Brazos River Authority



The Brazos River Authority

An Agency of the State of Texas



Comprehensive Annual Financial Report For the Fiscal Year Ended August 31, 2011

Prepared by the Finance and Administration Department

BRAZOS RIVER AUTHORITY COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED AUGUST 31, 2011

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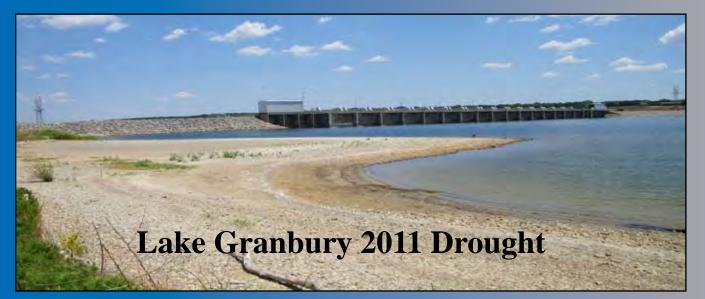
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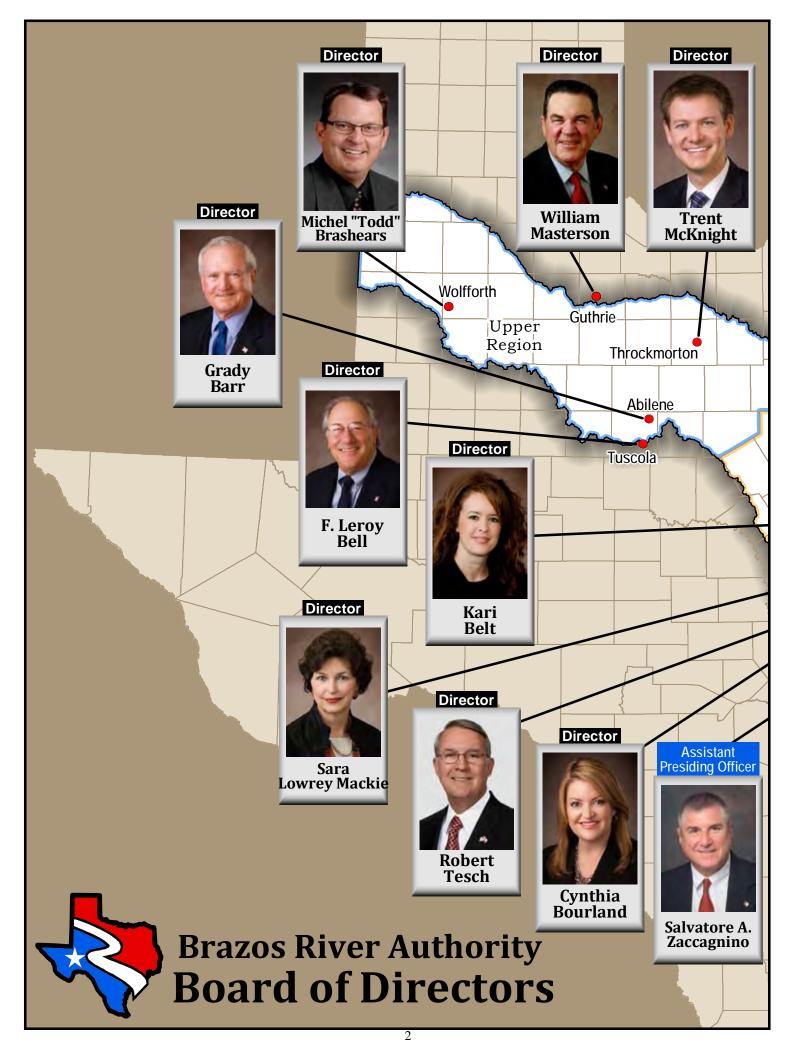






INTRODUCTORY SECTION

Brazos River Authority FY2011 Comprehensive Annual Financial Report







Management Team



John Hawes Chief Financial Officer



Phillip J. Ford General Manager/CEO



Lauralee Vallon General Counsel



Bech Bruun Government & Customer Relations Manager



Donna Zemanek Internal Auditor



Jim Forte Planning & Development Manager



Pat Gill Information Technology Manager



John Hofmann Central & Lower Basin Manager



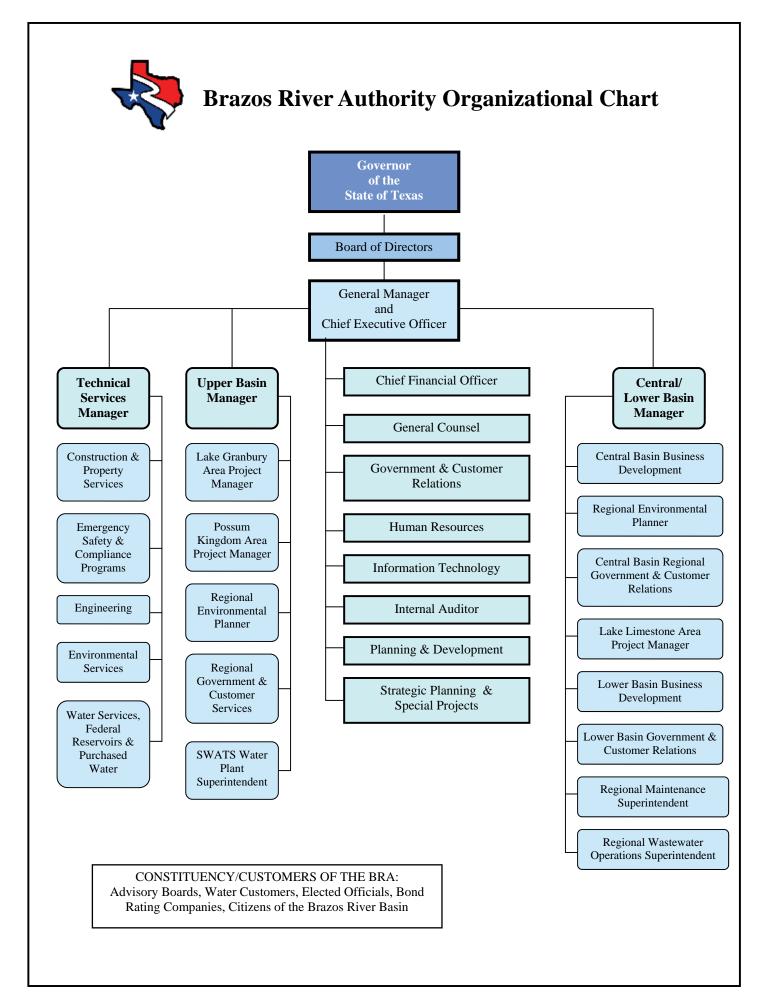
Terry Lopas Special Projects Manager



Michael McClendon Upper Basin Manager



Monica Wheelis Human Resource Manager







January 30, 2012

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

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Brazos River Authority (Authority) for the fiscal year ended August 31, 2011. 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, 2011 and 2010 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, 2011 and 2010 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, 2011 and 2010 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

4600 Cobbs Drive • P.O. Box 7555 • Waco, Texas 76714-7555 254-761-3100 • FAX 254-761-3215 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 Supply District #1 and the City of Leander and two regional water treatment systems, one at Lake Granbury and one at Lake Granger. The plants have won awards for operations, maintenance, and design from State and Federal governmental agencies.

Wastewater treated and released by the Authority at the eight sewerage systems it operates in Temple-Belton, Sugar Land, Brushy Creek (in Williamson County), Lee County Fresh Water Supply District #1, 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 are 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 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, 2011, the economy threatened to relapse into a second economic downturn. In mid-summer, the financial distress in the European Union (EU) began to take on new momentum as more

countries were added to the list of troubled issuers. The fear that the EU situation will become a spreading contagion has impacted global markets, including the United States (U.S.). The markets are speculating about which institutions and countries have dangerous exposures to EU debt. In addition, the U.S. political climate has led to a disturbing debate regarding the U.S. debt capacity and a failure of Congress to reach a long-term consensus on the financial and budgetary plan for the country. This dangerous lack of action led a major credit rating institution, Standard and Poor's, to take unprecedented action to lower the U.S. Government's credit rating to AA+ from the revered AAA.

The U.S. Government and the Federal Open Market Committee (FOMC) have continued to take significant steps to keep the economy from falling off the edge. To date, there have been two significant quantitative easing programs instituted in an attempt to engineer an environment that would be conducive to recovery. Financial institutions have benefited from the various programs to remove many of the toxic debt instruments from their portfolios. The FOMC has recently stated that they will leave the Federal Funds Rate, a critical lending program for banking institutions, at a rate between 0% and 0.25% until mid-2013.

The U.S. consumer has been on a roller coaster ride during the past year. Optimism that was filtering in during late 2010, as the employment situation appeared to improve and the housing sector seem poised to recover, has deteriorated as both of those indicators have slowed. To compare the momentum of this economy to previous recoveries, job growth during the fiscal year ended August 31, 2011 averaged 127,000 new jobs each month compared to the typical addition of 250,000 jobs each month during recoveries. The optimism in the housing sector was stoked by the exceptionally low mortgage rates that offered consumers some hope for refinancing or buying/selling properties. These hopes have been dashed by the reluctance or unwillingness of banks to lend money. The consumer appears to be stuck with few options to move out of their rut.

The outlook for Fiscal Year 2011/2012 appears to remain sluggish. There are numerous challenges on the horizon, including the impending recession in the European economy and the impact of continued contraction in other global markets. There are still questions concerning the financing conduit for the U.S. home mortgage underwriting as Congress considers when and how to restructure or dismantle the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), the two beleaguered U.S. Agencies that entered into conservatorship of the U.S. government. It will be critical for a viable replacement to fill the void left by a dramatic curtailment in the activities of these agencies and for a more liquid (but conservative) mortgage environment.

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 2010, Texas has added over 260,000 jobs representing an increase of 2.4% over this time last year. By comparison, California has experienced an increase of 1.8%, New York has increased 1.1%, Florida has increased 1.3%, and Illinois has grown 0.8%. Texas sales tax revenues increased 9.7% over last year.

On the flip side, Texas' unemployment rate has experienced a 0.3% increase for the year compared to the 0.6% decline in the U.S. rate. Texas appears to be faring better than the rest of the nation in the housing sectors as home values and construction activity increased. Texas single-family housing permits were up 22.6% from this time last year compared to the same period in 2010 when they declined 16.5%. Mortgage foreclosures in Texas fell 22.7% compared to an increase of 26.9% during 2010. For 2011, the national averages for mortgage foreclosures have fallen 38.2%.

Interest rates for investments allowed by the Authority's Investment Policy and State Law have slipped over the year. Investment Pool rates were 0.22% at the end of August 2010 and 0.07% at the end of August 2011. Rates for Certificates of Deposit (CD) have also declined. At the end of August 2010, a one-year CD was approximately 0.70%. Rates for a one-year CD at the end of August 2011 had fallen to 0.50%. CDs still remain significantly more attractive than alternative Treasury and Agency positions.

LONG-TERM FINANCIAL PLANNING

In July 2011, the Authority's Board of Directors reviewed the Fiscal Year 2012 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 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 fiscal year ended August 31, 2011 are disclosed.

Budgetary Controls

The Annual Operating Plan (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 excludes 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 2011 the Authority managed many 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 2011:

Drought Management

Texas and the Brazos River basin are in the midst of a historic drought that highlights the need for efficient use of existing water sources and development of new water supplies for the future. The twelve months from October 2010 through September 2011 were the hottest and driest in over 100 years. Seven of the Authority's eleven reservoirs have reached all-time low levels. As of the end of September, year to date water use by the Authority's customers had already shattered the previous record (303,000 acre-feet in 2009) by over 100,000 acre-feet. Long-term weather forecasts indicate that the drought is likely to persist through the Spring of 2012. Management of the Authority's water supply system through the remainder of the drought will be a top priority.

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. A Bill supported by the City of Houston passed in the last session of the Legislature to move the originally permitted construction date from no later than 2018 to no later than 2025.

Brazos-Colorado Water Alliance

The Authority has continued the fifteen year Alliance program with the Lower Colorado River Authority (LCRA) 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. In September 2011, the LCRA Board of Directors voted to divest itself of numerous water and wastewater treatment systems serving a variety of communities within the LCRA service area, including several operated by the Authority. The Authority has been able to maintain its operating relationships with all of the former Alliance plants to date.

East Williamson County Regional Water System

Formerly owned and operated by the City of Taylor, the 5.5 million gallons per day (mgd) plant was purchased by the 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 FY2011, applications were submitted for six diverse projects. Two grants were awarded for \$402,000, two grants were not approved, and two are pending approval. The Authority provided project administration for \$22 million TWDB financing for the construction of a new deep-water intake at Lake Granger and the \$444,000 Homeland Security grants for the interoperable radio communication upgrades for Lakes Possum Kingdom and Limestone.

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 mainstream 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 was completed in FY2011.

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 accepted by both TCEQ and the Environmental Protection Agency (EPA) in FY2011. A grant application to fund implementation of select management measures recommended in the WPP was awarded to the Authority and Texas AgriLife Research for FY2012-2015.

Lake Granbury Surface Water and Treatment System (SWATS)

The Authority completed ultra filtration and reverse osmosis modifications and additions to the potable water treatment plant bringing the rated capacity to 13 mgd. Authority staff is currently assessing options regarding additional capacity requirements.

Possum Kingdom Lake Property Divestiture

The last day to purchase former Authority leasehold properties at 2008 values from Patterson PK Land Partnership, LTD ended October 25, 2011. This purchase option was part of the third-party sale of residential and some commercial leases at Possum Kingdom Lake. Of the 1,536 total lots, there were 1,437 (93.5 percent) closed as of October 25, 2011. Of the remaining 99 lots, seventy have not taken steps towards purchasing the property. The Authority continues to monitor activities related to encroachments into the Federal Energy Regulatory Commission (FERC) boundary area and other related issues.

Possum Kingdom Hydropower Decommissioning

The Authority notified FERC in November 2010 of the intent to decommission the hydroelectric generating facilities at Morris Sheppard Dam. Since that time, Authority staff has worked on a variety of tasks that must be completed in order to surrender the FERC license including constructing the facilities necessary to release water below flood gate levels and at a rate similar to that released when hydropower generation was operational.

The Authority filed its Surrender of License Application with FERC in July 2011 after submitting it to pertinent State and Federal agencies for review. As a drought contingency, the Authority has directed that the construction related to decommissioning be accelerated. It is the Authority's goal to complete the FERC proceedings and be well into the construction design phase by February 2012. Completion of the controlled outlet conduit is expected in late summer 2012.

Reallocation of Flood Storage – Lake Aquilla Pool Rise Update

In April 2008, the Authority's Board of Directors 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. 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 FY2012. Assuming continued Federal funding, the feasibility study is expected to be completed in 2013.

Salt Creek, Graham, Texas Floodplain Project

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 floodplain of the

City of Graham. The project includes acquiring property and relocating residents and businesses to comparable housing/structures outside of the project area.

In May 2011, the USACE advised the Authority that they received a \$6.8 million appropriation. This allocation of Federal funds would move the Graham Project towards completion of the flood reduction phase (acquisition and demolition). To facilitate that action, the USACE conducted appraisals and began to present offers to purchase the remaining properties, subsequent to environmental review and assessment.

The USACE advised the Authority that no additional Authority funding was required for FY2011. To date, the Authority has remitted \$3.6 million for this project. If the USACE's cost projections are accurate for completion of all three phases of the project, the Authority would have future expenses totaling approximately \$2.3 million. However, as in several years preceding, the USACE is not optimistic that it will receive Federal funding to complete the project in the near term. Given this fact, the Authority anticipates reviewing alternative options to bring this project to final completion.

Strategic Plan/Long Range Financial Plan

An update to the Authority's Strategic Plan continued in FY2011 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. The Long Range Financial Planning model assimilates the results of the planning process and forecasts the System Water Rate into the future. Various alternative financial and project implementation strategies can be modeled to best accommodate future demands on the financial capability of the Water Supply System.

System Operations Permit

In 2003, the Authority initiated the System Operations Permit project (Permit) 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 Permit would have added approximately 421,000 acre-feet to the Authority's currently permitted water supply (if all that supply were taken in the Lower Basin).

During FY2010, the Authority received the draft 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 final Permit hearing before SOAH was held in May and June 2011. SOAH issued a Proposal for Decision (PFD) in October 2011. The matter will now be reviewed by the TCEQ Commissioners for a decision on issuance of the permit. A comprehensive Water Management Plan (WMP) consisting of documentation of all Authority's water rights, modeling tools, operating protocols, an accounting plan, and environmental study work must ultimately be prepared before the permit can be used. Significant effort toward developing the WMP began in 2011 and is expected to continue for at least the next two years.

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

Saltwater intrusion occurs when river flows are low allowing ocean water from the Gulf of Mexico to move up the mouth of the Brazos River. 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. Efforts to obtain Federal funding for the continued development of the barrier have been unsuccessful due to the current funding climate in Washington D.C.

Though the Authority has consistently filed a Statement of Interest with the TWDB, this project has not received a priority rating, and the TWBD has not been successful in acquiring Federal funding for the Texas Environmental Infrastructure Program. Many of the funds made available from the Federal government require that projects be "shovel ready." This project is still in the planning and development stage.

Temple-Belton Regional Sewerage System Expansion

For the past 38 years, the Authority has owned and operated the Temple-Belton Regional Sewage System (TBRSS) for the Cities of Temple and Belton (Cities). In January 2011, the Cities fulfilled the outstanding debt for the

facilities prompting the Authority to begin transfer of ownership. The transfer is expected to be completed in 2012. During FY2011, the Authority continued to work with the Cities to facilitate expansion activities triggered previously by peak flows.

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 Authority, TCEQ and the Texas Institute for Applied Environmental Research (TIAER). Project completion has been delayed by drought conditions. The anticipated date of completion is August 2013.

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 will connect to the pipeline within the next twelve to fourteen months. The proposed facility is a one mgd advanced water treatment plant.

Williamson County Regional Raw Water Line

During FY2011, 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 FY2012.

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. The Authority will undertake a demonstration project using Trinity groundwater and Lake Granger surface water in FY2012.

Possum Kingdom – Granbury – Whitney Water Management Plan

In late 2007, the Authority discontinued hydropower generation at Possum Kingdom Lake (PK). In the absence of hydropower releases from PK, an interim lake management protocol was established by the Authority in early 2008 based on operating Lakes PK and Granbury on a 1:1 elevation drawdown basis (equal drawdown). In other words, releases were made from PK as needed so that Lake Granbury was never lower in terms of depth below full than PK.

In the Spring of 2010, the Authority contracted with Halff Associates to perform a water management study of the PK, Lake Granbury, and Lake Whitney portion of the Authority's reservoir system. The goal of the study was to formally evaluate and develop a lake management procedure for this subsystem that meets water supply needs and considers major items and issues affected by lake levels and water supply management.

A recommended operational procedure was presented to the Authority's Board of Directors for consideration and was approved on April 18, 2011. The operational procedure enables the Authority to meet contractual water supply obligations while balancing adverse impacts that may be experienced at the lakes during drought times.

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, 2010. This was the twenty-fifth 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 report must satisfy both GAAP and applicable legal requirements.

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

In addition, the Authority also received its fourth GFOA Distinguished Budget Presentation Award for its annual budget document for fiscal year beginning September 1, 2011. In order to qualify for the Distinguished Budget Presentation Award, the Authority's budget document was 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, Cheryl Hoelscher, Kim Goolsby, Janie Crowder, Kim Tosh, Debbie Eckert, Marian Kuntz, Tom Downey and Karen McCleney, 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,

This Ind

Phillip J. Ford General Manager/CEO

John Hawes, CPA Chief Financial Officer



Possum Kingdom Lake Drought 2011

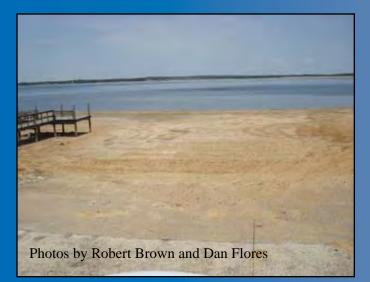














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Brazos River Authority

Texas

For its Comprehensive Annual **Financial Report** for the Fiscal Year Ended August 31, 2010

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Linda C. Dandom President

Executive Director

Possum Kingdom Lake August 2011 Wildfires

Photo courtesy of WFAA-TV







Brazos River Authority FY2011 Comprehensive Annual Financial Report



Independent Auditors' Report

The Board of Directors Brazos River Authority

We have audited the accompanying statements of net assets of Brazos River Authority (the "Authority") as of August 31, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended and the combined statements of fiduciary net assets as of August 31, 2011 and 2010, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of August 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended and the financial position of its fiduciary net assets as of August 31, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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

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TOLL FREE: 800 879 4966 WEB: PADGETT-CPA.COM 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 foregoing table of contents, are not a required part of the basic financial statements but are 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.

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Certified Public Accountants December 14, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Brazos River Authority FY2011 Comprehensive Annual Financial Report

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, 2011 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 6 to 14 of the Introductory Section of this report.

Financial Highlights

- Total assets at the end of Fiscal Year 2011, 2010 and 2009 were \$442,219, \$390,499 and \$390,831, respectively. Total assets exceeded liabilities at the end of Fiscal Year 2011, 2010 and 2009 by \$244,791, \$184,961 and \$178,999, respectively.
- Total assets for Fiscal Year 2011 increased \$51,720 over prior year, primarily as a net result of continued income from operations, early retirement of the Series 2001A and 2001B serial bonds and the infusion of cash from the third-party sale of most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Properties, Ltd.
- 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.
- The Authority ended Fiscal Year 2011 with an increase in net assets of \$59,830, an increase in net assets of \$5,962 for Fiscal Year 2010 and an increase in net assets of \$8,796 in Fiscal Year 2009.
- The increases and decreases in capital assets for the past three years and the events causing these changes are noted below:

	2011		2010		2009	
Net deletions to land storage and water rights	\$	(73)	\$	-	\$	-
Additions to construction-in-progress		10,689		4,818		12,945
Transfers from construction-in-progress to capital assets						
being depreciated		(7,295)		(1,548)		(19,966)
Additions and transfers to capital assets being depreciated		9,562		1,970		21,899
Deletions and transfers		(815)		(38)		(164)
Normal annual depreciation and amortization		(9,144)		(9,659)		(9,784)
TOTAL	\$	2,924	\$	(4,457)	\$	4,930

- For Fiscal Year 2011, total outstanding debt decreased by \$7,594. This net decrease is a result of \$17,190 in new bonds being issued for the refunding of the Series 2000 bonds in the amount of \$11,295 with the additional amount being used for the Phase II pump expansion for the Williamson County Regional Raw Water Line, the redemption of the Series 2001A and Series 2001B bonds in the amount of \$5,080, and annual principal payments on revenue bonds, contracts payable and accretion on capital appreciation bonds of \$7,350, \$1,185 and \$126, respectively.
- 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.
- 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.

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 34 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 36 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 37 of this report. The Statement of Cash Flows, along with the related notes and information in other financial statements, can be useful in assessing the following:

- The 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; and
- 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 38.

The *Notes to the Basic Financial Statement* provides additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to the Basic Financial Statements can be found starting on Page 40 of this report.

Financial Analysis

<u>Schedule of Net Assets</u> - 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 2011, 2010 and 2009 by \$244,791, \$184,961 and \$178,999, 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, 59% in Fiscal Year 2011, 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 and the infusion of cash from the third-party sale of most residential and selected commercial leases at Possum Kingdom Lake to Patterson

PK Properties, Ltd. In addition, the noncurrent liabilities decreased as a result of the early retirement of the Series 2001A and 2001B serial bonds.

For Fiscal Year 2010, 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.

	2011	2010	2009
ASSETS			
Current assets - unrestricted	\$ 109,624	\$ 62,631	\$ 55,886
Current assets - restricted	13,230	10,136	10,806
Noncurrent assets-restricted	27,086	27,564	29,171
Capital assets, net	287,160	284,236	288,693
Noncurrent assets	5,119	5,932	6,275
TOTAL ASSETS	442,219	390,499	390,831
LIABILITIES			
Current liabilities (payable from current assets)	18,590	16,745	14,759
Current liabilities (payable from restricted assets)	14,534	15,206	13,992
Noncurrent liabilities	164,304	173,587	183,081
TOTAL LIABILITIES	197,428	205,538	211,832
NET ASSETS			
Invested in capital assets, net of related debt	145,039	135,931	135,152
Restricted	9,393	5,641	6,149
Unrestricted	90,359	43,389	37,698
TOTAL NET ASSETS	\$ 244,791	\$ 184,961	\$ 178,999

Condensed Schedule of Net Assets August 31, 2011, 2010 and 2009

For Fiscal Year 2011, about 63% (\$154,432) of the Authority's net assets represent resources that are restricted. The remaining balance of *unrestricted net assets* (\$90,359) may be used to meet the Authority's ongoing obligations.

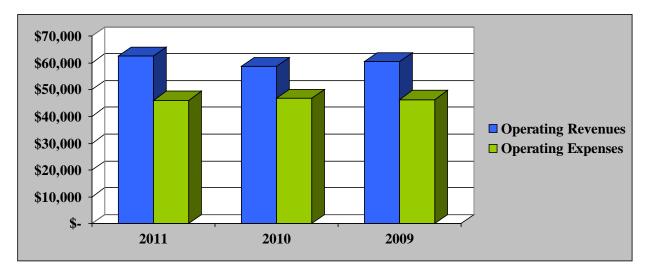
Condensed Schedule of Revenues, Expenses and Changes in Net Assets Fiscal Years Ended August 31, 2011, 2010 and 2009

	2011	2010	2009	
OPERATING REVENUES				
Water supply system	\$ 42,606	\$ 40,467	\$	40,624
Cost reimbursable operations	 19,835	 18,119		19,871
TOTAL OPERATING REVENUES	 62,441	 58,586		60,495
OPERATING EXPENSES				
Operating and Maintenance	36,646	36,891		36,329
Depreciation and amortization	 9,376	9,789		9,905
TOTAL OPERATING EXPENSES	 46,022	 46,680		46,234
OPERATING INCOME	16,419	11,906		14,261
Total net non-operating revenues (expenses)	 42,775	 (7,147)		(6,500)
INCOME BEFORE CONTRIBUTIONS	59,194	4,759		7,761
Capital contributions	 636	 1,203		1,035
CHANGE IN NET ASSETS	59,830	5,962		8,796
NET ASSETS, BEGINNING	 184,961	 178,999		170,203
NET ASSETS, ENDING	\$ 244,791	\$ 184,961	\$	178,999

Operating Income

Operating income increased by \$4,513 or 38% after decreasing in the prior year by 17%. This increase in the current year is a result of an unexpected increase in raw water sales as a result of the drought and the increase in cost reimbursable operation's contractual needs. The prior year's decrease in operating income is a result of a decrease in the sale of raw water.

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 wastewater treatment facilities, 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 revenues (expenses)

For Fiscal Year 2011, total net non-operating revenues (expenses) increased by \$49,159. This increase is a result of the final closing of the Possum Kingdom Lake Property Divestiture project and greater investment earnings when compared to prior year.

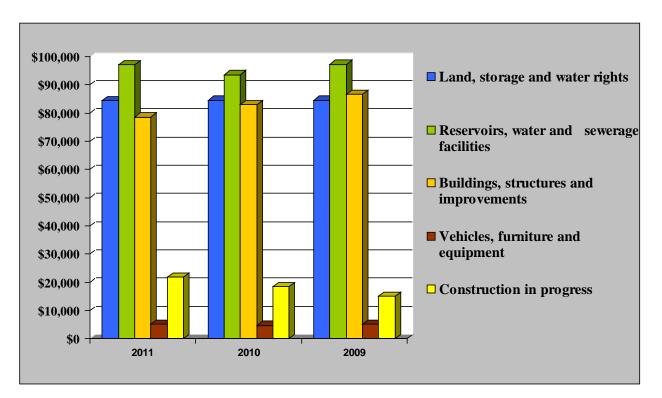
Capital Assets and Outstanding Debt

<u>Capital Assets</u> - The Authority's capital assets, as of August 31, 2011, 2010 and 2009, amounted to \$287,160, \$284,236 and \$288,693, respectively, (net of accumulated depreciation and amortization). The slight increase in capital assets for 2011 is primarily due to the net of the systematic allocation of depreciation and increase 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, 2011, 2010 and 2009

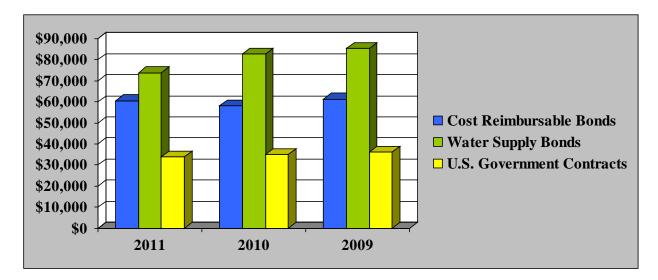
	2011	2010		2009	
Land, storage and water rights	\$ 84,427	\$	84,500	\$	84,500
Reservoirs, water and sewerage facilities	97,146		93,575		97,230
Buildings, structures and improvements	78,603		83,052		86,598
Vehicles, furniture and equipment	5,168		4,687		5,213
Construction in progress	 21,816		18,422		15,152
TOTAL	\$ 287,160	\$	284,236	\$	288,693

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



<u>*Outstanding Debt*</u> – At the end of Fiscal Year 2011, 2010 and 2009, the Authority had total outstanding debt of \$168,004, \$175,598 and \$182,579, respectively. Of the 2011 amount, 64% and 36% 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-'. This was 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 2011, 2010 and 2009 are shown in the following table:

	2011		2010		2009
Accretion of interest on capital appreciation bonds	\$ 126	\$	120	\$	113
Early retirement of Series 2001A and Series 2001B	(5,080)		-		-
Refunding Series 2000 for new Series 2011 Bonds	(11,295)		-		-
New bond issue WCRRWL Series 2011	17,190		-		-
Principal payments made during each year	(8,535)		(7,101)		(6,478)
New Series 2009 Revenue Bonds					22,000
INCREASE (DECREASE) IN DEBT	\$ (7,594)	\$	(6,981)	\$	15,635

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

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 FY2011 Comprehensive Annual Financial Report

BRAZOS RIVER AUTHORITY STATEMENTS OF NET ASSETS AUGUST 31, 2011 AND 2010 (in thousands)

ASSETS	201	1	2010	
CURRENT ASSETS:				
UNRESTRICTED: Cash and cash equivalents Investments Receivables:	\$ 10	5,924 00,360	\$ 10,760 44,788	
Accounts Accrued interest		2,016	4,324	
Current portion of contracts receivables		48 171	23 166	
Other current assets		1,105	2,570	
TOTAL UNRESTRICTED		09,624	62,631	-
			,	-
RESTRICTED: Cash and cash equivalents	1	10,235	7,796	
Investments		2,994	2,340	
Interest		1	-	
TOTAL RESTRICTED	1	13,230	10,136	_
TOTAL CURRENT ASSETS	12	22,854	72,767	_
NONCURRENT ASSETS:				
RESTRICTED:				
Cash and cash equivalents	1	10,883	1,595	
Investments	1	16,188	25,944	
Interest		15	25	_
TOTAL RESTRICTED		27,086	27,564	_
CAPITAL ASSETS:				
Land, storage and water rights		84,427	84,500	
Reservoirs, water treatment and sewerage facilities		75,912	169,260	
Building, structures and improvements Vehicles, furniture and equipment		06,176 17,427	106,454 18,726	
Construction in progress		21,816	18,720	
TOTAL CAPITAL ASSETS)5,758	397,362	
Less accumulated depreciation		18,598)	(113,126)	
NET CAPITAL ASSETS	28	87,160	284,236	_
OTHER NONCURRENT ASSETS:				
Contract receivable, net of current portion		538	708	
Bond related costs		2,400	2,749	
Other assets		2,181	2,475	_
TOTAL OTHER NONCURRENT ASSETS		5,119	5,932	-
TOTAL NONCURRENT ASSETS	31	19,365	317,732	_
TOTAL ASSETS	\$ 44	42,219	\$ 390,499	=

BRAZOS RIVER AUTHORITY STATEMENTS OF NET ASSETS AUGUST 31, 2011 AND 2010 (in thousands)

	2011	2010
LIABILITIES		
CURRENT LIABILITIES:		
PAYABLE FROM CURRENT ASSETS:		
Accounts payable	\$ 5,195	\$ 4,456
Contracts payable	1,221	1,185
Accrued interest	628	665
Net pension obligation	13	13
Unearned revenues	11,533	10,426
TOTAL PAYABLE FROM CURRENT ASSETS	18,590	16,745
PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest	2,018	2,020
Construction contracts payable	415	-
Revenue bonds payable	6,855	7,350
Unearned revenues	3,138	3,456
Other	2,108	2,380
TOTAL PAYABLE FROM RESTRICTED ASSETS	14,534	15,206
TOTAL CURRENT LIABILITIES	33,124	31,951
NONCURRENT LIABILITIES:		
Revenue bonds payable, net of current portion	127,383	133,297
Discount on revenue bonds payable	(867)	(1,006)
Contracts payable, net of current portion	32,545	33,766
Unearned revenues	4,498	6,634
Other liabilities	745	896
TOTAL NONCURRENT LIABILITIES	164,304	173,587
TOTAL LIABILITIES	\$ 197,428	\$ 205,538
NET ASSETS:		
Invested in capital assets, net of related debt	\$ 145,039	\$ 135,931
Restricted for construction and debt service	9,393	¢ 135,551 5,641
Unrestricted	90,359	43,389
TOTAL NET ASSETS	\$ 244,791	\$ 184,961
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BRAZOS RIVER AUTHORITY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FISCAL YEARS ENDED AUGUST 31, 2011 AND 2010 (in thousands)

	2011	2010
OPERATING REVENUES:		
Water Supply System:		
Raw water sales	\$ 33,672	\$ 28,640
Treated water	1,623	1,571
Wastewater treatment	3,335	3,285
Lake operations	2,095	4,492
Grants	778	1,552
Other	1,103	927
Cost Reimbursable Operations:		
Water conveyance/supply	3,037	1,853
Water treatment	8,938	8,221
Wastewater treatment	7,860	8,045
TOTAL OPERATING REVENUES	 62,441	 58,586
OPERATING EXPENSES:		
Personnel services	15,740	16,615
Materials and supplies	2,990	2,769
Utilities	4,981	4,506
Depreciation and amortization	9,376	9,789
Outside services	4,372	5,422
Other	8,563	7,579
TOTAL OPERATING EXPENSES	46,022	 46,680
OPERATING INCOME	 16,419	 11,906
NON-OPERATING REVENUES (EXPENSES):		
Investment income	1,223	891
Interest expense	(7,166)	(7,341)
Other expenses	(147)	(735)
Gain on sale of capital assets	48,865	38
TOTAL NET NON-OPERATING REVENUES (EXPENSES)	42,775	 (7,147)
INCOME BEFORE CONTRIBUTIONS	59,194	4,759
Capital contributions	636	 1,203
CHANGE IN NET ASSETS	59,830	5,962
NET ASSETS, BEGINNING	 184,961	 178,999
NET ASSETS, ENDING	\$ 244,791	\$ 184,961

BRAZOS RIVER AUTHORITY STATEMENTS OF CASH FLOWS FISCAL YEARS ENDED AUGUST 31, 2011 AND 2010 (in thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 66,450	\$ 62,746
Cash paid to suppliers for goods and services	(26,742)	(28,665)
Cash paid to employees for services	(12,640)	(12,554)
Net cash provided by operating activities	27,068	21,527
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Bond proceeds	5,895	-
Payment of debt issuance costs	(190)	-
Cash paid for capital assets	(11,553)	(6,665)
Interest paid	(7,625)	(7,303)
Principal payments on long-term debt	(13,477)	(6,975)
Proceeds from disposal of capital assets	51,400	48
Capital contributions	636	1,203
Net cash provided by/(used in) capital and related financing activities	25,086	(19,692)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	53,341	50,965
Purchases of investments	(99,814)	(72,868)
Interest received	1,210	996
Net cash used in investing activities	(45,263)	(20,907)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,891	(19,072)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	,	
(including \$9,391 and \$30,085, respectively, reported in restricted accounts)	20,151	39,223
CASH AND CASH EQUIVALENTS, END OF YEAR		
(including \$21,118 and \$9,391, respectively, reported in restricted accounts)	\$ 27,042	\$ 20,151
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 16,419	\$ 11,906
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,131	9,659
Amortization	245	130
Change in current assets and liabilities:		
(Increase) decrease in accounts receivable	1,603	(775)
(Increase) decrease in other current assets	226	(387)
Increase (decrease) in accounts payable	578	(934)
Increase (decrease) in unearned revenue and other liabilities	(1,134)	1,928
Total adjustments	10,649	9,621
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 27,068	\$ 21,527
NONCASH INVESTING AND CAPITAL ACTIVITIES:		
Write off of Capital Assets	\$ (800)	\$ -
Net decrease in fair value of investments	\$ (000) \$ (2)	\$ (1)
Amounts recorded for accretion on WCRRWL Series 2000 Capital Appreciation Bonds	\$ 126	\$ 120
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BRAZOS RIVER AUTHORITY COMBINED STATEMENTS OF FIDUCIARY NET ASSETS AUGUST 31, 2011 AND 2010 (in thousands)

	2011	2010			
ASSETS					
Cash	\$ 1,133	\$ 845			
Investments	1,798	2,341			
TOTAL ASSETS	\$ 2,931	\$ 3,186			
LIABILITIES					
Held for future debt service	\$ 2,346	\$ 2,603			
Held for future construction cost	585	583			
TOTAL LIABILITIES	\$ 2,931	\$ 3,186			

Notes to the Basic Financial Statements

Brazos River Authority FY2011 Comprehensive Annual Financial Report

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 two 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 Keene and Jonah Water Special Utility District for the facilitating of bond proceeds in accordance with the Inter-local Agreements relating to financial programs. The Agency Funds only report assets and liabilities in a statement of fiduciary net assets.

Reclassification - Certain prior year balances have been reclassified to conform with current year presentation.

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, or Letters of Credit issued or guaranteed by the US Government, its agencies and instrumentalities that have a market value exceeding the total amount of cash and investments held at all times.

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

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

Capital Assets - All purchased capital assets are stated at historical cost. Donated assets are stated at their estimated 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 projects that meet the capitalization rule are the deep water intake structure on Lake Granger and the Phase II pumps for the Williamson County Regional Raw Water Line. For the years ended August 31, 2011 and 2010, the Authority had \$260 and \$150 in net capitalized interest, respectively.

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.

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, 2011 and 2010, bond and loan issuance costs, (net of accumulated amortization), of approximately \$1,604 and \$1,820, respectively, were included in bond related costs 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 \$2,181 and \$2,267 at August 31, 2011 and 2010, respectively, is included in other assets and will be amortized against related revenues from such contracts over the contract lives.

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, 2011 and 2010, was \$770 and \$785, 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.

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

		201	1	_	.0	
Investment Type	F	'air Value	Weighted Average Maturity (Years)	Fa	ir Value	Weighted Average Maturity (Years)
Certificates of Deposit	\$	119,543	0.85	\$	70,064	0.78
US Agencies: FHLB FNMA		-			3,002 6	0.35 0.75
Total Value	\$	119,543		\$	73,072	
Portfolio weighted average maturity			0.85			0.76

As of August 31, 2011 and 2010, the Authority had the following investments:

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 institution with the conditions prescribed in Section 2256.010(b) of the Act. A written depository agreement approved by the bank board or loan committee is required. By Policy, the 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 thirty-six (36) months to its stated maturity.

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, 2011:

- Certificates of deposits represented 80.9% of the total portfolio,
- Fully collateralized demand deposits represented 19.1 % of the total portfolio, and
- The Authority had no certificate of deposits with a maturity greater than two years.

BRAZOS RIVER AUTHORITY NOTES TO THE BASIC FINANCIAL STATEMENTS AUGUST 31, 2011 AND 2010 (in thousands)

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		
b.	U.S. Agencies & Instrumentalities		
c.	States, Agencies, Counties, Cities, & Other	50%	
	Limit per issuer	5%	
d.	Certificates of Deposit	90%	
e.	Authorized Local Government Investment Pools	575%	
	Limit per pool	.50%	
f.	Money Market Mutual Funds		
	Limit per fund	.50%	
g.	Repurchase Agreements		

Portfolio disclosure as of August 31, 2011:

- 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 is two years, for reserve funds is three years, and for debt service funds is one year.

Portfolio disclosure as of August 31, 2011:

- The dollar weighted average maturity of the total portfolio was 253 days.

As of August 31, 2011, the portfolio contained no structured securities and no mortgage backed securities

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, 2011:

- The portfolio contained 38 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 principal and interest of bonded indebtedness when and to the extent the amount in the debt service funds is insufficient, as required by bond covenants.
- *Repair and Replacement funds* unexpected or extraordinary expenditures for which funds are not otherwise available or for debt service to the extent of debt service funds deficiencies as required by bond covenants.
- Other funds Future health benefit payments.

BRAZOS RIVER AUTHORITY NOTES TO THE BASIC FINANCIAL STATEMENTS AUGUST 31, 2011 AND 2010 (in thousands)

The cash and cash equivalents, investments, and accrued interest components of each fund represented by restricted assets at August 31, 2011 and 2010 were as follows:

	2011						2010						
	Cash and Cash Equivalents		Cash Invest				Cash and Cash Equivalents		Invest- ments		crued erest		
CURRENT RESTRICTED:													
Water Supply System:													
Repair and replacement funds	\$	4,441	\$	201	\$	-	\$	-	\$ 450	\$	-		
Other funds		547		1,880		1		1,154	1,580		-		
Water Supply System Total		4,988		2,081		1		1,154	2,030		-		
Cost Reimbursable Operations:													
Debt service funds		5,185		-		-		5,797	135		-		
Repair and replacement funds		62		913		-		845	175		-		
Cost Reimbursable Operations Total		5,247		913		-		6,642	310		-		
TOTAL CURRENT RESTRICTED	\$	10,235	\$	2,994	\$	1	\$	7,796	\$ 2,340	\$	-		
NONCURRENT RESTRICTED:													
Water Supply System:													
Bond proceeds funds	\$	6,485	\$	14,732	\$	13	\$	1,586	\$ 21,930	\$	22		
Bond reserve funds		-		1,456		2		-	1,426		2		
Water Supply System Total		6,485		16,188		15		1,586	23,356		24		
Cost Reimbursable Operations:													
Bond proceeds funds		1,801		-		-		-	-		-		
Bond reserve funds		2,597		-		-		9	2,588		1		
Cost Reimbursable Operations Total		4,398	_	-		-		9	2,588		1		
TOTAL NONCURRENT RESTRICTED	\$	10,883	\$	16,188	\$	15	\$	1,595	\$ 25,944	\$	25		

4. CAPITAL ASSETS

A summary of changes in capital assets for August 31, 2011 follows:

Classification		Balance at August 31, 2010		Additions and Transfers		Deletions and Transfers		alance at ugust 31, 2011
Capital assets, not being depreciated/amortized:								
Land, storage and water rights	\$	84,500	\$	-	\$	(73)	\$	84,427
Construction in progress		18,422		10,689		(7,295)		21,816
Total capital assets, not being								
depreciated/amortized		102,922		10,689		(7,368)		106,243
Capital assets, being								
depreciated/amortized:								
Reservoirs, water treatment and								
sewerage facilities		169,260		6,765		(113)		175,912
Buildings, structures and								
improvements		106,454		597		(875)		106,176
Vehicles		2,923		374		(504)		2,793
Furniture		765		-		(423)		342
Computers		4,670		112		(1,285)		3,497
Tools and heavy equipment		10,368		1,714		(1,287)		10,795
Total capital assets, being								
depreciated/amortized		294,440		9,562		(4,487)		299,515
TOTAL CAPITAL ASSETS	\$	397,362	\$	20,251	\$	(11,855)	\$	405,758
Less accumulated								
depreciation/amortization:								
Reservoirs, water treatment and								
sewerage facilities	\$	75,685	\$	3,146	\$	(65)	\$	78,766
Buildings, structures and								
improvements		23,402		4,684		(513)		27,573
Vehicles		2,268		265		(401)		2,132
Furniture		737		7		(411)		333
Computers		3,909		327		(1,281)		2,955
Tools and heavy equipment		7,125		715		(1,001)		6,839
Total accumulated	<u>ب</u>	110.105	¢	o	¢		¢	110 500
depreciation/amortization	\$	113,126	\$	9,144	\$	(3,672)	\$	118,598
NET CAPITAL ASSETS	\$	284,236	\$	11,107	\$	(8,183)	\$	287,160

BRAZOS RIVER AUTHORITY NOTES TO THE BASIC FINANCIAL STATEMENTS AUGUST 31, 2011 AND 2010 (in thousands)

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

Classification	Balance at August 31, 2009		gust 31, and		and			alance at ugust 31, 2010
Capital assets, not being								
depreciated/amortized:	¢	04 500	¢		¢		¢	04 500
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
Capital assets, being								
depreciated/amortized:								
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
TOTAL CAPITAL ASSETS	\$	392,358	\$	6,788	\$	(1,784)	\$	397,362
Less accumulated								
depreciation/amortization:								
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
NET CAPITAL ASSETS	\$	288,693	\$	(2,871)	\$	(1,586)	\$	284,236

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, 2011 and 2010 were as follows:

		2	011			2010				
	Un	urrent earned venues	Un	ncurrent learned evenues	Uı	Current nearned evenues	Un	ncurrent earned venues		
Unrestricted										
Water Supply System:										
Lake Granbury	\$	322	\$	-	\$	328	\$	-		
Lake Limestone		2,128		3,840		812		5,761		
Possum Kingdom Lake		263		-		983		-		
Federal Reservoirs		5,181		-		3,787		-		
Other Water Supply System		200		-		21		36		
Total Water Supply		8,094		3,840		5,931		5,797		
Cost Reimbursable Operations:										
Williamson County RRWL		754		586		1,067		677		
Lake Granbury SWATS		355		72		1,312		159		
Temple-Belton RSS		618		-		318		1		
Sandy Creek WTP		306		-		154		-		
Clute-Richwood RSS		129		-		106		-		
Hutto WWS		215		-		186		-		
Brushy Creek RWS		973		-		1,271		-		
Liberty Hill WTS		20		-		31		-		
Lee County FWD		69				50		-		
Total Cost Reimbursable Operations		3,439		658		4,495		837		
Total Unrestricted	\$	11,533	\$	4,498	\$	10,426	\$	6,634		
Restricted										
Cost Reimbursable Operations:										
Williamson County RRWL	\$	1,476	\$	-	\$	1,381	\$	-		
Temple-Belton RSS		-		-		426		-		
Lake Granbury SWATS		1,662		_		1,649				
Total Restricted	\$	3,138	\$	-	\$	3,456	\$			

6. NONCURRENT LIABILITIES

Revenue Bonds Payable

Revenue bonds payable consists of the following at August 31, 2011:

	Balance at August 31, 2010		A	dditions		R	letired	Balance at August 31, 2011		Amounts Due Within One Year	
Water Supply System:											
Series 1972 Refunding Serial Bonds	\$	1,960	\$	-		\$	945	\$	1,015	\$	1,015
Series 2001A (AMT) Serial and											
Term Bonds		5,245		-	а		5,245		-		-
Series 2001B Serial Bonds		430		-	a		430		-		-
Series 2002 State Participation Loan		6,000		-			-		6,000		-
Series 2002 (AMT) Term Bonds		7,125		-			415		6,710		430
Series 2005A (AMT) Revenue Bonds		12,045		-			440		11,605		460
Series 2005B (AMT) Revenue Bonds		10,005		-			345		9,660		360
Series 2006 Revenue Bonds		17,805		-			-		17,805		-
Series 2009 Revenue Bonds		22,000		-	-		1,060		20,940		1,060
Total Water Supply System	\$	82,615	\$	-		\$	8,880	\$	73,735	\$	3,325
Cost Reimbursable Operations:											
Series 1997 Serial and Term Bonds	\$	8,790	\$	-		\$	1,260	\$	7,530	\$	1,335
Series 1999 State Participation Loan		14,955		-			-		14,955		-
Series 2000 Serial and Capital											
Appreciation Bonds		14,282		126	b		12,030		2,378		585
Series 2001 Serial and Term Bonds		7,940		-			445		7,495		470
Series 2002 Revenue Bonds		11,475		-			520		10,955		545
Series 2004 Revenue Bonds		590		-			590		-		-
Series 2011 Revenue Bonds		_		17,190	b		-		17,190		595
Total Cost Reimbursable					-						
Operations	\$	58,032	\$	17,316		\$	14,845	\$	60,503	\$	3,530
Total Revenue Bonds Payable	\$1	40,647	\$	17,316	-	\$	23,725	\$1	134,238	\$	6,855

a) On May 31, 2011 the Authority redeemed the \$8,925 Water Supply System Revenue Refunding & Improvement Bonds, Series 2001A (AMT) and the \$1,060 Water Supply System Revenue Refunding bonds, Series 2001B.

b) On January 31, 2011 the Authority issued the Brazos River Authority Contract Revenue and Refunding Bonds Series 2011. Proceeds from the sale of the Bonds will be used, along with other funds, to (i) add additional pumps to the Project intake structure, (ii) pay the costs of engineering and design, (iii) refund the current interest bonds of the Authority's outstanding Contract Revenue Bonds, Series 2000 in order to restructure such indebtedness while providing a net present savings and (iv) pay issuance costs on the Bonds.

BRAZOS RIVER AUTHORITY NOTES TO THE BASIC FINANCIAL STATEMENTS AUGUST 31, 2011AND 2010 (in thousands)

	Balance at August 31, 2009		Ad	Additions Retired		tired	Balance at August 31, 2010		Amounts Due Within One Year	
Water Supply System:										
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
Total Water Supply System	\$	85,235	\$		\$ 2	2,620	\$	82,615	\$	3,800
Cost Reimbursable Operations:										
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
Total Cost Reimbursable Operations	\$	61,247	\$	120	\$ 3	3,335	\$	58,032	\$	3,550
Total Revenue Bonds Payable	\$	146,482	\$	120	\$ 5	5,955	\$	140,647	\$	7,350

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

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.

Revenue bonds payable at August 31, 2011, 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% (redeemed on May 31, 2011)
- 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% (redeemed on May 31, 2011)
- Series 2002 (\$6,000) Brazos River Authority State Participation Loan (Allens Creek Project) for purchase of land for Allens Creek Reservoir site; due in installments of \$260 to \$580 beginning from 2022 through 2036; interest at 5.776% to 5.876%
- Series 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 in annual installments of \$1,415 to \$1,690 beginning from 2012 through 2016; interest at 5.2% to 6.05%

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 beginning from 2021 through 2033; Interest at 4.35% to 5.50%
- Series 2000 (\$2,795) Brazos River Authority capital appreciation bonds for Williamson County Regional Raw Water Line; due in annual installments of \$300 to \$605 through 2019; interest at 5.3% 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 beginning from 2006 through 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%
- Series 2011 (\$17,190) Brazos River Authority Contract Revenue and Refunding Bonds, (Williamson County Regional Raw Water Line Project) - to refund the serial portion of the Series 2000 serial and capital appreciation bonds for Williamson County Regional Raw Water Line. In addition, proceeds from the sale of the bonds will be used for additional pumps to the project intake structure; due in annual payments of \$115 to \$1,545 through 2030; interest at 2.0% to 5.13%

The Water Supply System bond covenants require that the 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, 2011 and 2010, the Authority's coverage rates were 2.70 and 2.48, 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, 2011 and 2010 the cumulative unamortized deferred amount of \$496 and \$158, respectively, are included as an element of discount on revenue bonds payable. The deferred amount resulted from refunding of debts in 1997, 2001, 2004 and 2011.

BRAZOS RIVER AUTHORITY NOTES TO THE BASIC FINANCIAL STATEMENTS AUGUST 31, 2011 AND 2010 (in thousands)

On January 31, 2011, the Authority issued \$17,190 of revenue bonds for a current refunding of \$11,295 of the Series 2000 Brazos River Authority Serial and Term Bonds. The refunding was done to reduce the total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$372. This amount is being netted against the new debt and amortized over the life of the new debt which is the same as the old debt. The difference between the present values of the two debt service streams of \$563 constitutes the economic gain on the transaction and a reduction of \$658 in future debt service payments.

	Water	Supply S	System	Cos	Cost Reimbursable Operations					
	Principa	l	Interest	Pr	incipal	Ι	nterest			
2012	\$ 3,32	25 \$	2,792	\$	3,530	\$	3,073			
2013	2,36	55	2,709		2,933		2,953			
2014	2,42	25	2,653		2,988		2,983			
2015	3,02	20	2,870		3,120		2,845			
2016	3,12	20	2,778		3,261		2,696			
2017-2021	17,21	5	12,237		12,416		11,701			
2022-2026	19,91	5	7,138		16,265		6,780			
2027-2031	14,99	00	3,185		13,905		2,831			
2032-2036	7,36	50	915		2,085		152			
Total	\$ 73,73	\$5	37,277	\$	60,503	\$	36,014			

Annual requirements to retire revenue bonds outstanding including interest are:

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

	201	1	2010
Net capital assets	\$ 28'	7,160	\$ 284,236
Revenue bonds payable - current & noncurrent	(11)	1,207)	(117,109)
Bond related costs	,	2,400	2,749
Discount on revenue bonds payable		867	1,006
Construction contracts payable		(415)	-
Contracts payable, current & noncurrent	(3.	3,766)	 (34,950)
Total Net Assets invested in capital assets, net of			
related debt	\$ 14	5,039	\$ 135,932

The unspent proceeds of debt issued for capital purposes and the related debt are excluded from the computation of capital assets, net of related debt. At August 31, 2011 and 2010, the balance of unspent bond proceeds for capital purposes was \$23.031 and \$23.538 respectively.

BRAZOS RIVER AUTHORITY NOTES TO THE BASIC FINANCIAL STATEMENTS AUGUST 31, 2011 AND 2010 (in thousands)

Contracts Payable consists of the following at August 31, 2011:

	Balance at August 31, 2010	Retired/ (Additions)	Balance at August 31, 2011	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%	\$ 1,473	\$ 89	\$ 1,384	\$ 91
\$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%	444	31	413	32
\$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%	2,013	229	1,784	235
\$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%	3,538	169	3,369	173
\$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%	875	166	709	171
\$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%	11,805	215	11,590	222
\$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%	5,267	113	5,154	117
\$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	0.086	128	8 058	125
is compounded annually at 5.116% \$550 to acquire water rights from Brazos Electric Power Cooperative, Inc., due in annual installments of principal only of \$10 to \$45 through 2020	9,086	128 45	8,958 405	45
TOTAL	\$ 34,951	\$ 1,185	\$ 33,766	\$ 1,221

	Contract	ts Payable			
	Principal	Interest	Total		
2012	\$ 1,221	\$ 1,209	\$ 2,430		
2012	¢ 1,257	1,172	¢ 2,429		
2014	1,295	1,134	2,429		
2015	1,334	1,095	2,429		
2016	1,179	1,055	2,234		
2017-2021	5,551	4,721	10,272		
2022-2026	5,344	3,817	9,161		
2027-2031	4,750	2,889	7,639		
2032-2036	5,061	1,949	7,010		
2037-2041	5,558	925	6,483		
2042	1,216	49	1,265		
TOTAL	\$ 33,766	\$ 20,015	\$ 53,781		

Annual requirements to retire contracts payable outstanding, including interest, are:

<u>Other Noncurrent Liabilities</u> Other noncurrent liability activity for the year ended August 31, 2011 was as follows:

	Balance at August 31, 2010		Ade	ditions	Ree	ductions	Balance at August 31, 2011		Amounts Due Within One Year	
Discount on Revenue										
Bonds Payable:	\$	1,006	\$	372	\$	511	\$	867	\$	108
Unearned Revenues:										
Lake Limestone		5,760		-		960		4,800		960
WCRRWL		677		-		45		632		45
SWATS		159		-		64		95		24
Other		38				38				
TOTAL	\$	6,634	\$	_	\$	1,107	\$	5,527	\$	1,029
Other Liabilities:										
Hydroelectric	\$	318	\$	1	\$	-	\$	319	\$	-
Trans TX Phase II		210		-		-		210		-
Compensated Absences		259		13		105		167		60
Other		109		-				109		
TOTAL	\$	896	\$	14	\$	105	\$	805	\$	60

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. On October 18, 2010 the Board of Directors of the Brazos River Authority approved a resolution to amend and restate substantially the form of the Plan effective November 30, 2010. The resolution spun-off the defined contribution portion into its own plan and at the same time made effective November 30, 2010 the termination of the Defined Contribution Plan for Employees of Brazos River Authority. The Plan is administered by a Retirement Committee appointed by the 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.

Total participants in the defined contribution component, prior to the spin-off resolution were 156 as of November 30, 2010 and 160 as of February 28, 2010. Participation in the defined benefit component of the Plan, as of the beginning of the year evaluation date, March 1, 2010, and March 1, 2009, is composed of the following:

Group	2010	2009
Retirees and beneficiaries currently receiving benefits	94	94
Terminated plan members entitled to but not yet receiving benefits	94	86
Transferred Canal Division employees*	7	7
Active plan members	172	183
TOTAL	367	370

*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.

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 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.

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.

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, 2011, the Authority's Annual Required Contribution was \$236. The Authority's Annual Required Contribution (ARC), Annual Pension Cost, the percentage of Annual Pension Cost (APC) and the Net Pension Obligation (NPO) for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Rec	nnual Juired ribution	iired Pension		Percentage of APC Contributed	Net Pension Obligation Balance	
August 31, 2009	\$	13	\$	13	0%	\$	13
August 31, 2010	\$	309	\$	296	96%	\$	13
August 31, 2011	\$	236	\$	223	95%	\$	13

The ARC is actuarially determined as a percent of the covered payroll of the participating employees and is in compliance with GASB Statement No. 27 and 50 parameters based on the actuarial valuation date of March 1, 2010. The NPO Balance for the past three years remain unchanged as a result of the interest on the NPO and the ARC adjustment netting to an amount less than one thousand dollars.

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)	Actuarial Accrued Liability (AAL) (b)	AAL (rfunded UAAL) - (a)	Funded Ratio (a)/(b)	Cov Pay (0		*UAAL as % of Covered Payroll (b-a)/(c)
March 1, 2011	\$ 20,343	\$ 23,968	\$	3,625	85%	\$	-	N∖A

*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, 2011, 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 thirty year period and the asset valuation method was market value with gains and losses smoothed over a five year period.

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 618 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 sixty and above with eight or more years of service, with thirty years of service regardless of age, or when the sum of their age and years of service equals eighty or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer financed benefit. Members who withdraw their personal contribution in a lump sum are not entitled to any amounts contributed by the Authority. The plan offers no post employment benefits

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 2011 and 2010 was 7.91% and 7.61% 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, 2011 and August 31, 2010, the actual contributions made by the employees were \$783 and \$799, respectively. For the fiscal year ended August 31, 2011, the Authority's ARC was \$1,017. The Authority's ARC, and the percentage of APC and the NPO for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Re	nnual quired ribution	Pens	Annual sion Cost APC)	Percentage of APC Contributed	Net Pension Obligation Balance	
August 31, 2009	\$	1,087	\$	1,087	100%	\$	-
August 31, 2010	\$	1,032	\$	1,032	100%	\$	-
August 31, 2011	\$	1,017	\$	1,017	100%	\$	-

BRAZOS RIVER AUTHORITY NOTES TO THE BASIC FINANCIAL STATEMENTS AUGUST 31, 2011 AND 2010 (in thousands)

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 December 31, 2010

Funding Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was 77.90% funded. The actuarial accrued liability for benefits was \$8,305, and the actuarial value of assets was \$6,469, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,835. The covered payroll (annual payroll of active employees covered by the plan) was \$13,211, and the ratio for the UAAL to the covered payroll was 13.89%.

Actuarial Methods and Assumptions

	Actuarial Valuation Information
	2011
Actuarial valuation date	December 31, 2010
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
Actuarial assumptions:	
Investment return*	8.0%
Projected salary increases*	5.4%
Inflation	3.5%

*Includes inflation at the stated rate

Defined Contribution Plan for Employees of Brazos River Authority

Plan Description

The Defined Contribution Plan for Employees of Brazos River Authority (The Defined Contribution Plan), a single employer plan, was established on November 30, 2010 by the Authority, a governmental agency of the State of Texas. The Defined Contribution Plan is a result of a spin-off from the aforementioned Retirement Plan for Employees of Brazos River Authority (the "Plan"). The Authority approved a resolution to amend and restate substantially the form of the Plan effective November 30, 2010. The resolution spun-off the defined contribution portion into its own plan and at the same time made effective November 30, 2010 the termination of the Defined Contribution Plan. The Defined Contribution 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. Total participation in the defined contribution portion of the Plan as of February 28, 2011.

Funding Policy

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.

As required under Section 7.02(c) of the Defined Contribution Plan document, all participants who had account balances in the Defined Contribution Plan, at its November 30, 2010 termination date, became fully vested in their Defined Contribution Plan benefits.

Tax Status

On January 8, 2011, the Authority filed the documents required to obtain a determination from the Internal Revenue Service to terminate the Defined Contribution Plan and to assure the newly written Defined Contribution Plan and related trust are designed in accordance with applicable sections of the Code and therefore is tax exempt. The Retirement Committee believes that the Defined Contribution Plan is designed and is currently being operated in compliance with the applicable requirements of the Code and is therefore tax exempt.

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 sewerage 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.

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

Contracting Party	Date of Issue		riginal mount	Date of Maturity	Interest Rate	lance at st 31, 2011
Jonah Water SUD Jonah Water SUD	2007 2008	\$ \$	3,170 2,630	2009-2028 2010-2029	4.0% to 4.5% 3.0% to 5.0%	\$ 2,840 2,455
TOTAL			,			\$ 5,295

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.

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

Year Issued			Interest Rate %	Balance at August 31, 2011	
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
Subtotal for CenterPoint			\$	861,500	

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BRAZOS RIVER AUTHORITY NOTES TO THE BASIC FINANCIAL STATEMENTS AUGUST 31, 2011 AND 2010 (in thousands)

2) Texas Competitive Electric Holdings Company LLC - (formerly 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, 2011	
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
2001 I	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 Competitive Electric Holdings Company LLC					1,365,695
TOTAL POLLU	FOTAL 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 AUGUST 31, 2011 (in thousands)

CONDENSED STATEMENTS

		Water S	upply S	System		C		eimbursal	ole Oj	perations		
	C	Lake		Other Water		CDDWI	Gı	Lake anbury WATS		emple-]	berty Hill
	G	anbury	Supp	oly Systems	VV C	CRRWL	5	WA15	Bel	ton RSS	V	WS
Condensed Statement of Net Assets Assets:												
Current assets - unrestricted	\$	19	\$	104,814	\$	457	\$	1,470	\$	741	\$	24
Current assets - restricted		250		6,821		3,522		2,637		-		-
Noncurrent assets-restricted				22,688		1,801		2,597				
Capital assets		11,093		213,812		32,551		28,277		1,343		-
Other assets		-		3,726		1,041		352		-		-
TOTAL ASSETS		11,362		351,861		39,372		35,333		2,084		24
Liabilities:							-		-			
Current liabilities - unrestricted		19		13,730		1,067		927		741		24
Current liabilities - restricted		1,015		4,534		4,358		4,627		-		-
Non-current liabilities		-		107,190		33,723		23,391		-		-
TOTAL LIABILITIES		1,034		125,454		39,148		28,945		741		24
Net Assets:												
Investment in capital assets,												
net of related debt		10,078		129,913		661		2,960		1,343		-
Restricted		250		5,427		760		2,956		-		-
Unrestricted		-		91,067		(1,197)		472		-	-	-
TOTAL NET ASSETS	\$	10,328	\$	226,407	\$	224	\$	6,388	\$	1,343	\$	-
Operating revenues: Pledged against identifiable bonds/ storage contracts	\$	1,044	\$	41,238	\$	3,037	\$	7,816	\$	_	\$	
Pledge against operations	φ	1,044	φ	41,238	φ	5,057	φ	7,810	φ	2,619	φ	249
Depreciation and amortization expense		(137)		(4,981)		(1,866)		(2,243)		(128)		249
Other operating expenses		-		(23,540)		(564)		(3,835)		(2,031)		(249)
OPERATING INCOME (LOSS)		907		12,717		607		1,738		460		
Non-operating revenues (expenses):		201		12,717		007		1,750		100		
Investment income		-		1,175		11		25		3		-
Interest expense		(99)		(3,892)		(1,654)		(1,513)		(8)		-
Other Income/(Expense)		-		(244)		-		97		-		-
Gain/(loss) on Sale of Capital Assets		-		48,970		-		-		17		-
Contributed capital		-		72		499		(2)		67		-
CHANGE IN NET ASSETS		808		58,798		(537)		345		539		-
Beginning net assets		9,520		167,836		761		5,997		623		-
Adjustments		-		(227)		-		46		181		-
ENDING NET ASSETS	\$	10,328	\$	226,407	\$	224	\$	6,388	\$	1,343	\$	-
Condensed Statement of Cash Flows Net cash provided by (used in) :												
Operating activities	\$	1,027	\$	18,952	\$	3,092	\$	3,185	\$	689	\$	(15)
Capital and related financing activities		(1,027)		31,788		(966)		(3,941)		(765)		-
Investing activities		. ,		(47,296)		(489)		2,199		314		-
Net Increase (Decrease) -		-		3,444		1,637		1,443		238		(15)
Beginning Cash and Cash Equivalents		-		9,473		3,643		4,548		503		38
Ending Cash and Cash Equivalents	\$	-	\$	12,917	\$	5,280	\$	5,991	\$	741	\$	23

				Cost	Reimburs	able Op	erations				
I	Brushy						Clute/				
	Creek			Sand	ly Creek		hwood	Lee	County	(GRAND
R	WWS	Hut	to WWS	١	VTS	V	VWS	F	WD	1	TOTAL
\$	1,263	\$	227	\$	364	\$	172	\$	73	\$	109,624
	-		-		-		-		-		13,230
	-		-		-		-		-		27,086
	46		-		30		8		-		287,160 5,119
	- 1,309		227		394		- 180		73		442,219
	1,507		227		571		100		15		112,217
	1,246		227		364		172		73		18,590
	-		-		-		-		-		14,534
	1,246		227		- 364		172		73		164,304 197,428
	1,240		221		504		172		15		177,420
	46				30		8		_		145,039
	-		-		-		-		-		9,393
	17		-		-		-		-		90,359
\$	63	\$	-	\$	30	\$	8	\$	-	\$	244,791
\$	-	\$	-	\$	-	\$	-	\$	-	\$	53,135
	4,277 (11)		469		973 (6)		570 (4)		149		9,306 (9,376)
	(4,278)		(470)		(960)		(570)		(149)		(36,646)
	(12)		(1)		7		(370)		-		16,419
	6		1		2		-		-		1,223 (7,166)
	-		-		-		-		-		(147)
	(64)		(12)		(14)		(32)		-		48,865
			-		-		-				636
	(70)		(12)		(5)		(36)		-		59,830
	133		12		35		44				184,961
\$	- 63	\$		\$	30	\$	8	\$		\$	- 244,791
Ψ	05	Ψ		Ψ	30	Ψ	0	Ψ	_	ψ	2 ,771
\$	(198)	\$	31	\$	167	\$	115	\$	23	\$	27,068
	13		-		(16)		-		-		25,086
	6		1		2		-		-		(45,263)
	(179)		32		153		115		23		6,891
\$	1,442 1,263	\$	<u>195</u> 227	\$	203 356	\$	56 171	\$	50 73	\$	20,151 27,042
Ψ	1,205	ψ	221	ψ	330	ψ	1/1	ψ	15	φ	27,042

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, 2011 and August 31, 2010 were \$36 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

Name	Pr	struction In ogress at 1st 31, 2011	al Project geted Cost	Estimated Project Comp. Date
System Permit Application	\$	9,388	\$ 9,583	2016
Graham Flood Control		3,683	5,740	2012
Lake Granger /Groundwater Intake		3,031	25,000	2012
PK Nose Baffles & Pier 8		2,563	4,042	2012
Lower Basin Ground Water Acquisition		731	1,000	2012
DeCordova Bend Dam Low Flow Facility		671	2,357	2012
Allens Creek Reservoir		237	67,198	2017
Other		1,512	-	various
TOTAL	\$	21,816		

During Fiscal Year 2011, the Authority made progress on the following projects:

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 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 raised the argument by the Authority that the court did 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. On June 24, 2011 the Texas Supreme Court denied BEPC's petition for review. On August 12, 2011 the Texas Supreme Court denied BEPC's Motion for Rehearing, thus letting stand the opinion and judgment of the Tenth Court of Appeals granting the Authority's Plea to the Jurisdiction and dismissing the lawsuit filed by BEPC. On September 10, 2011, the Tenth Court of Appeals issued its Mandate making final the dismissal of BEPC's lawsuit. Consequently, this lawsuit is now concluded.

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 \$1,853 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 \$300. These funds will be available in any future year the health cost exceed that plan year's additions.

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

Fiscal Year Ended	ginning alance	Ad	lditions	D	eletions	Endin	g Balance
August 31, 2009	\$ 2,470	\$	2,246	\$	(2,198)	\$	2,518
August 31, 2010	\$ 2,518	\$	1,944	\$	(2,149)	\$	2,313
August 31, 2011	\$ 2,313	\$	1,920	\$	(2,220)	\$	2,013

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 106 of this report.

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, 2011 are represented as follows:

Working Capital Reserve	\$ 5,885
Contingency Reserve Fund	5,000
Self Insurance Fund	500
Rate Stabilization Reserve Fund	 79,649
TOTAL	\$ 91,034

13. RECENTLY ISSUED GASB STATEMENTS

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (SCA). The objective of this Statement is to improve financial reporting by addressing issues related to SCA's, which are a type of public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Authority currently has no SCA's.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibusan amendment of GASB Statements No. 14 and No. 34.* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for periods beginning after June 15, 2012. The Authority should have no significant impact from this Statement.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

- i. Financial Accounting Standards Board (FASB) Statements and Interpretations
- **ii.** Accounting Principles Board Opinions
- **iii.** Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

This Statement also supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business type activities to apply post November 30, 1989 FASB Statements and interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements including this Statement. The requirements of this Statement are effective for periods beginning after December 15, 2012.

In June 2011 the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standard do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2011 the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53.* The objective of this Statement is to clarify whether an effective hedging relationship continues after their replacement of swap counterparty or swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011.

14. AGREEMENT TO TRANSFER OWNERSHIP

During Fiscal Year 2011, preliminary talks were underway with the contracting parties of the Lake Granbury Surface Water and Treatment System (SWATS) to transfer ownership to the contracting parties. On October 31, 2011 the Board of Directors of the Brazos River Authority approved a resolution authorizing the General Manager/CEO to continue negotiations and if successful, enter into an agreement to transfer the ownership of SWATS to the contracting parties in accordance with certain provisions. In those provisions, the Authority would pay \$6,000 at closing. Additionally, the Authority would remove all related assets, liabilities, and net assets from its books and records resulting in an estimated loss on the sale of operation of \$12,400.

Required Supplemental Information

Brazos River Authority FY2011 Comprehensive Annual Financial Report

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

Actuarial Valuation Date	Value of Assets (a)	Actua Accru Liabil (AAI (b)	ied ity	Underfu AAL (UA (b) - (AAL)	Funded Ratio (a)/(b)	Pay	vered yroll (c)	UAAL as % Covered Pa (b-a)/(c)	yroll
March 1, 2009	\$ 19,739 \$ 20.044		,		3,627	84% 80%	\$ ¢	-	N/A	
March 1, 2010 March 1, 2011	\$ 20,944 \$ 20,343		3,645 3,968		2,701 3,625	89% 85%	\$ \$	-	N/A N/A	

Retirement Plan for Employees of Brazos River Authority:

*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		alue of Assets (a)	A L	ctuarial .ccrued iability (AAL) (b)	AA	derfunded L (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
December 31, 2008 December 31, 2009	\$ \$	2,279 4,385	\$ \$	4,225 6,294	\$ \$	1,946 1,909	53.94% 69.67%	\$ 12,926 \$ 13,585	15.05% 14.06%
December 31, 2010	\$	6,469	\$	8,304	\$	1,835	77.90%	\$ 13,211	13.89%

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 FY2011 Comprehensive Annual Financial Report

BRAZOS RIVER AUTHORITY SUPPLEMENTAL INFORMATION COMBINING STATEMENTS OF FIDUCIARY NET ASSETS AUGUST 31, 2011 AND 2010 (in thousands)

	2011	2010
City of Keene Agency Fund		
ASSETS		
Cash	\$ 504	\$ 217
Investments	 1,350	 1,893
TOTAL ASSETS	\$ 1,854	\$ 2,110
LIABILITIES		
Held for future debt service	\$ 1,854	\$ 2,110
TOTAL LIABILITIES	\$ 1,854	\$ 2,110
Jonah Water SUD Agency Fund		
ASSETS		
Cash	\$ 629	\$ 628
Investments	 448	 448
TOTAL ASSETS	\$ 1,077	\$ 1,076
LIABILITIES		
Held for future debt service	\$ 492	\$ 493
Held for future construction cost	585	583
TOTAL LIABILITIES	\$ 1,077	\$ 1,076
Grand Total		
ASSETS		
Cash	\$ 1,133	\$ 845
Investments	 1,798	 2,341
TOTAL ASSETS	\$ 2,931	\$ 3,186
LIABILITIES		
Held for future debt service	\$ 2,346	\$ 2,603
Held for future construction cost	 585	 583
TOTAL LIABILITIES	\$ 2,931	\$ 3,186

BRAZOS RIVER AUTHORITY SUPPLEMENTAL INFORMATION SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (AGENCY FUNDS) YEAR ENDED AUGUST 31, 2011 (in thousands)

		3alance st 31, 2010	Ac	lditions	D	eletions	alance st 31, 2011
City of Keene Agency Fund	_						
ASSETS							
Cash	\$	217	\$	1,922	\$	(1,635)	\$ 504
Investments		1,893		1,361		(1,904)	1,350
Accrued interest				13		(13)	 -
TOTAL ASSETS	\$	2,110	\$	3,296	\$	(3,552)	\$ 1,854
LIABILITIES							
Held for future debt service	\$	2,110	\$	13	\$	(269)	\$ 1,854
TOTAL LIABILITIES	\$	2,110	\$	13	\$	(269)	\$ 1,854
Jonah Water SUD Agency Fund	_						
ASSETS							
Cash	\$	628	\$	941	\$	(940)	\$ 629
Investments		448		451		(451)	 448
TOTAL ASSETS	\$	1,076	\$	1,392	\$	(1,391)	\$ 1,077
LIABILITIES							
Held for future debt service	\$	493	\$	509	\$	(510)	\$ 492
Held for future construction cost		583		2			 585
TOTAL LIABILITIES	\$	1,076	\$	511	\$	(510)	\$ 1,077

BRAZOS RIVER AUTHORITY SUPPLEMENTAL INFORMATION COMPARISON OF BUDGETED REVENUES AND EXPENSES TO ACTUAL (NON-GAAP BASIS) YEAR ENDED AUGUST 31, 2011 (in thousands)

		2011		2011		
	B	udget	I	Actual	Va	ariance
OPERATING REVENUES:						
Water Supply System:						
Raw water sales	\$	28,924	\$	33,672	\$	4,748 1
Treated water		1,650		1,623		(27)
Wastewater treatment		3,242		3,335		93
Lake operations		1,390		2,095		705 2
Grants		739		778		39
Other		1,097		1,103		6
Cost Reimbursable Operations:						
Water conveyance		4,006		3,037		(969) 3
Water treatment		10,996		8,938		(2,058) 4
Wastewater treatment		10,083		7,860	_	(2,223) 5
TOTAL OPERATING REVENUES		62,127		62,441		314
OPERATING EXPENSES:						
Personnel services		17,683		15,740		1,943 6
Materials and supplies		3,618		2,990		628
Utilities		5,377		4,981		396
Depreciation and amortization		-		9,376		(9,376) 7
Outside services		5,213		4,372		841
Other		13,307		8,563		4,744 8
TOTAL OPERATING EXPENSES		45,198		46,022		(824)
NON-OPERATING REVENUES (EXPENSES):						
Investment income		1,853		1,223		(630) 9
Interest expense		(8,355)		(7,166)		1,189 10
Other expenses				(147)		(147)
Gain on sale of capital assets		57,500		48,865		(8,635) 11
Capital contributions		-		636		636 12
Debt service - principal		(8,615)		_		8,615 13
TOTAL NET NON-OPERATING REVENUES		42,383		43,411		1,028
CHANGE IN NET ASSETS	\$	59,312	\$	59,830	\$	518

1 Higher than expected water sales

2 Oil & Gas leases higher than expected

3 Lower utility costs

- 4 Budgeted capital outlay purchases postponed
- 5 Cost savings on chemicals, electricity, and personnel services

6 Normal attrition in the replacement of personnel and positions

7 Depreciation and amortization are not budgeted expenditures

8 Budget column includes items subsequently reclassified to an asset for the preparation of the CAFR; in addition, cost savings on repair and maintenance, capital outlay, and employee development cost

- 9 Lower than expected rate of return on investments
- 10 Budget column includes two additional bonds that were not issued as expected
- 11 A portion of the anticipated land sale was moved to the following year

12 Actual column includes reimbursement from customers for various projects

13 Debt service principal payments are not GAAP expenditures



Brazos River Authority FY2011 Comprehensive Annual Financial Report This page intentionally left blank

BRAZOS RIVER AUTHORITY STATISTICAL SECTION

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.

<u>Contents</u>	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.	84 - 86
Revenue Capacity	
These schedules contain information to assist the reader in obtaining a better understanding of the Authority's significant revenue sources, water sales and cost reimbursable operations.	87 - 91
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.	92 - 94
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.	96 - 103
manages, each with distinctive eminate, topography and water needs.	90 - 103
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	104 100
the activities it performs.	104 - 108

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 NINE FISCAL YEARS (unaudited) (accrual basis of accounting)

Fiscal Year Restated 2011 2010 2009 2008 OPERATING REVENUES: Water Supply System: 33,672 \$ 29,529 \$ 26,093 Raw water \$ 28,640 \$ Treated water 1,623 1,571 1,232 1,022 3,335 3,285 3,012 2,989 Wastewater treatment Lake operations 2,095 4,492 3,243 3,181 Hydroelectric 514 631 Grants 778 1,552 1,578 1,264 Pollution control financing fees Other 1,103 927 1,466 1,356 Cost Reimbursable Operations: 3.037 1,853 3,235 2.346 Water conveyance (a) Water treatment 8,938 8,221 8,953 8,174 7,860 8,045 7,733 Wastewater treatment (b) 7,827 TOTAL OPERATING REVENUES 62,441 58,586 60,495 54,883 OPERATING EXPENSES: Personnel services 15,740 16,615 16,355 15,271 Materials and supplies 2,990 2,769 3,011 2,613 4,506 4.981 4,836 Utilities 5,121 Depreciation and amortization 9,376 9,789 9,905 8,804 4,993 Outside services 4,372 5,422 4,525 Other 8,563 7,579 7,317 7,025 TOTAL OPERATING EXPENSES 46.022 46.680 46,234 43.542 OPERATING INCOME 16,419 11,906 14,261 11,341 NON-OPERATING REVENUES (EXPENSES): Investment income 1,223 891 1,329 2,187 (5,848) (7,341) (7, 419)Interest expense (7, 166)Other income (d) 4,125 (147)(735) (303)Other expenses (292)Gain/(Loss) on sale of capital assets (a),(b),(c),(e) 48,865 (107)(391) 38 TOTAL NET NON-OPERATING **REVENUES (EXPENSES)** 42,775 (7, 147)(6,500)(219)INCOME (LOSS) BEFORE CONTRIBUTIONS: 59,194 4,759 7,761 11,122 1,035 CAPITAL CONTRIBUTIONS 636 1,203 661 59.830 \$ CHANGE IN NET ASSETS 5.962 \$ 8.796 \$ 11.783 \$

(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 Lake Alan Henry 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 Sugar land, Texas and the Authority, to transfer ownership and operation of the City of Sugar land. 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

(e) During Fiscal Year 2011, the Authority sold most residential and selected commercial leases at Possum Kingdom Lake to Patterson Properties, Ltd.

2007	2006	2005	2004	2003
23,010 \$	19,460 \$	18,653 \$	18.044 \$	17,462
1,062	1,115	886	247	-
2,572	2,301	1,021	836	-
3,121	2,875	2,508	2,396	2,258
603	677	750	625	603
1,101	1,615	2,863	2,805	2,357
-	750	-	933	267
1,229	1,259	1,251	981	962
2,247	1,801	5,954	6,058	5,617
7,880	8,038	6,877	6,632	5,437
7,321	7,186	7,520	9,914	13,761
50,146	47,077	48,283	49,471	48,724
14,744	14,670	14,195	15,009	13,588
2,501	2,792	2,389	2,183	2,518
4,545	4,355	3,087	3,800	3,704
9,819	9,965	11,478	10,434	10,412
4,959	4,551	7,358	6,715	5,695
6,655	6,677	4,985	5,281	5,070
43,223	43,010	43,492	43,422	40,987
6,923	4,067	4,791	6,049	7,737
2,832	1,941	1,253	1,376	1,718
(5,928)	(5,963)	(8,797)	(9,134)	(11,577)
-	-	-	-	-
(765)	(1,352)	(197)	(361)	(305
33	(5,674)	(9,418)	1,875	-
(3,828)	(11,048)	(17,159)	(6,244)	(10,164
3,095	(6,981)	(12,368)	(195)	(2,427
 1,933	1,126	4,177	2,871	
5,028 \$	(5,855) \$	(8,191) \$	2,676 \$	(2,427)

BRAZOS RIVER AUTHORITY NET ASSETS BY COMPONENT LAST NINE FISCAL YEARS (unaudited)

(accrual basis of accounting) (in thousands)

	Fiscal Year														
		2011		2010		2009		2008		2007	2006	2005	2004		2003
Invested in capital assets				f		f									
net of related debt	\$	145,039	\$	135,931	\$	135,152	5	6 111,857	c \$	98,880	\$ 98,325 b	\$ 115,103	\$ 105,899 a		\$ 88,04
Restricted		9,393		5,641		6,149	d	13,774	с	22,634	18,678 b	12,116	16,139 a		30,80
Unrestricted		90,359	e	43,389		37,698		44,572		36,907	 35,071	 29,404	 41,471	_	41,62
TOTAL NET ASSETS	\$	244,791	\$	184,961	\$	178,999	9	5 170,203	\$	158,421	\$ 152,074	\$ 156,623	\$ 163,509		\$ 160,47

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.

e During Fiscal Year 2011, the Authority sold most residential and selected commercial leases at Possum Kingdom Lake to Patterson Properties, Ltd.

f During Fiscal Year 2011, the Authority made reclasses do to a change in the calculation of Invested in capital assets net of related debt and restricted net assets.

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

									Colorado	o Basin			
	System 1	Rate	Agricu	lture	Two-T	`ier	Other Fi	ixed	Wat	er	Utiliti	es	Total
	Acre	Avg	Acre	Avg	Acre	Avg	Acre	Avg	Acre	Avg	Acre	Avg	Acre
Year	Feet	Price	Feet	Price	Feet	Price	Feet	Price	Feet	Price	Feet	Price	Feet
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	205,447 a	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 b	17.52	21,528	67.73	205,447	18.18	617,867
2009	289,414	57.00	9,990	39.75	100,238	16.51	33,583	17.71	25,000	72.86	205,447	16.10	663,672
2010	294,741	60.50	10,190	42.35	100,238	16.54	33,633	17.87	21,528	74.19	205,447	16.42	665,777
2011	296,773	62.50	10,190	43.75	100,238	16.54	33,633	18.14	25,000	83.07	205,447	16.10	671,281

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.

BRAZOS RIVER AUTHORITY MAJOR CUSTOMERS ALL OPERATION LAST NINE FISCAL YEARS (unaudited) (in thousands)

Fiscal Ye	Fiscal Year 2010						
Customer	Revenues	% of Total Operating Revenues	Customer	Re	evenues		% of Total Operating Revenues
City of Round Rock	\$ 7,167	11.48%	Johnson County S.U.D.*	\$	6,551	-	11.18%
Gulf Coast Water Authority	6,821	10.93%	City of Round Rock		6,357		10.85%
Johnson County S.U.D.*	5,611	8.99%	City of Georgetown		4,472		7.63%
City of Georgetown	4,968	7.96%	Lower Colorado River Authority		3,414	(2)	5.83%
NRG Texas Power, L.L.C. **	2,594	4.16%	NRG Texas Power, L.L.C.**		2,629		4.49%
City of Temple	2,350	3.77%	City of Temple		2,579		4.40%
City of Sugar Land	1,994	3.19%	Gulf Coast Water Authority		2,513		4.29%
Dow Chemical Company	1,928	3.09%	Bell County W.C.I.D. #1		1,782		3.04%
Bell County Water C.I.D. #1	1,813	2.90%	City of Sugar Land		1,743		2.98%
TXU Electric / Oakgrove	1,450	2.32%	TXU Electric / Oakgrove		1,545		2.64%
C C	\$ 36,696 (1	58.79%	C C	\$	33,585		57.33%

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

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

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

Fiscal Yea	r 2006	
		% of Total
		Operating
Customer	Revenues	Revenues
Lower Colorado River Authority	\$ 5,080	10.79%
Johnson County S.U.D.*	4,824	10.25%
City of Round Rock	3,285	6.98%
City of Georgetown	2,998	6.37%
City of Temple	2,413	5.13%
City of Sugar Land	2,155	4.58%
NRG Texas, LP (Texas Genco)**	1,919	4.08%
TXU Electric Company	1,863	3.96%
City of Taylor	1,160	2.46%
Bell County W.C.I.D. #1	1,121	2.38%
	\$ 26,818	56.98%

Fiscal Year 2005								
Customer	Re	evenues	% of Total Operating Revenues					
City of Lubbock	\$	4,637	9.60%					
Johnson County S.U.D.*		4,345	9.00%					
City of Sugar Land		3,912	8.10%					
Lower Colorado River Authority		3,727	7.72%					
City of Georgetown		2,959	6.13%					
City of Round Rock		2,656	5.50%					
Texas Genco, LP**		2,429	5.03%					
City of Temple		2,410	4.99%					
TXU Electric Company		2,361	4.89%					
	\$	29,436	60.96%					

Fiscal Year 2004								
Customer	Re	evenues		% of Total Operating Revenues				
TXU Electric Company	\$	8,230	(3)	16.64%				
City of Sugar Land		5,077		10.26%				
City of Lubbock		4,534		9.16%				
Johnson County S.U.D.*		3,751		7.58%				
City of Waco		3,230	(4)	6.53%				
Lower Colorado River Authority		3,044		6.15%				
Texas Genco, LP**		2,942		5.95%				
City of Temple		2,586		5.23%				
City of Georgetown		2,552		5.16%				
City of Round Rock		2,339		4.73%				
	\$	38,285	-	77.39%				

Fiscal Year 2003								
Customer	R	evenues	% of Total Operating Revenues					
City of Waco	\$	6,186	12.70%					
TXU Electric Company		5,671	11.64%					
City of Lubbock		4,172	8.56%					
Johnson County R.W.S.C.*		3,476	7.13%					
Lower Colorado River Authority		2,948	6.05%					
City of Temple		2,482	5.09%					
City of Round Rock		2,452	5.03%					
Texas Genco, LP**		1,988	4.08%					
City of Georgetown		1,333	2.74%					
City of Sugar Land		1,307	2.68%					
	\$	32,015	65.70%					

*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

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

(2) The decrease is due to LCRA selling back operations to the contracting parties

(3) Increase due to the collection of the final balloon payment on debt service

(4) Decrease due to the transfer agreement and subsequent sale of the operational unit.

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

Fiscal Y	Year 2011		Fiscal Yes	ar 2010
		% of Total WSS		
Customer	Revenues	Revenues	Customer	Reven
Gulf Coast Water Authority	\$ 6,821	16.02%	City of Georgetown	\$ 3,4
City of Georgetown	3,582	8.41%	City of Round Rock	3,0
City of Round Rock	3,301	7.75%	NRG Texas Power, L.L.C.**	2,0
NRG Texas Power LLC	2,594	6.09%	Gulf Coast Water Authority	2,5
City of Sugar Land	1,998	4.69%	Bell County W.C.I.D. #1	1,7
Dow Chemical Company	1,928	4.53%	City of Sugar Land	1,7
Bell County Water C.I.D. #1	1,813	4.26%	TXU Electric / Oakgrove	1,
TXU Electric / Oakgrove	1,450	3.41%	City of Taylor	1,2
City of Taylor	1,262	2.96%	Texas Water Development Board	1,0
City of Cleburne	938	2.20%	City of Cleburne	9
	\$ 25,687 (1)	60.32%		\$ 19,

		% of Total
		WSS
Customer	Revenues	Revenues
City of Georgetown	\$ 3,489	8.62%
City of Round Rock	3,062	7.57%
NRG Texas Power, L.L.C.**	2,629	6.50%
Gulf Coast Water Authority	2,513	6.21%
Bell County W.C.I.D. #1	1,782	4.40%
City of Sugar Land	1,743	4.31%
TXU Electric / Oakgrove	1,545	3.82%
City of Taylor	1,262	3.12%
Texas Water Development Board	1,028	2.54%
City of Cleburne	908	2.24%
	\$ 19,961	49.33%

Fiscal Year 2009								
		% of Total WSS						
Customer	Revenues	Revenues						
City of Georgetown	\$ 3,276	8.06%						
Gulf Coast Water Authority	3,266	8.04%						
City of Round Rock	2,975	7.32%						
NRG Texas Power, LLC*	2,525	6.22%						
City of Sugar Land	1,846	4.54%						
Dow Chemical Company	1,810	4.46%						
Bell County W.C.I.D. #1	1,727	4.25%						
TXU Electric Company	1,404	3.46%						
Brazos Electric Power Cooperative	1,075	2.65%						
City of Taylor	1,010	2.49%						
	\$ 20,914 (1)	51.49%						

Fiscal Year 2008								
Customer	Revenues	Revenues						
City of Round Rock	\$ 2,777	7.60%						
NRG Texas Power, LLC*	2,187	5.99%						
Gulf Coast Water Authority	1,789	4.90%						
City of Georgetown	1,753	4.80%						
Bell County W.C.I.D. #1	1,692	4.63%						
City of Sugar Land	1,623	4.44%						
City of Taylor	1,094	2.99%						
TXU Electric Company	788	2.16%						
Johnson County S.U.D.	734	2.01%						
City of Cleburne	681	1.86%						
	\$ 15,118	41.38%						

Fiscal Yea	ar 2007		Fiscal Yea	r 2006	
		% of Total WSS			% of Total WSS
Customer	Revenues	Revenues	Customer	Revenues	Revenues
City of Round Rock	\$ 2,841	8.69%	City of Georgetown	\$ 2,426	8.07%
City of Georgetown	2,817	8.62%	NRG Texas, LP (Texas Genco)*	1,919	6.39%
Bell County W.C.I.D. #1	1,648	5.04%	City of Round Rock	1,851	6.16%
City of Sugar Land	1,579	4.83%	TXU Electric Company	1,831	6.09%
NRG Texas Power, LLC*	1,367	4.18%	City of Taylor	1,160	3.86%
Gulf Coast Water Authority	1,067	3.26%	Bell County W.C.I.D. #1	1,121	3.73%
City of Taylor	1,062	3.25%	Gulf Coast Water Authority	1,093	3.64%
TXU Electric Company	1,027	3.14%	City of Sugar Land	1,085	3.61%
North Texas Living Water Resource	934	2.86%	Brazos Electric Power Cooperative	686	2.28%
Johnson County S.U.D.	707	2.16%	Johnson County S.U.D.	669	2.23%
	\$ 15,049	46.03%		\$ 13,841	46.06%

Fiscal Year 2005								
Customer	R	evenues	% of Total WSS Revenues					
City of Georgetown	\$	2,438	8.73%					
City of Round Rock		2,382	8.53%					
Texas Genco, L.P.*		2,265	8.11%					
TXU Electric Company		1,754	6.28%					
Gulf Coast Water Authority		1,057	3.78%					
City of Taylor		952	3.41%					
Bell County W.C.I.D. #1		947	3.39%					
Brazos Electric Power Cooperative		776	2.78%					
Johnson County S.U.D.		616	2.21%					
Wellborn Special Utility District		500	1.79%					
	\$	13,687	49.01%					

Fiscal Year 2004							
Customer	R	evenues		% of Total WSS Revenues			
TXU Electric Company	\$	8,059	(2)	30.00%			
Texas Genco, LP*		2,137		7.95%			
City of Georgetown		2,031		7.56%			
City of Round Rock		1,551		5.77%			
Gulf Coast Water Authority		1,001		3.73%			
Bell County W.C.I.D. #1		924		3.44%			
Brazos Electric Power Cooperative		650		2.42%			
Johnson County S.U.D.		536		1.99%			
City of Granbury		514		1.91%			
City of Taylor		494		1.84%			
	\$	17,897		66.61%			

Fiscal Year 2003								
Customer	R	evenues	% of Total WSS Revenues					
TXU Electric Company	\$	5,670	23.72%					
Texas Genco, LP*		1,982	8.29%					
City of Round Rock		1,495	6.25%					
City of Georgetown		1,107	4.63%					
Bell County W.C.I.D. #1		969	4.05%					
Gulf Coast Water Authority		952	3.98%					
City of Taylor		517	2.16%					
Brazos Electric Power Cooperative		484	2.02%					
City of Granbury		481	2.01%					
Johnson County S.U.D.		465	1.94%					
	\$	14,122	59.05%					

*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

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

(2) Increase due to the collection of the final balloon payment on debt service

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

Fiscal Year	ar Prior Lien					Prior Lien Subordinate Lien								Total		% Of
Ended	Utilities Contract Debt (1)		Outstanding Bonds (2)					Outstanding Bonds (3)				Debt Service				
August 31	PF	RINCIPAL	II	NTEREST	PI	RINCIPAL	I	NTEREST	P	RINCIPAL	I	NTEREST	Re	equirements	Retired	
2012	\$	1,015,000	\$	27,913	\$	430,000	\$	319,700	\$	1,880,000	\$	2,094,026	\$	5,766,639		
2013						450,000		299,275		1,915,000		2,058,896		4,723,171		
2014						470,000		280,150		1,955,000		2,021,736		4,726,886		
2015						490,000		259,588		2,530,000		1,968,561		5,248,149		
2016						515,000		237,538		2,605,000		1,898,808		5,256,346	4.61%	
2017						535,000		213,848		2,675,000		1,823,222		5,247,070		
2018						565,000		188,703		2,755,000		1,741,585		5,250,288		
2019						590,000		161,865		2,845,000		1,653,511		5,250,376		
2020						620,000		133,250		2,935,000		1,557,865		5,246,115		
2021						650,000		102,250		3,045,000		1,453,913		5,251,163	46.46%	
2022						680,000		69,750		3,155,000		1,341,665		5,246,415		
2023						715,000		35,750		3,275,000		1,222,096		5,247,846		
2024										3,405,000		1,095,624		4,500,624		
2025										3,540,000		960,852		4,500,852		
2026										3,680,000		818,729		4,498,729	73.70%	
2027										3,835,000		668,477		4,503,477		
2028										3,995,000		509,477		4,504,477		
2029										3,130,000		368,436		3,498,436		
2030										1,015,000		285,638		1,300,638		
2031										1,065,000		238,838		1,303,838	92.95%	
2032										1,115,000		189,788		1,304,788		
2033										1,165,000		138,488		1,303,488		
2034										1,220,000		84,825		1,304,825		
2035										1,275,000		28,688		1,303,688	100%	
TOTAL	\$	1,015,000	\$	27,913	\$	6,710,000	\$	2,301,667	\$	60,010,000	\$	26,223,744	\$	96,288,324		

(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 include the Authority's Water Supply System Revenue Bonds, Series 2002 (AMT)

(3) Subordinate Lien Outstanding Bonds include the Authority's Water Supply System Revenue Series 2005A (AMT), the Authority's Water Supply System Revenue Bonds, Series 2005 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

BRAZOS RIVER AUTHORITY WATER SUPPLY REVENUE BONDS SERIES 2002 (AMT), SERIES 2005A, SERIES 2005B, SERIES 2006 AND SERIES 2009 COVERAGE AND ACCOUNT BALANCES AUGUST 31, 2011 (unaudited) (in thousands)

Average Annual Principal and Interest Requirements, 2012 - 2035 Coverage of Average Requirements by August 31, 2011 Net Revenues*	\$ 3,969 3.81
Maximum Principal and Interest Requirements, 2015 Coverage of Maximum Requirements by August 31, 2011 Net Revenues*	5,256 2.88
System Revenue Bonds Outstanding, August 31, 2011	67,735
Interest and Sinking Account Balance, August 31, 2011	_ 1
Reserve Account Balance, August 31, 2011	N/A ²

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

¹ Funds are transferred to the Interest and Sinking Fund on interest payment date.

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

BRAZOS RIVER AUTHORITY WATER SUPPLY SYSTEM CONDENSED SUMMARY OF OPERATING RESULTS (CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS) AUGUST 31, 2011 (unaudited) (in thousands)

	Fiscal Year F					Ended August 31				
		2011		2010		2009		2008		2007
Gross Revenues:										
Raw water	\$	32,712	\$	27,680	\$	28,619	\$	25,133	\$	22,050
Treated water	φ	1,623	φ	1,571	φ	1,232	φ	1,022	φ	1,062
Wastewater treatment		3,335		3,285		3,012		2,989		2,572
Power sales		5,555		5,205		514		631		603
Lease income		2,095		4,476		3,226		3,181		3,084
Other		2,000		655		1,225		1,159		929
Interest		1,173		822		1,258		2,093		2,434
Grants		778		1,552		1,578		1,264		1,101
Other non-operating		-		-		-		36		3
Less: Existing debt service (1)		(1,027)		(1,027)		(1,025)		(1,016)		(1,020)
		(1,027)		(1,027)		(1,020)		(1,010)		(1,020)
TOTAL GROSS REVENUES	\$	41,468	\$	39,014	\$	39,639	\$	36,492	\$	32,818
Operation & Maintenance Expenses:										
Personnel services	\$	12,110	\$	12,919	\$	12,737	\$	11,834	\$	11,699
Materials, supplies & services		1,346		1,285		1,467		1,329		1,162
Utilities		1,060		1,033		1,057		1,001		972
Outside services		3,666		4,549		3,686		4,150		2,727
Other		5,151		4,650		4,708		4,298		4,087
Other non-operating		95		44		379		343		684
Program and project expenditures		193		1,432		-		-		-
Other debt service (2)		2,728		2,670		2,607		2,426		2,503
TOTAL OPERATION &										
MAINTENANCE	\$	26,349	\$	28,582	\$	26,641	\$	25,381	\$	23,834
NET REVENUES AVAILABLE										
TO PAY DEBT SERVICE	\$	15,119	\$	10,432	\$	12,998	\$	11,111	\$	8,984
DEBT SERVICE WATER										
SUPPLY SYSTEM BONDS	\$	5,608	\$	4,210	\$	3,603	\$	3,123	\$	3,053
COVERAGE PERCENTAGE		2.70		2.48		3.61		3.56		2.94

(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

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					Elevati	on During	Year
Calendar	Water Used	Annual KWH	Elevation		High		Low
Year	Acre-Feet	Generation	1st of Yr.	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

BRAZOS RIVER AUTHORITY POSSUM KINGDOM ELECTRIC POWER GENERATION AND LAKE ELEVATIONS CALENDAR YEARS 1942 - 2010 (unaudited)

Source: Brazos River Authority Water Services Department

					Elevation D	uring Ye	ar
Calendar	Water Used	Annual KWH	Elevation		High		Low
Year	Acre-Feet	Generation	1st of Yr.	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	06/27	999.34	04/30	997.37
2008	-	-	998.39	04/25	999.23	09/08	996.48
2009	-	-	997.54	01/03	997.60	12/20	996.48
2010	-	-	994.90	01/09	994.78	05/03	999.48

BRAZOS RIVER AUTHORITY POSSUM KINGDOM ELECTRIC POWER GENERATION AND LAKE ELEVATIONS CALENDAR YEARS 1942 - 2010 (unaudited)

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

Year created:	1929
Domicile:	Waco, Texas
Last revision of Enabling Act:	2001
Last revision of Bylaws:	2004
Population of District:	1,800,000 (TWDB)
Area of District:	42,800 square miles
Brazos River Total river miles: Average discharge: Average annual rainfall of District:	840 miles 6,000,000 acre feet Ranges from 16 inches west to 47 inches southeast
Number of employees:	276 Full-time, 21 Part time
Offices:	Central office-Waco, TexasOperations office-Acton, TexasRegional office-Austin, TexasOperations office-Belton, TexasOperations office-Clute, TexasOperations office-Clute, TexasOperations office-Georgetown, TexasRegional office-Georgetown, TexasOperations office-Lake Granbury, TexasOperations office-Lake Granbury, TexasOperations office-Lake Limestone, TexasOperations office-Leander, TexasOperations office-Possum Kingdom Lake, TexasOperations office-Sugar Land, TexasOperations office-Taylor, Texas

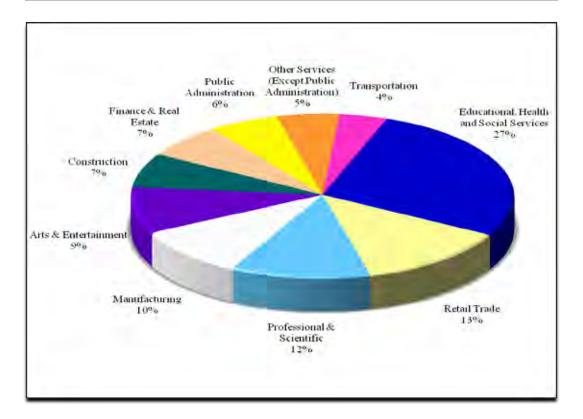
	Years Ended	August 31
	2011	2010
Temple-Belton Regional Sewerage System	1,995,990	2,558,161
Sugar Land Regional Sewerage System	2,799,963	3,042,984
Lake Granbury Surface Water and Treatment System	1,755,023	1,265,499
Brushy Creek Regional Wastewater System	6,025,671	6,098,880
Hutto Wastewater System	346,040	428,010
Clute/Richwood Regional Sewerage System	702,180	1,021,062
Sandy Creek Regional Water Treatment Plant	1,213,258	782,605
Lee County Fresh Water District #1	18,006	10,746
City of Georgetown Wastewater Treatment Plant	1,585,417	1,777,712
East Williamson County Water Treatment System	1,141,588	918,718
Liberty Hill Water Treatment System	42,644	39,647

Brazos River Au	thority Dams and Reservoi	rs:
Possum Kingdom	Capacity - 540,340 acre-feet Surface Area - 16,716 acres Elevation - 1,000.0 ft-msl	(TWDB Survey January 2005)
Limestone	Capacity - 208,017 acre-feet Surface Area - 12,553 acres Elevation - 363.0 ft-msl	(TWDB Survey April 2002)
Granbury	Capacity - 129,011 acre-feet Surface Area - 7,945 acres Elevation - 693.0 ft-msl	(TWDB Survey July 2003)

Aquilla		Conservation Pool	Flood Control Pool
-	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
Belton		Conservation Pool	Flood Control Pool
	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
Granger		Conservation Pool	Flood Control Pool
	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
Georgetow	n	Conservation Pool	Flood Control Pool
Ū	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
Proctor		Conservation Pool	Flood Control Pool
	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
Somerville		Conservation Pool	Flood Control Pool
	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
Stillhouse H	Iollow	Conservation Pool	Flood Control Pool
	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
Waco		Conservation Pool	Flood Control Pool
	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
Whitney		Conservation Pool	Flood Control Pool
-	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 200

Brazos Basin Geographic Area Ten Largest Industries

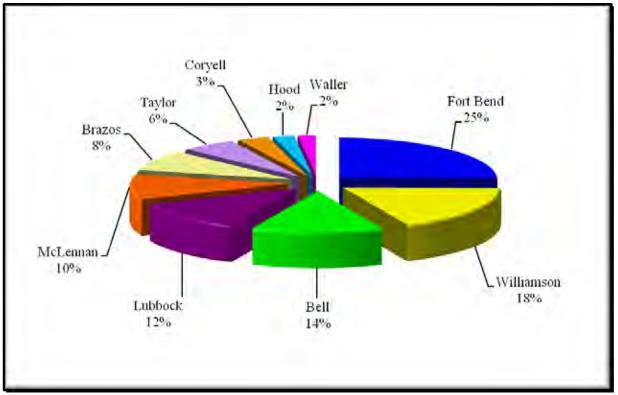
Industry	Number of Entities in Category
Educational, Health and Social Services	279,093
Retail Trade	130,391
Professional & Scientific	118,291
Manufacturing	98,201
Arts & Entertainment	91,482
Construction	69,137
Finance & Real Estate	68,356
Public Administration	61,043
Other Services (Except Public Administration)	54,248
Transportation	41,842



Source: U.S. Census Bureau, Census 2010

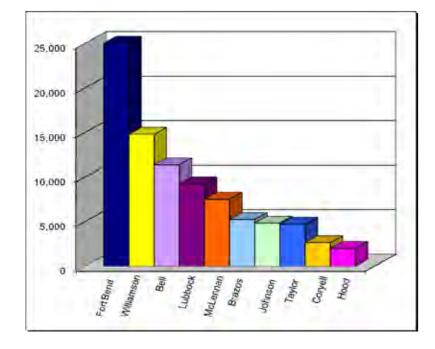
Brazos River Basin Population by County (Ten Largest)

County	Population
Fort Bend	590,350
Williamson	426,645
Bell	313,000
Lubbock	280,237
McLennan	236,028
Brazos	195,693
Taylor	131,896
Coryell	75,645
Hood	51,306
Waller	43,422

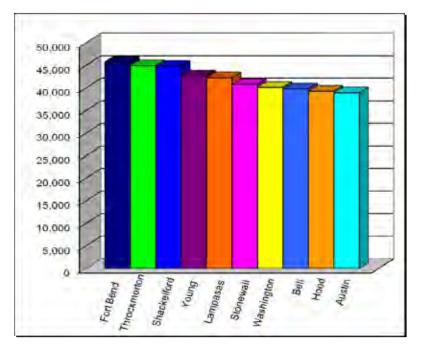


Source: Population Division, U.S. Census Bureau **Release Date:** July 2010

County (Top Ten)	Total Personal Income (in millions)
Fort Bend	25,503
Williamson	14,801
Bell	11,386
Lubbock	9,220
McLennan	7,530
Brazos	5,247
Johnson	4,850
Taylor	4,712
Coryell	2,651
Hood	2,022



County (Top Ten)	Total Per Capita Income (in thousands)
Fort Bend	45,798
Throckmorton	44,949
	,
Shackelford	44,846
Young	42,742
Lampasas	42,280
Stonewall	40,777
Washington	40,185
Bell	39,839
Hood	39,293
Austin	38,954



Source: Bureau of Economic Analysis, Updated April 2011 (County Population Estimates April 2011)

BRAZOS RIVER AUTHORITY SCHEDULE OF CAPITAL ASSETS - NET ADDITIONS/(DELETIONS) BY OPERATIONS AUGUST 31, 2011 (unaudited) (in thousands) (accrual basis of accounting)

		Last Nine Fiscal Years													
			Cost Reimbursables												
Year	Water Supply	Lake Alan Henry	WMARSS	SLRSS	SWATS	WCRRWL	TBRSS	BCRWS	Hutto	Sandy Creek	Clute- Richwood	Dime Box	Total		
2003	\$ 12,012	\$ -	\$ 2,899	\$ 25	\$ 29,646	\$ 40	\$ 383	\$ 23	\$ -	\$ 5	\$ 43	\$ - 3	\$ 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		
2011	(1,504)	-	-	-	272	6,693	13	(287)	(18)	(15)	(152)	-	5,002		
	\$ 65,940	\$ (64,569)	\$ (57,476)	\$ (11,985)	\$ 40,821	\$ 43,787	\$ 541	\$ (190)	\$ (3)	\$ 22	\$ (73)	\$ (11) \$	\$ 16,804		

BRAZOS RIVER AUTHORITY SCHEDULE OF CAPITAL ASSETS - NET ADDITIONS/(DELETIONS) BY CLASSIFICATION AUGUST 31, 2011 (unaudited) (in thousands) (accrual basis of accounting)

			Last Nine F	isca	al Years						
	2003	2004	2005		2006	2007	2008	2009	2010	2011	Total
Land, storage and water rights	\$ 41	\$ (228)	\$ 396	\$	350	\$ 591	\$ -	\$ -	\$ -	\$ (73)	\$ 1,077
Reservoirs, water treatment and sewerage facilities	29,555	(48,770)	(63,005)		(13,999)	-	7,835	1,911	-	6,652	\$ (79,821)
Building, structures and improvements Vehicles, furniture and equipment	 13,056 2,424	(3,708) 128	36,225 (1,076)		1,432 525	1,693 572	24,450 1,067	17,386 1,217	1,150 584	(278) (1,299)	91,406 4,142
Total	\$ 45,076	\$ (52,578)	\$ (27,460)	\$	(11,692)	\$ 2,856	\$ 33,352	\$ 20,514	\$ 1,734	\$ 5,002	\$ 16,804

Source: Fixed Asset general ledger accounts and previous CAFRs.

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BRAZOS RIVER AUTHORITY SCHEDULE OF INSURANCE AS OF AUGUST 31, 2011 (unaudited)

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Aircraft Liability	Texas Municipal League	1970-09	Non-owned Aircraft Liability Deductible - None	\$10,000,000 each occurrence	10/1/2010 10/1/2011
Airport Liability	Texas Municipal League	1970-09	Airport Liability Premises (BI&PD) Airport Liability Premises (PI&AI) Products & Completed Operations Max. of all Coverages Combined Deductible - None	\$10,000,000 \$10,000,000 \$10,000,000 \$10,000,000	10/1/2010 10/1/2011
Automobile Liability & Physical Damage	Texas Municipal League	1970-09	Automobile Liability Uninsured Motorist Collision Comprehensive Deductible - None Hired Auto Comp/Coll Deductible: \$250/Scheduled Vehicles	\$5,000,000 \$1,000,000 Actual Cash Value Actual Cash Value Actual Cash Value	10/1/2010 10/1/2011
Commercial Crime	Texas Municipal League	1970-09	Public Employee Dishonesty Forgery or Alteration Computer Fraud Deductible: \$10,000 Theft, Disappearance & Destruction Deductible - None	\$2,000,000 \$1,000,000 \$1,000,000 \$10,000	10/1/2010 10/1/2011
Fiduciary and Employee Benefits	Wells Fargo Ins. Services	82095688	Annual Aggregate Per Occurrence Deductible: \$10,000	\$5,000,000 \$5,000,000	10/1/2010 10/1/2011
General Liability	Texas Municipal League	1970-09	General Aggregate Products/Completed Operation Each Occurrence (BI, PI, AI) Fire Damage Deductible - None	\$5,000,000 \$5,000,000 \$5,000,000 \$5,000,000	10/1/2010 10/1/2011
Marine and Hull/ Mobile Equipment	Texas Municipal League	1970-09	Coverage for Boats, Motors and Mobile Equipment Deductible: \$10,000	\$5,148,501	10/1/2010 10/1/2011
Law Enforcement Liability	Texas Municipal League	1970-09	Each Occurrence Annual Aggregate Deductible: \$2,500	\$5,000,000 \$10,000,000	10/1/2010 10/1/2011

BRAZOS RIVER AUTHORITY SCHEDULE OF INSURANCE AS OF AUGUST 31, 2011 (unaudited)

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Property/Boiler & Machinery	Texas Municipal League	1970-09	Blanket Real & Personal Property, EDP, & Boiler & Machinery Deductible: \$50,000 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	\$166,075,600 \$10,000,000 \$1,000,000 \$1,000,000 \$1,000,000 \$1,000,000 Blanket Limit Blanket Limit Blanket Limit Blanket Limit \$10,000 \$10,000,000	10/1/2010 10/1/2011
Public Officials and Employees Practices Liability	Texas Municipal League	1970-09	Each Wrongful Act Annual Aggragate Deductible: \$25,000	\$5,000,000 \$10,000,000	10/1/2010 10/1/2011
Public Officials Bond	Insurors of Texas	CMB-06-0005836	Treasurers' Bond Deductible - None	\$100,000	4/18/2011 4/18/2012
Public Officials Bond	Insurors of Texas	CMB-07-0010365	Board of Directors' Bond Deductible - None	\$105,000	5/10/2011 5/10/2012
Peace Officers Bond	Insurors of Texas	46BSBAE6365	Peace Officers' Bond Deductible - None	\$15,000	2/1/2011 2/1/2012
Travel Accident	Insurors of Texas/ Hartford Life	ETB-4333	Aggregrate for Hazard Excludes Personal Aircraft Deductible - None	\$5,000,000	11/1/2010 11/1/2011
Workers' Compensation	Texas Municipal League	1970	Self-insured for first 50,000 per occurrence	Aggregate Deduct \$150,000	10/1/2010 10/1/2011
Reinsurance	Texas Municipal League HM Life Insurance	402823-A	Medical expense claims self-insured for first 80,000 per employee	Mamimum Specific Benefit \$1,817,460	1/1/2010 12/31/2010
Reinsurance	Texas Municipal League HM Life Insurance	402823-A	Medical expense claims self-insured for first 80,000 per employee	Mamimum Specific Benefit \$1,853,334	1/1/2011 12/31/2011

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

	Full-Time Equivalent Employees Per Annual Operating Plan													
	2011	2010	2009	2008	2007	2006	2005	2004	2003					
Upper Basin														
Management	4	4	4	4	4	5	5	5	5					
Lake Alan Henry	0	0	0	0	0	2	2	1	2					
Possum Kingdom	53	54	57	57	60	58	55	56	54					
SWATS	18	18	17	15	15	15	15	15	15					
Lake Granbury	12	12	12	12	10	10	9	9	10					
Central Basin														
Management & Lab	23	21	23	20	19	14	12	5	5					
WMARSS (a)	0	0	0	0	0	0	0	25	26					
Temple-Belton RSS	10	11	10	10	10	10	10	15	15					
Brushy Creek RWS	17	17	16	13	13	13	11	12	15					
Georgetown WWTP	8	9	8	7	7	7	7	0	0					
Sandy Creek WTP	5	5	6	6	4	4	3	3	3					
Hutto WWS	0	0	0	1	1	1	0	0	0					
East Williamson RWS	5	5	5	4	3	3	3	0	0					
Lower Basin														
Management	4	4	4	4	4	4	5	5	5					
Lake Limestone	9	9	9	9	9	9	9	8	8					
SLRSS	10	11	11	11	11	12	11	12	12					
Clute	4	4	4	4	4	4	4	4	4					
Liberty Hill	1	1	1	1	0	0	0	0	0					
Central Office														
General Administration	4	4	4	4	4	4	3	3	2					
Legal Services	4	4	4	4	4	3	3	4	3					
Financial Services	17	17	17	17	17	17	16	15	16					
Human Resources	4	4	4	4	4	4	4	4	4					
Gov. Cus. Relations	7	7	7	6	6	5	6	6	6					
Information Technology	12	12	12	12	11	10	10	10	9					
Planning & Development	1	1	1	1	2	2	2	3	0					
Strategic Planning	2	2	3	2	1	4	4	5	5					
Technical Analysis	0	0	0	0	0	1	2	0	0					
Technical Services	42	37	40	37	35	33	35	35	36					
	276	273	279_	265	258_	254_	246	260	260					

(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

Front Cover: Brazos River near Seymour, Texas - Photo by Nick Carmean Back Cover: Possum Kingdom Lake - Photo by Kent Edwards



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