lift it; seek someone's help.
- Do not judge by the size of the load as even small loads might be pretty heavy to lift. Release the object on the way if you feel any kind of muscle pain or irritation.
- Use proper gears that support you well for every lift. Wear shoes with good traction and solid gripping gloves which will help you to hold the object for a longer period of time.
- Avoid standing too far from the load as it might not provide you the needed grip to hold the object properly; always stand close to the object. Align yourself properly over the load with your feet and shoulders wide apart, this will give you the exact balance needed to hold the load while lifting it.
- Consider taking your loads over small intervals instead of carrying multiple items at the same time.
- Make sure you lift with a slow, steady force. This will help you avoid muscle strains from having to counter an unbalanced load.
- The best technique to lift heavier loads is to keep your back straight, bend your knees to the floor and grab the load. For heavier loads, try lifting with a full breath, and tighten your abdominal muscle too for added support.
- Make use of the handles applied to the object or box as this might also provide an accurate grip and will further moderate the weight. Do not bend yourself or by any way twist the body. This will certainly cut off your momentum and cause muscle strain.
- Always identify the path on which you will be going with the load and clear all obstacles from your intended path. Take smooth and small strides with much heavier loads to avoid muscle strain from overcompensating from shifting loads.
- Try to avoid taking loads over slippery or uneven surfaces. Hold loads on your shoulders for the best support and balance.

**Wrong**



**Correct**



**BRAZOS RIVER AUTHORITY**  
**POSSUM KINGDOM ELECTRIC POWER GENERATION AND LAKE ELEVATIONS**  
**CALENDAR YEARS 1942 - 2009 (unaudited)**

Calendar Year	Water Used Acre-Feet	Annual KWH Generation	Elevation 1st of Yr.	Elevation During Year			
				High		Low	
				Date	Elevation	Date	Elevation
1942	-	4,242,700	996.00	10/17	1,000.30	01/24	995.00
1943	446,000	42,091,500	998.29	01/01	998.29	12/24	997.90
1944	144,000	12,043,900	977.99	10/11	988.77	02/25	977.29
1945	299,000	25,111,500	985.70	07/23	997.08	03/03	983.11
1946	489,000	45,558,700	995.06	09/10	997.79	08/28	987.25
1947	408,910	37,564,600	994.60	05/20	998.80	10/25	984.90
1948	309,070	26,822,200	987.20	07/13	994.02	05/25	981.05
1949	547,280	52,225,100	984.96	06/17	998.55	03/21	983.53
1950	574,552	57,744,900	988.02	09/11	999.20	04/12	985.43
1951	357,360	36,602,000	991.56	06/20	997.40	12/31	983.23
1952	157,480	13,498,300	983.22	01/01	983.22	11/23	967.27
1953	238,915	23,801,300	967.50	10/30	999.41	03/08	966.83
1954	434,830	45,944,900	996.63	05/28	1,000.00	11/08	987.23
1955	412,610	43,699,600	987.93	09/27	999.00	02/02	987.18
1956	327,740	32,517,800	997.05	01/01	997.05	12/18	975.15
1957	663,595	69,229,400	976.34	04/30	1,000.90	02/05	974.52
1958	407,445	43,014,400	994.39	07/07	997.60	12/28	989.29
1959	296,210	31,430,400	989.31	10/08	997.89	05/05	986.83
1960	424,715	44,984,500	995.61	10/27	999.16	10/14	992.54
1961	561,185	59,939,400	994.32	06/22	999.07	04/28	991.64
1962	513,245	54,644,500	992.85	09/14	999.24	06/01	988.46
1963	383,380	40,729,700	995.97	06/13	999.71	10/23	990.36
1964	137,285	12,554,000	993.01	02/18	994.59	09/19	987.08
1965	250,580	26,329,200	990.71	05/22	999.25	04/14	989.02
1966	420,120	44,491,100	996.52	09/27	999.85	04/22	994.19
1967	260,910	27,278,600	996.10	07/23	999.72	04/13	995.02
1968	536,665	57,762,100	995.58	07/10	999.51	11/26	993.29
1969	609,120	62,014,000	993.53	05/20	999.80	11/13	984.68
1970	253,265	25,195,000	987.22	06/11	997.78	12/31	983.12
1971	208,405	21,510,000	983.20	10/03	999.60	05/28	981.20
1972	416,931	43,941,100	998.70	11/02	999.70	08/16	996.70
1973	382,765	39,997,400	996.80	03/16	998.20	07/26	992.67
1974	263,249	27,186,300	993.10	10/19	999.70	08/24	990.40

Source: Brazos River Authority Water Services Department



**BRAZOS RIVER AUTHORITY**  
**POSSUM KINGDOM ELECTRIC POWER GENERATION AND LAKE ELEVATIONS**  
**CALENDAR YEARS 1942 - 2009 (unaudited)**

Calendar Year	Water Used Acre-Feet	Annual KWH Generation	Elevation 1st of Yr.	Elevation During Year			
				High		Low	
				Date	Elevation	Date	Elevation
1975	427,328	44,363,000	998.60	05/30	999.30	03/31	995.80
1976	264,984	26,507,000	997.50	11/03	999.50	04/11	996.10
1977	239,709	23,135,000	997.07	04/24	999.31	12/26	993.47
1978	183,016	17,387,000	993.55	09/12	999.73	03/16	992.92
1979	245,685	24,852,000	997.60	05/10	999.40	12/17	995.40
1980	366,493	36,673,000	995.60	10/05	999.70	08/24	991.40
1981	432,796	44,012,000	997.80	10/15	1,002.20	02/13	995.40
1982	460,319	48,729,000	997.20	05/16	999.30	05/05	995.50
1983	267,661	26,848,000	995.80	06/13	999.00	10/21	990.00
1984	78,522	7,963,000	994.80	12/31	997.40	10/25	987.80
1985	573,162	59,762,000	998.30	02/26	999.60	10/06	993.00
1986	560,397	57,469,000	998.60	06/22	999.60	04/10	995.10
1987	581,560	56,849,000	998.65	02/28	999.42	12/18	985.09
1988	44,036	3,932,000	980.64	10/09	990.30	05/19	985.60
1989	297,614	30,244,000	988.53	06/15	999.98	04/13	987.10
1990	586,568	58,759,000	995.14	06/06	999.74	01/14	994.94
1991	529,061	52,527,000	996.94	12/20	999.49	05/02	994.78
1992	181,582	74,255,000	998.60	03/03	999.33	11/18	994.96
1993	233,236	22,526,000	996.10	04/01	998.30	09/10	991.85
1994	154,896	14,786,000	993.71	05/15	997.74	05/06	993.25
1995	263,974	25,699,000	996.42	06/18	999.40	05/23	995.71
1996	161,485	15,575,000	996.40	11/30	999.49	08/27	993.19
1997	484,984	47,076,000	998.54	03/04	999.41	12/19	993.45
1998	152,293	13,961,000	993.79	03/31	999.15	12/30	988.25
1999	99,971	9,119,000	988.29	07/05	999.30	01/25	988.00
2000	39,999	3,769,100	991.82	07/11	996.58	03/23	991.19
2001	154,073	15,184,000	995.37	03/03	999.24	10/11	993.51
2002	121,324	11,636,000	994.53	07/11	999.18	03/16	993.16
2003	102,617	8,952,000	995.67	07/10	997.20	12/29	991.07
2004	281,064	26,468,000	991.07	12/05	999.55	02/10	990.52
2005	309,127	30,008,000	999.23	08/26	999.44	08/04	994.21
2006	128,821	10,028,000	996.55	05/16	999.11	10/13	993.18
2007	299,150	29,994,500	997.49	6/27	999.34	4/30	997.37
2008	0	0	998.39	4/25	999.23	9/8	996.48
2009	0	0	997.54	1/3	997.60	12/20	996.48

**BRAZOS RIVER AUTHORITY**  
**MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION**  
**AUGUST 31, 2010 (unaudited)**

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

Year created: 1929

Domicile: Waco, Texas

Last revision of Enabling Act: 2001

Last revision of Bylaws: 2004

Population of District: 1,800,000 (TWDB)

Area of District: 42,800 square miles

**Brazos River**

Total river miles: 840 miles

Average discharge: 6,000,000 acre feet

Average annual rainfall of District: Ranges from 16 inches west to 47 inches southeast

Number of employees: 273

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

**BRAZOS RIVER AUTHORITY**  
**MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION**  
**AUGUST 31, 2010 (unaudited)**

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**Brazos River Authority Operating Statistics:**

(water/wastewater treated in thousands of gallons)

	Years Ended August 31	
	2010	2009
Temple-Belton Regional Sewerage System	2,558,161	1,967,870
Sugar Land Regional Sewerage System	3,042,984	2,851,301
Lake Granbury Surface Water and Treatment System	1,265,499	1,435,531
Brushy Creek Regional Wastewater System	6,098,880	5,435,150
Hutto Wastewater System	428,010	274,980
Clute/Richwood Regional Wastewater System	1,021,062	783,864
Sandy Creek Regional Water Treatment System	782,605	1,045,940
Lee County Fresh Water District #1	10,746	17,142
City of Georgetown	1,777,712	1,388,472
East Williamson County Water Treatment System	918,718	1,034,302
Liberty Hill	39,647	26,565

**Brazos River Authority Dams and Reservoirs:**

**Possum Kingdom** (TWDB Survey January 2005)

Capacity - 540,340 acre-feet  
 Surface Area - 16,716 acres  
 Elevation - 1,000.0 ft-msl

**Limestone** (TWDB Survey April 2002)

Capacity - 208,017 acre-feet  
 Surface Area - 12,553 acres  
 Elevation - 363.0 ft-msl

**Granbury** (TWDB Survey July 2003)

Capacity - 129,011 acre-feet  
 Surface Area - 7,945 acres  
 Elevation - 693.0 ft-msl

**BRAZOS RIVER AUTHORITY**  
**MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION**  
**AUGUST 31, 2010 (unaudited)**

U. S. Army Corps of Engineers Dams and Reservoirs		
<b>Aquilla</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	43,319 acre-feet	86,700 acre-feet
Surface Area	3,020 acres	7,000 acres
Elevation	537.5 ft-msl	556.0 ft-msl
		TWDB Survey April 2002
<b>Belton</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	435,225 acre-feet	640,000 acre-feet
Surface Area	12,135 acres	23,620 acres
Elevation	594.0 ft-msl	631.0 ft-msl
		TWDB Survey May 2003
<b>Granger</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	52,525 acre-feet	162,200 acre-feet
Surface Area	4,064 acres	11,040 acres
Elevation	504.0 ft-msl	528.0 ft-msl
		TWDB Survey April 2002
<b>Georgetown</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	36,904 acre-feet	87,600 acre-feet
Surface Area	1,287 acres	3,220 acres
Elevation	791.0 ft-msl	834.0 ft-msl
		TWDB Survey May 2005
<b>Proctor</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	55,457 acre-feet	341,500 acre-feet
Surface Area	4,537 acres	14,010 acres
Elevation	1,162.0 ft-msl	1,197.0 ft-msl
		TWDB Survey July 2005
<b>Somerville</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	147,104 acre-feet	337,700 acre-feet
Surface Area	11,555 acres	24,400 acres
Elevation	238.0 ft-msl	258.0 ft-msl
		TWDB Survey July 2003
<b>Stillhouse Hollow</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	227,825 acre-feet	390,600 acre-feet
Surface Area	6,484 acres	11,830 acres
Elevation	622.0 ft-msl	666.0 ft-msl
		TWDB Survey May 2005
<b>Waco</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	199,227 acre-feet	553,300 acre-feet
Surface Area	8,437 acres	19,440 acres
Elevation	462.0 ft-msl	500.0 ft-msl
		TWDB Survey March 1995
<b>Whitney</b>	<b>Conservation Pool</b>	<b>Flood Control Pool</b>
Capacity	554,203 acre-feet	1,372,400 acre-feet
Surface Area	23,220 acres	49,820 acres
Elevation	533.0 ft-msl	571.0 ft-msl
		TWDB Survey June 2005

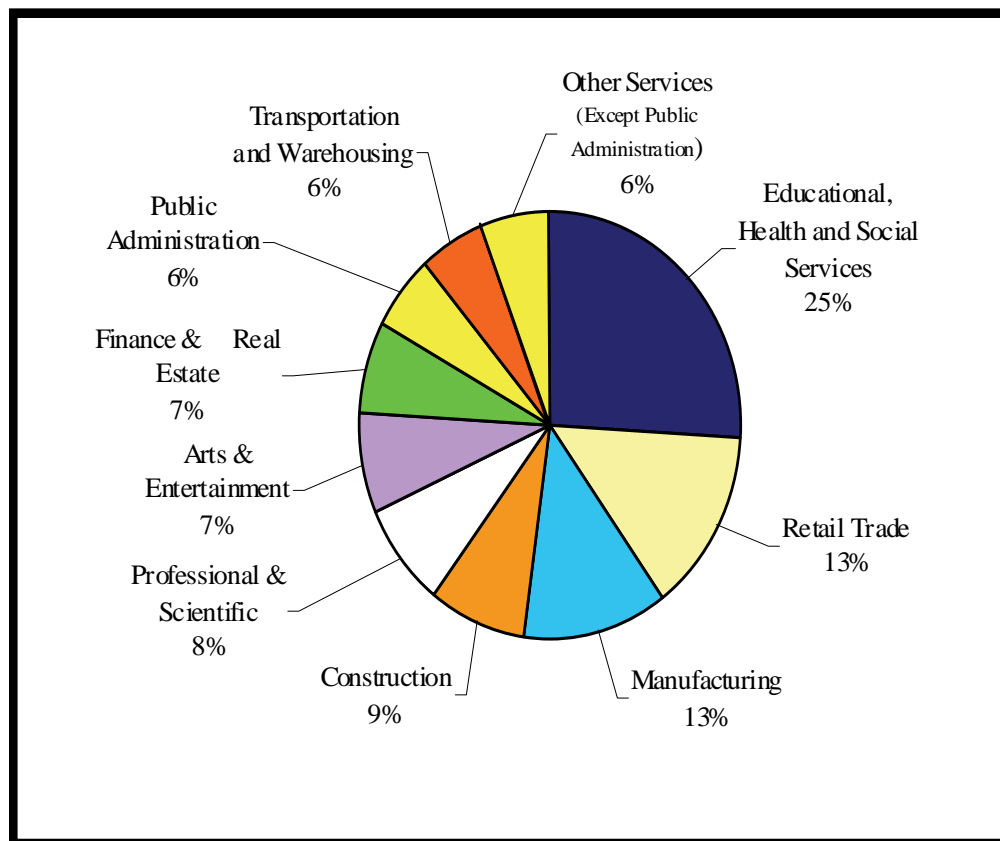
Source: Brazos River Authority Water Services Department

**BRAZOS RIVER AUTHORITY**  
**MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION**  
**AUGUST 31, 2010 (unaudited)**

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**Brazos Basin Geographical Area**  
**Ten Largest Industries**

Industry	Number of entities in category
Educational, Health and Social Services	237,320
Retail Trade	122,672
Manufacturing	112,461
Professional & Scientific	76,136
Construction	72,647
Arts & Entertainment	67,984
Finance & Real Estate	62,537
Public Administration	54,533
Transportation and Warehousing	49,493
Other Services (Except Public Administration)	53,471



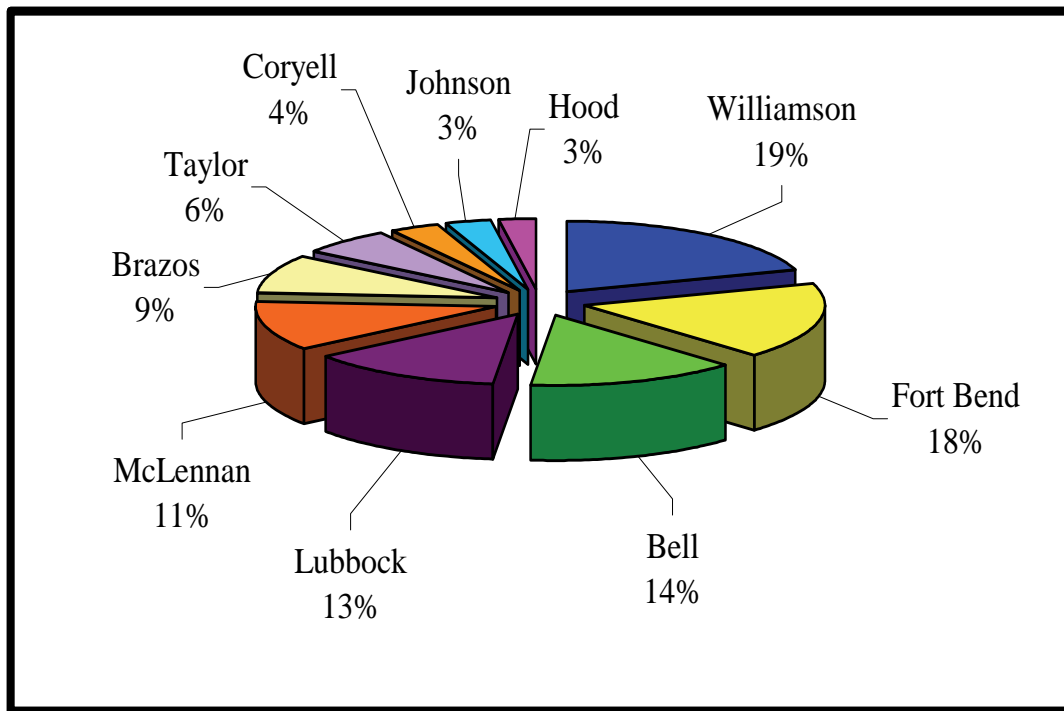
**Source:** U.S. Census Bureau, Census 2000

**BRAZOS RIVER AUTHORITY**  
**MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION**  
**AUGUST 31, 2010 (unaudited)**

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**Brazos River Basin By County**

BASIN POPULATION BY COUNTY	POPULATION
Williamson	410,686
Fort Bend	359,966
Bell	285,787
Lubbock	270,550
McLennan	233,378
Brazos	179,992
Taylor	125,167
Coryell	72,529
Johnson	59,987
Hood	51,462



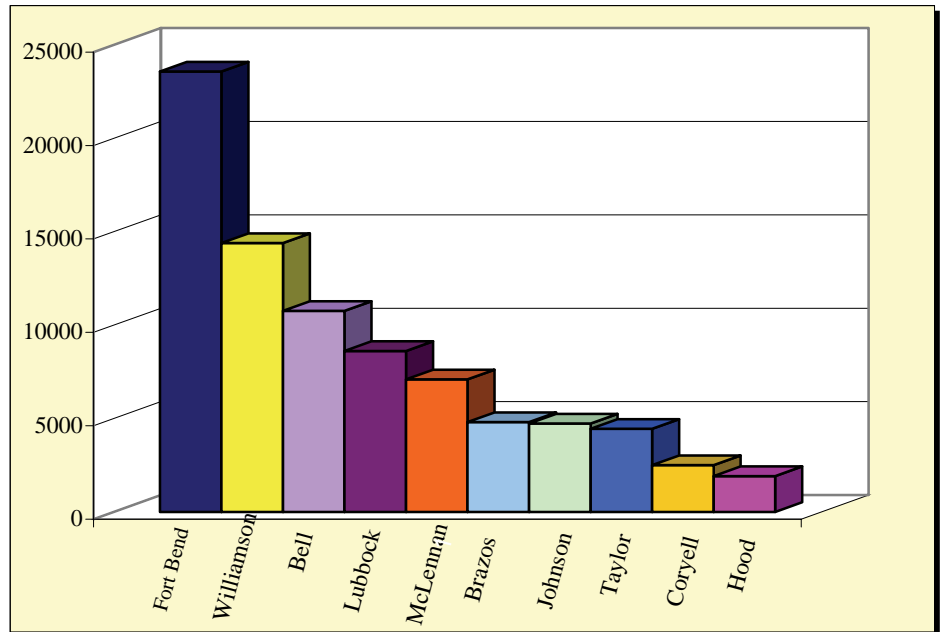
**Source:** Population Division, U.S. Census Bureau

**Release Date:** March 19, 2009

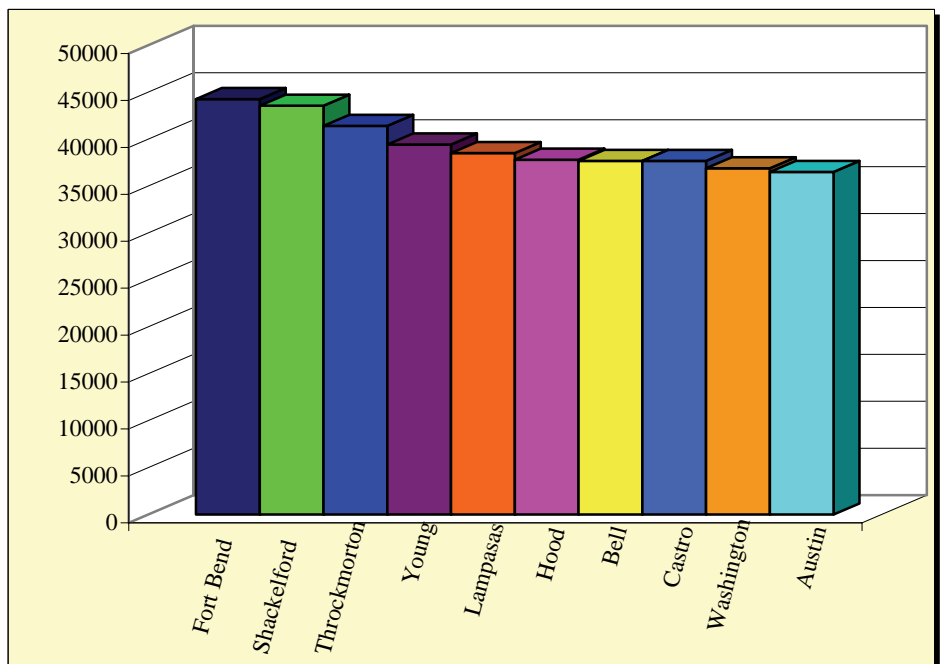
**BRAZOS RIVER AUTHORITY**  
**MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION**  
**AUGUST 31, 2010 (unaudited)**

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County (Top Ten)	Total Personal Income (in millions)
Fort Bend	23,576
Williamson	14,390
Bell	10,762
Lubbock	8,617
McLennan	7,098
Brazos	4,808
Johnson	4,729
Taylor	4,450
Coryell	2,504
Hood	1,918



County (Top Ten)	Total Per Capita Income (in millions)
Fort Bend	44,265
Shackelford	43,563
Throckmorton	41,408
Young	39,423
Lampasas	38,506
Hood	37,804
Bell	37,682
Castro	37,678
Washington	36,896
Austin	36,504



**Source:** Bureau of Economic Analysis, Updated April 2010 (County Population Estimates April 2008)

**BRAZOS RIVER AUTHORITY**  
**SCHEDULE OF CAPITAL ASSETS – NET ADDITIONS/(DELETIONS) BY OPERATIONS**  
**AUGUST 31, 2010 (unaudited)**  
**(accrual basis of accounting)**

**Last Eight Fiscal Years**

Year	Water Supply	Lake Alan		Cost Reimbursables										Clute-		Total
		Henry		WMARSS	SLRSS	SWATS	WCRRWL	TBRSS	BCRWS	Hutto	Sandy Creek	Richwood	Dime Box			
2003	\$ 12,012	\$ -	\$ 2,899	\$ 25	\$ 29,646	\$ 40	\$ 383	\$ 23	\$ -	\$ 5	\$ 43	\$ -	\$ 45,076			
2004	6,167	41	(60,375)	1,071	382	11	63	44	-	-	18	-	(52,578)			
2005	329	(64,610)	-	1,302	161	35,602	(154)	(77)	3	(6)	1	(11)	(27,460)			
2006	1,487	-	-	(14,383)	(277)	1,433	5	43	-	-	-	-	(11,692)			
2007	1,140	-	-	-	1,625	8	94	(16)	5	-	-	-	2,856			
2008	32,962	-	-	-	362	-	(13)	25	-	-	16	-	33,352			
2009	11,895	-	-	-	8,454	-	124	33	7	-	1	-	20,514			
2010	1,452	-	-	-	196	-	26	22	-	38	-	-	1,734			
\$	67,444	\$ (64,569)	\$ (57,476)	\$ (11,985)	\$ 40,549	\$ 37,094	\$ 528	\$ 97	\$ 15	\$ 37	\$ 79	\$ (11)	\$ 11,802			

**BRAZOS RIVER AUTHORITY**  
**SCHEDULE OF CAPITAL ASSETS – NET ADDITIONS/(DELETIONS) BY CLASSIFICATION**  
**AUGUST 31, 2010 (unaudited) (in thousands)**  
**(accrual basis of accounting)**

**Last Eight Fiscal Years**

	2003	2004	2005	2006	2007	2008	2009	2010	Total
Land and Land Rights	\$ 41	\$ (228)	\$ 396	\$ 350	\$ 591	\$ -	\$ -	\$ -	\$ 1,150
Reservoirs, water treatment and sewerage facilities	29,555	(48,770)	(63,005)	(13,999)	-	7,835	1,911	-	(86,473)
Building, structures and improvements	13,056	(3,708)	36,225	1,432	1,693	24,450	17,386	1,150	91,684
Vehicles, furniture and equipment	2,424	128	(1,076)	525	572	1,067	1,217	584	5,441
Total	\$ 45,076	\$ (52,578)	\$ (27,460)	\$ (11,692)	\$ 2,856	\$ 33,352	\$ 20,514	\$ 1,734	\$ 11,802

Source: Fixed Asset general ledger accounts and previous CAFRs.



# Common Safety Slogans

*Knowing and using various safety slogans can help keep you safe whatever situation you are in. There are slogans for just about any activity. These are useful for helping people remember the rules so that they don't become injured.*

- Be aware - take care
- Look before you leap
  - Leave horseplay to horses
  - A spill, a slip, a hospital trip
  - KISS - Keep It Safe and Sound
  - Protect your back...use a jack
  - Night doubles...traffic troubles
  - Wipe up and avoid a slip up
  - Use your wits...use padded mitts
  - One rung too high and you could die
  - The chance taker is the accident maker
  - If caught in a riptide...go with the flow
  - Lifting's a breeze when you bend at the knees
  - An ounce of prevention is worth a pound of cure
  - To avoid a scene, keep your workplace clean
  - Safety is as simple as ABC...Always Be Careful
  - Three B's of boating...Boat safe, Boat smart, Boat sober
  - 30 Days has September...safety first, please remember
  - In case of injury, remember RICE...Rest, Ice, Compress and Elevate



**BRAZOS RIVER AUTHORITY  
SCHEDULE OF INSURANCE  
AS OF AUGUST 31, 2010 (unaudited)**

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Aircraft Liability	Texas Municipal League	1970-08	Non-owned Aircraft Liability Deductible - None	\$10,000,000 each occurrence	October 1, 2009 October 1, 2010
Airport Liability	Texas Municipal League	1970-08	Airport Liability Premises (BI&PD) Airport Liability Premises (PI&AI) Products & Completed Operations Max. of all Coverages Combined Deductible - None	\$10,000,000 \$10,000,000 \$10,000,000 \$10,000,000	October 1, 2009 October 1, 2010
Automobile Liability & Physical Damage	Texas Municipal League	1970-08	Automobile Liability Uninsured Motorist Collision Comprehensive Deductible - None Hired Auto Comp/Coll Deductible: \$ 250/Scheduled Vehicles	\$10,000,000 \$1,000,000 Actual Cash Value Actual Cash Value Actual Cash Value	October 1, 2009 October 1, 2010
Commercial Crime	Texas Municipal League	1970-08	Public Employee Dishonesty Forgery or Alteration Computer Fraud Deductible: \$10,000 Theft, Disappearance & Destruction Deductible - None	\$2,000,000 \$1,000,000 \$1,000,000 \$10,000	October 1, 2009 October 1, 2010
Excess Liability	Wachovia Ins. Services/ Ins. Co. of the State of Pennsylvania	01130126	Excess Liability (Applies in excess of primary Auto, GL, Airport Premises, and Law Enforcement) Includes Terrorism Coverage Deductible: \$10,000,000	\$10,000,000	October 1, 2009 October 1, 2010
Fiduciary and Employee Benefits	Wachovia Ins. Services/ Federal Insurance Co.	82095688	Annual Aggregate Per Occurrence Deductible: \$10,000	\$5,000,000 \$5,000,000	October 1, 2009 October 1, 2010
General Liability	Texas Municipal League	1970-08	General Aggregate Products/Completed Operation Each Occurrence (BI, PI, AI) Fire Damage Deductible - None	\$10,000,000 \$10,000,000 \$10,000,000 \$10,000,000	October 1, 2009 October 1, 2010
Marine and Hull/ Mobile Equipment	Texas Municipal League	1970-08	Coverage for Boats, Motors and Mobile Equipment Deductible: \$10,000	\$5,106,569	October 1, 2009 October 1, 2010
Law Enforcement Liability	Texas Municipal League	1970-08	Each Occurrence Annual Aggregate Deductible: \$2,500	\$10,000,000 \$10,000,000	October 1, 2009 October 1, 2010

**BRAZOS RIVER AUTHORITY  
SCHEDULE OF INSURANCE  
AS OF AUGUST 31, 2010 (unaudited)**

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Property/Boiler & Machinery	Texas Municipal League	1970-08	Blanket Real & Personal Property, EDP, & Boiler & Machinery Terrorism Valuable Papers & Records Accounts Receivable Fine Arts Transportation Business Income Demolition Increased cost of Construction Expediting Costs Mobile Homes per Location Pollution Cleanup in the Aggregate per premises Flood in the Aggregate (no flood coverage in 100 year flood zone or in Tier 1 and 2 counties) Deductible: \$25,000	\$160,243,400 \$10,000,000 \$25,000,000 \$1,000,000 \$1,000,000 \$1,000,000 Blanket Limit Blanket Limit Blanket Limit \$10,000 \$10,000,000	October 1, 2009 October 1, 2010
Public Officials and Employees Practices Liability	Texas Municipal League	1970-08	Each Wrongful Act & Aggregate Limit Deductible: \$25,000	\$10,000,000	October 1, 2009 October 1, 2010
Public Officials Bond	Insurors of Texas	CMB-06-0005836	Treasurer's Bond Deductible - None	\$100,000	April 18, 2010 April 18, 2011
Public Officials Bond	Insurors of Texas	CMB-07-0010365	Board of Director's Bond Deductible - None	\$105,000	May 10, 2010 May 10, 2011
Peace Officer Bond	Insurors of Texas	46BSBAE6365	Peace Officer Bond Deductible - None	\$15,000	February 1, 2010 February 1, 2011
Travel Accident	Insurors of Texas/ Hartford Life	ETB-4333	Aggregate for Hazard Excludes Personal Aircraft Deductible - None	\$5,000,000	November 1, 2009 November 1, 2010
Workers' Compensation	Texas Municipal League	1970-08	Self-insured for first 50,000 per occurrence	Aggregate Deduct \$150,000	October 1, 2009 October 1, 2010
Workers' Compensation	Texas Municipal League	1970-08	Self-insured for first 50,000 per occurrence	Aggregate Deduct \$150,000	July 1, 2009 October 1, 2009
Health Insurance	Texas Municipal League/ HM Life Insurance	09HM200170	Medical expense claims self-insured for first 80,000 per employee	Mamimum Specific Benefit \$1,920,000	January 1, 2009 December 31, 2009
Health Insurance	Texas Municipal League	402823-A	Medical expense claims	Mamimum Specific	January 1, 2010

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

	Full-Time Equivalent Employees Per Annual Operating Plan							
	2010	2009	2008	2007	2006	2005	2004	2003
<b>Upper Basin</b>								
Management	4	4	4	4	5	5	5	5
Lake Alan Henry	0	0	0	0	2	2	1	2
Possum Kingdom	54	57	57	60	58	55	56	54
SWATS	18	17	15	15	15	15	15	15
Lake Granbury	12	12	12	10	10	9	9	10
<b>Central Basin</b>								
Management & Lab	21	23	20	19	14	12	5	5
WMARSS (a)	0	0	0	0	0	0	25	26
TBRSS	11	10	10	10	10	10	15	15
BCRSS	17	16	13	13	13	11	12	15
Georgetown	9	8	7	7	7	7	0	0
SCRWTP	5	6	6	4	4	3	3	3
Hutto	0	0	1	1	1	0	0	0
East Williamson County RWS	5	5	4	3	3	3	0	0
<b>Lower Basin</b>								
Management	4	4	4	4	4	5	5	5
Lake Limestone	9	9	9	9	9	9	8	8
SLRSS	11	11	11	11	12	11	12	12
Clute	4	4	4	4	4	4	4	4
Liberty Hill	1	1	1	0	0	0	0	0
<b>Central Office</b>								
General Administration	4	4	4	4	4	3	3	2
Legal Services	4	4	4	4	3	3	4	3
Financial Services	17	17	17	17	17	16	15	16
Human Resources	4	4	4	4	4	4	4	4
Government & Cust. Relations	7	7	6	6	5	6	6	6
Information Technology	12	12	12	11	10	10	10	9
Planning & Development	1	1	1	2	2	2	3	0
Strategic Planning	2	3	2	1	4	4	5	5
Technical Analysis	0	0	0	0	1	2	0	0
Technical Services	37	40	37	35	33	35	35	36
	<u>273</u>	<u>279</u>	<u>265</u>	<u>258</u>	<u>254</u>	<u>246</u>	<u>260</u>	<u>260</u>

(a) During Fiscal Year 2004, the customer cities of WMARSS and the Authority entered into early termination of their contract, which had approximately eight years remaining. Negotiations were completed and the ownership/operation was transferred to the City of Waco on February 24, 2004 and all existing contracts assets, and related debt were transferred to the City of Waco.

Source: Brazos River Authority Annual Operating Plan



# Crane Safety



- *Cranes are to operated only by qualified and trained personnel*
- *Inspect wire ropes, chains and hook for any damage*
- *Be sure the crane is on a firm/stable surface and level*
- *During assembly/disassembly do not unlock or remove pins unless sections are blocked and secure (stable).*
- *Fully extend outriggers and barricade accessible areas inside the crane's swing radius*
- *Watch for overhead electric power lines and maintain at least a 10-foot safe working clearance from the lines*
- *Do not exceed the load chart capacity while making lifts*
- *Raise load a few inches, hold, verify capacity/balance, and test brake system before delivering load*
- *Do not move loads over workers*
- *Inspect all rigging prior to use; do not wrap hoist lines around the load*
- *Be sure to use the correct load chart for the crane's current configuration and setup, the load weight and lift path*



Brazos River Authority  
4600 Cobbs Drive - Waco, TX 76710  
254-761-3100      [www.brazos.org](http://www.brazos.org)