



Brazos River Authority

*Comprehensive Annual Financial Report
Fiscal Years ended August 31, 2018 and 2017
Waco, Texas*

Front cover page and page 1 - The Brazos River at Salt Fork and Double Mountain Fork

Brazos River Authority

A River Authority of the State of Texas



***Comprehensive Annual Financial Report
for the Fiscal Years Ended August 31, 2018 and 2017
Prepared by the Finance and Administration Department***

**BRAZOS RIVER AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED AUGUST 31, 2018 and 2017**

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The Minutes of the Organization Meeting

Of the

Board of Directors

Of The

Brazos River Conservation and Reclamation District

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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


Introductory Section

Assistant
Presiding Officer




**F. LeRoy
Bell**

Director




**Jim
Lattimore, Jr.**

Director



**Richard
Ball**

Director




**Jeanie K.
Grant**

Director




**Paul
Christensen**

Director




**Russel D.
Boles**

Director




**Cynthia A.
Flores**

Director

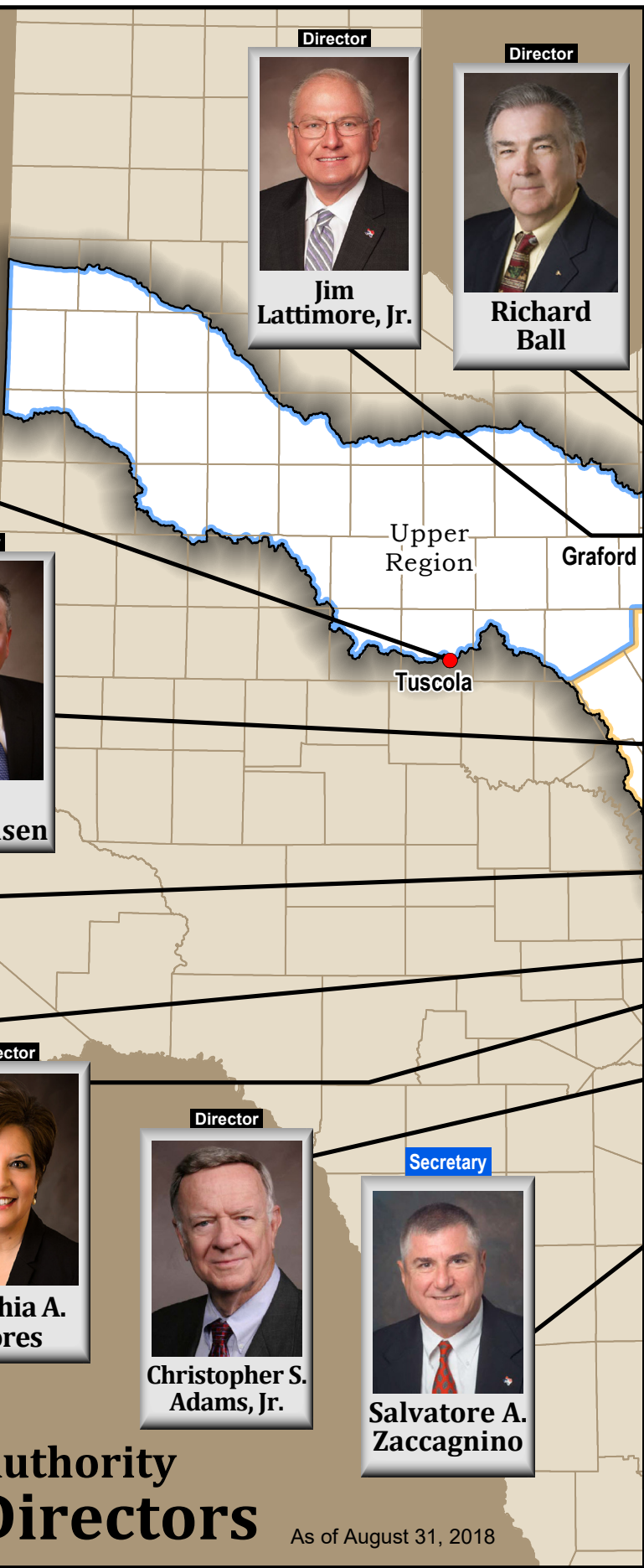


**Christopher S.
Adams, Jr.**

Secretary

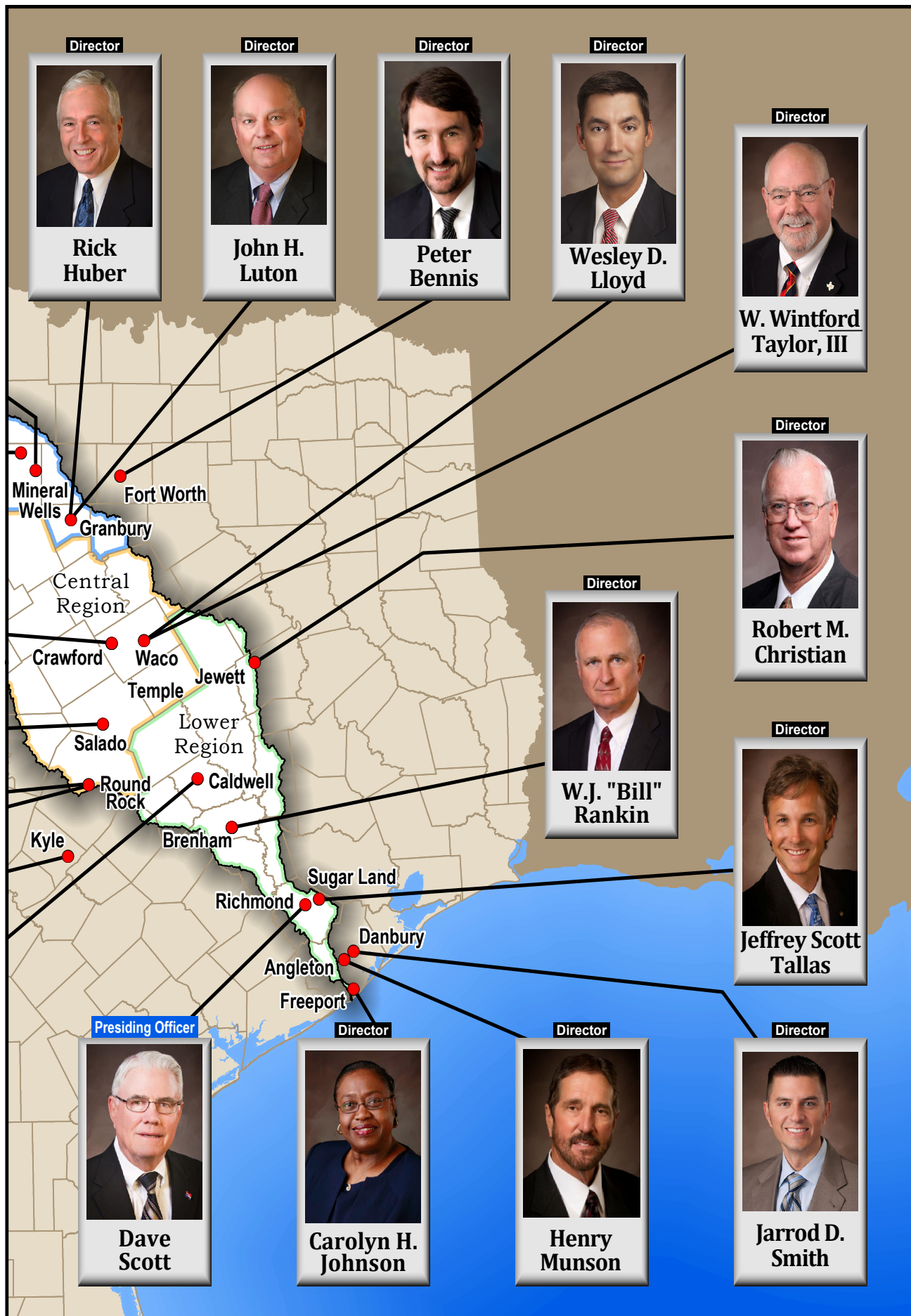


**Salvatore A.
Zaccagnino**



Brazos River Authority Board of Directors

As of August 31, 2018



MANAGEMENT TEAM



Lauralee Vallon
General Counsel



David Collinsworth
General Manager/CEO



David Thompson
Chief Financial Officer



Aaron Abel
Water Services
Manager



Brad Brunett
Central & Lower
Basin Regional
Manager



Courtney
Dobogai
Information
Technology
Manager



Jim Forte
Planning and
Development
Manager



Mike
McClendon
Upper Basin
Regional
Manager



Tiffany Morgan
Environmental
and Compliance
Manager



Matt Phillips
Legislative and
Governmental
Affairs
Manager



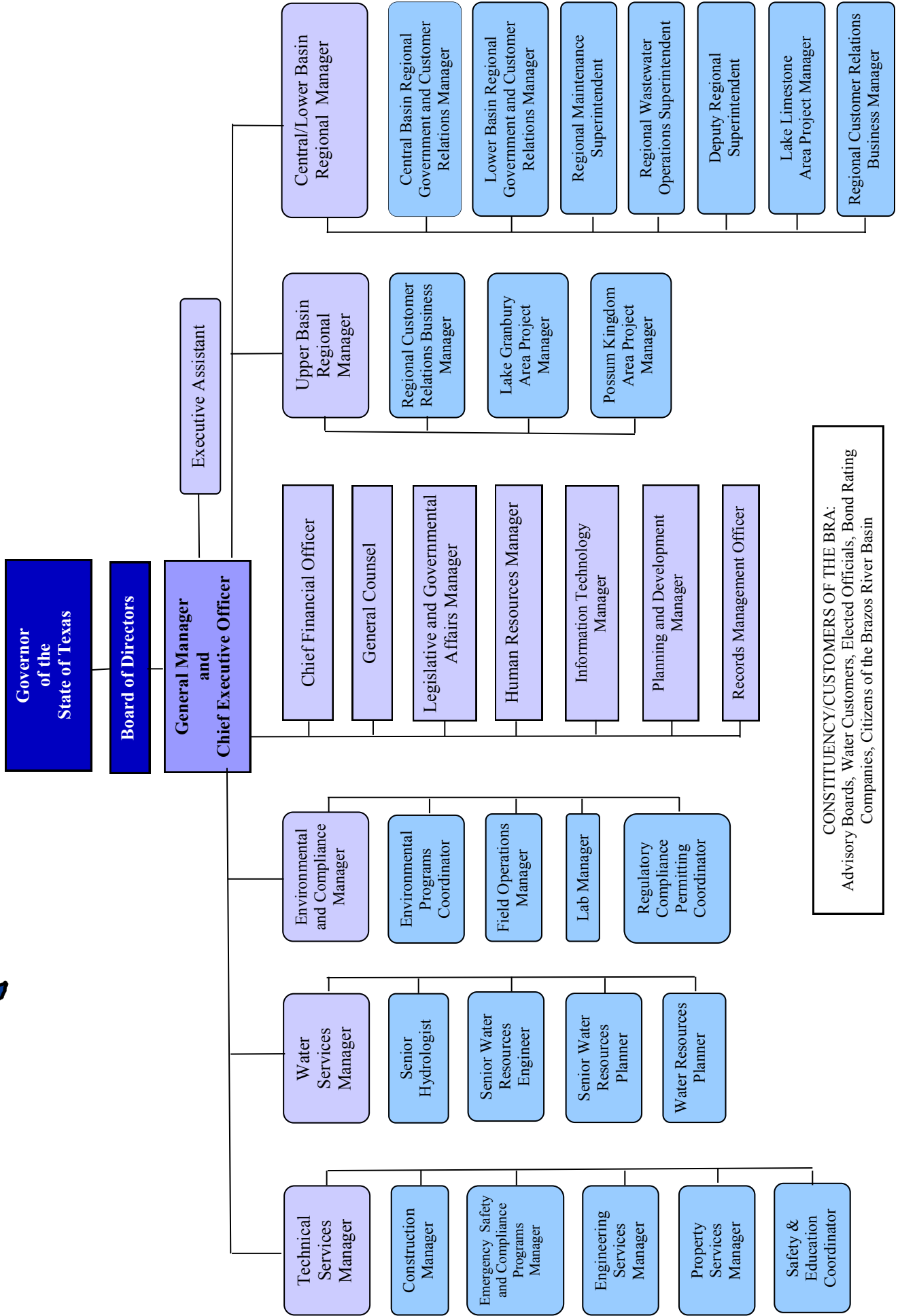
Monica
Wheelis
Human
Resources
Manager



Chuck Wolf
Technical
Services
Manager



Brazos River Authority Organizational Chart





Brazos River Authority



January 28, 2019

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

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Brazos River Authority (BRA) for the Fiscal Year ended August 31, 2018. The purpose of the report is to provide the Board of Directors, our customers, stakeholders, and other interested parties with reliable financial information about the BRA. The BRA's Finance Department has prepared the CAFR in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the BRA management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the BRA.

The BRA's financial statements for the Fiscal Years ended August 31, 2018 and 2017 have been audited by RSM US LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the BRA for the Fiscal Years ended August 31, 2018 and 2017 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion and that the BRA's financial statements for the Fiscal Years ended August 31, 2018 and 2017 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the Financial Section of this report.

To provide a reasonable basis for making these representations, management of the BRA has established a comprehensive internal control framework that is designed both to protect the BRA's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the BRA's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the BRA's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The BRA's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE BRA

The BRA was established by the Texas Legislature in 1929 as the first entity in the United States specifically created for the purpose of protecting, developing and managing the water resources of an entire river basin. Although the BRA is a political subdivision of the State of Texas, it does not levy or collect taxes. With the exception of a relatively small number of governmental grants, the BRA is entirely self-supporting. It maintains and operates reservoirs, transmission facilities, and treatment systems through revenues from the customers it serves.

The BRA's Board of Directors (Board) consists of 21 members appointed by the Governor and subject to confirmation by the Texas Senate. Directors serve six-year, staggered terms, with one-third being either replaced or reappointed each odd-numbered year. The Presiding Officer does not have a set term and serves at the pleasure of the Governor. The BRA functions under the direction of a General Manager/CEO, who reports to the Board.

The more than 42,000 square miles that comprise the Brazos River basin are divided into three geographic regions, Upper, Central and Lower Basins, each with distinctive climate, topography and water needs. Each region falls under the direction of a Regional Basin Manager.

Raw Water Supply

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

Together, the eleven reservoirs have conservation storage of more than 1.9 million acre-feet. The BRA is permitted by the State of Texas to divert and use 661,901 acre-feet of water from this system of reservoirs each year. The BRA contracts to supply water from these reservoirs on a wholesale basis to municipal, industrial, and agricultural water customers from West Texas to the Gulf Coast.

On September 16, 2016, BRA received the Final Order from the Texas Commission on Environmental Quality (TCEQ) on the System Operation Permit (Permit). This comprehensive and complex permit and its supporting Water Management Plan (WMP) will give access to water that is available in the Brazos River basin from sources such as previously unappropriated flows downstream of BRA's reservoirs, as well as discharges from wastewater treatment plants. A condition to approval of the Permit was a study to assess the impact of the 2011-2015 drought on water availability. The drought study concluded that while conditions in the upper Brazos River basin were worse than the prior record drought of the 1950's, this was not the case for other parts of the basin where the 1950's drought remains worse. Modeling conducted in the study showed that all existing and some new water contracts could be reliably supplied through a repeat of the 2011-2015 drought, and the amount of water available under the Permit was unchanged.

Water and Wastewater Treatment

The BRA operates a potable (drinking) water treatment system for the City of Leander, and also owns and operates the East Williamson County Regional Water System (EWCWS) at Lake Granger, which supplies treated water to several municipal providers in the area.

Wastewater was treated and discharged by the BRA at nine sewerage systems that it operated within the basin during Fiscal Year 2018: Temple-Belton, Doshier Farm, Sugar Land North and South plants, Brushy Creek East and West plants, Clute, Hutto Central and Hutto South. At the Temple-Belton plant sludge, which is a by-product of the treatment process, is composted with wood chips and sold as fertilizer and soil enhancers to local municipalities and individuals.

Water Quality

Water quality is a high priority for the BRA. Staff charged with environmental responsibilities work to monitor the quality of water resources and the health of aquatic communities in the Brazos River basin through sampling and analysis. Since 1991, the BRA has partnered with the TCEQ to conduct the Clean Rivers Program for the basin. The BRA, working with other agencies and basin residents, identifies and evaluates water quality, the status of instream biological communities, and watershed management issues; establishes priorities for corrective actions, and works to implement those solutions. As part of a basin monitoring program, the staff collects water quality samples and instream biological data at over one hundred locations throughout the Brazos River basin.

Environmental Flow Standards

Supporting State environmental goals and standards is very important to the BRA. The BRA is voluntarily performing environmental studies at eight locations in the Brazos River basin to gather data to support and inform future decisions related to State Senate Bill 3, Environmental Flow Standards. These studies will provide the State's decision-makers with the data necessary to evaluate the current environmental flow standards and revise, if warranted.

Regional Water Planning

The BRA continues to support the State and regional water planning process to help meet water supply needs in the Brazos River basin. The BRA participates in the development of regional water plans as established by the Texas Legislature in 1997 with the passage of Senate Bill 1. Significant portions of three of the sixteen planning areas lie within the basin including: Region O (High Plains), Region H (Houston-area), and Region G (Central Texas). The BRA serves as the administrative agency for Region G, and BRA has a voting member on each of the planning groups for Regions O, G, and H.

ECONOMIC CONDITION AND OUTLOOK

The Fiscal Year ended August 31, 2018 demonstrated an economy that continued to grow on some fronts but softened on others. The employment situation remained strong throughout the year and reached a point where there are more jobs available than there are job seekers. The challenge is to match the skills of potential applicants with the job requirements. U.S. Gross Domestic Product (GDP) rose during the period, beginning with a 2.9% increase during the final quarter of calendar year 2017. First quarter GDP for 2018 was 2.2% and then surged 4.2% during the second quarter of 2018. The housing market has softened during the year as home mortgage rates climbed higher. The threat of tariffs and a potential trade war has caused some angst in the economic market and the U.S. Treasury yield curve has flattened in anticipation of a slowdown in production and consumption that may result from rising prices due to tariffs and trade.

The Federal Open Market Committee (FOMC) enacted three rate increases during the year, raising the Fed Funds Rate in 25 basis-point increments; the first increase during December 2017, the second during March 2018 and the third in June 2018. As of August 31, 2018, the current Fed Funds rate range is 1.75% to 2.00%. The FOMC has begun to reduce the size of their balance sheet and has laid out a plan to sell some of their U.S. Treasury and Agency positions over the next several years until their holdings are more in line with the historical norms.

The housing market has seen some weakness during the year. Although some of the weakness had been tied to a lack of supply, more recent reports have pointed to a slowdown in consumer appetite related to unaffordable home prices and higher mortgage rates. The employment sector remained strong during the BRA's Fiscal Year and added over 2.2 million jobs. The Unemployment Rate dropped to 3.9%, the lowest level since 1969. The stock market has experienced over 15% growth over the past year.

The Texas economy has performed well relative to the national economy. The unemployment rate in Texas fell from 4.2% in August 2017 to 3.9% in August 2018, matching the national rate at the end of the period. Texas added over 2.2 million jobs during the year, representing an increase of 3.3%. By comparison, California has experienced an increase of 2.0 percent, New York has increased 1.0 percent and Florida has increased 4.8 percent. Texas sales tax revenues were \$2.9 billion this year compared to \$2.5 billion in each of the last two years. Similar to the national experience, Texas saw some slowdown in the housing sector.

The outlook for Fiscal Year 2019 is for more moderate growth. Fed Chairman, Jerome Powell, has indicated that the Committee would like to raise the rate twice more in 2018 and three more times in 2019. This will translate into higher earnings rates for BRA investment positions. Rising interest rates may begin to bring a slowdown in corporate earnings and in the pace of market growth but represents a normalization in risk spreads. As the FOMC sheds the layers of economic stimuli that were added to bolster the economy during the Great Recession, the relationships between market sectors and investment earnings between sectors will return to normal spreads.

Interest rates for investments allowed by the BRA's Investment Policy and State Law have risen during the year. Local Government Investment Pool rates were 1.967% at the end of August 2018, improved from the 1.0086% yield at the end of August 2017. Rates for Certificates of Deposit (CD) were also improved. At the end of August 2018, a one-year CD yielded 2.73%, compared to 1.45% at the end of August 2017. CDs and other financial institution deposits remain significantly more attractive than alternative Treasury and Agency positions.

LONG-TERM FINANCIAL AND STRATEGIC PLANNING

In July 2018, the BRA's Board reviewed the Fiscal Year 2019 Long Range Financial Plan. This 50-year look into the future is both an inventory of projects anticipated to be undertaken by the BRA to satisfy its mission, as well as an analysis of the implications of those projects on the BRA's System Water Rate (SWR). The inventory of projects is a mixture of infrastructure repair and replacement, new water source development, operations and maintenance needs, central services projects, security, and water quality initiatives.

Initial indications based on this analysis are that the BRA's SWR over the next several decades will continue to be among the lowest in the State of Texas, while maintaining a level of service sufficient to address the obligations placed upon it by our enabling legislation, our Strategic Plan (SP), and the vision of our Board and management. Future ratemaking will be based upon a combination of both debt-funded initiatives, as well as those in which a cash infusion will be made, through the use of the Board designated series of reserve funds to balance and stabilize rates. Additional information on the BRA's Board Designated Reserves can be found in Note 12 of the Notes to the Basic Financial Statements.

Also in July 2018, the BRA Board of Directors re-adopted the SP with minor updates reflecting changes from the SP adopted in 2017.

RELEVANT FINANCIAL POLICIES

The BRA maintains financial policies regarding budget, investments and management, financial audit, debt financing, industrial development bonds and pollution control bonds, capital improvement plan, and reserve funds. None of these policies had a significant impact on the current period's financial statements.

MAJOR INITIATIVES

During Fiscal Year 2018, the BRA managed many new and ongoing water quality and water supply projects. Development of new water supply remains the priority for the BRA as we continue work to (1) pursue groundwater development, (2) initiate permitting and design of Allens Creek Reservoir, and (3) pursue other long-term water supply projects. Approval of the System Operation Permit in September 2016 and subsequent resolution of remaining legal challenges in 2018 represents a major milestone in expanding the water supply available to BRA's customers. The following is a synopsis of select programs and projects managed by the BRA in Fiscal Year 2018:

WATER SUPPLY

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

Fiscal Year 2018 began with extreme flooding in the Lower Basin caused by Hurricane Harvey's historic rainfall. BRA's water supply storage was 97 percent full at the beginning of Fiscal Year 2018. Over the course of Fiscal Year 2018 substantial rainfall deficits mounted, primarily within the Central Basin and portions of the Upper Basin, resulting in declining reservoir levels. Total water use by BRA customers in Fiscal Year 2018 was approximately 285,000 acre-feet. Approximately 40,000 acre-feet of water was released to downstream customers to meet demands. There were no extreme flood events associated with the BRA's three reservoirs. Approximately 20,000 acre-feet of excess inflow was passed through the reservoirs and released downstream. BRA's water supply system was 81 percent full as Fiscal Year 2018 concluded with most of the reservoirs within the system having entered into some form of drought designation under the BRA's Drought Contingency Plan.

- ***Water Conservation***

BRA continued on-going efforts to develop and encourage water conservation practices in Fiscal Year 2018. These efforts included public education and outreach through BRA's website, Facebook page, newsletters, coordination with other water providers, and evaluation of water conservation information reported to the Texas Water Development Board (TWDB) by BRA's customers.

The BRA also participated in conservation education through the "*Major Rivers*" water education program, partnering with the TWDB to provide educational materials to all Brazos River basin elementary schools free-of-charge.

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

In 2008, the Board authorized a detailed feasibility study to evaluate the potential for water supply storage reallocation, or "pool rise," at Aquilla Lake. In Fiscal Year 2016, the BRA finalized and submitted a draft report to the USACE documenting the study efforts. Final approval of the study report from the Assistant Secretary of the Army of Civil Works is pending. If approved and implemented, this project will make additional water supply available for diversion and use at Aquilla Lake.

- ***Allens Creek Reservoir***

Allens Creek Reservoir is a planned off-channel water storage reservoir that will be constructed on Allens

Creek, a tributary of the Brazos River, in Austin County. An off-channel reservoir impounds water pumped from an adjacent river or stream when flows are adequate for storage and subsequent use. The dam for Allens Creek Reservoir will be located on Allens Creek; however, the primary water source for the reservoir will be flows pumped from the Brazos River. Currently, the BRA, the City of Houston, and the TWDB are partners in the project. The project partners purchased the property where the reservoir will be located from Houston Lighting and Power, now known as NRG Energy, in the year 2000. The water right permit for the project was also acquired.

In Fiscal Year 2016, BRA issued a Request for Proposals for the required environmental permitting studies and design work that must be completed before construction. BRA anticipates executing a contract with the selected firm to begin this work in Fiscal Year 2019 and is continuing to work with the City of Houston to move the project forward toward construction.

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

The BRA has been actively engaged in groundwater development efforts in Williamson County. In 2018, the BRA neared completion of its first Trinity aquifer groundwater well at the EWCRWS treatment plant adjacent to Lake Granger. The groundwater will be conjunctively used with Lake Granger surface water to help supply the rapidly growing communities along the Interstate 35 and State Highway 130 corridors in Williamson County. The well is expected to be placed into service in Fiscal Year 2019, and additional well sites are planned to be added in the future as water needs increase.

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

The BRA received grant funding from the TWDB in both Fiscal Year 2014 and Fiscal Year 2015 to conduct a flood protection planning study for the lower Brazos River. Matching funds for the TWDB grants are being provided by a number of lower Brazos River basin entities and the BRA. The study will result in comprehensive hydrologic and hydraulic models of the lower Brazos River watershed. These models will be used to analyze the feasibility of various flood reduction alternatives for communities and entities in the lower basin and to update flood hazard maps along the Brazos River from near Hempstead to the Gulf. The models will also be a source of information for river forecasts during flood events. The study was on schedule for completion in March 2018; however, flooding resulting from Hurricane Harvey significantly impacted this area of the basin in August and September of 2017. Due to the magnitude of this recent flooding, the scope of the study was expanded to incorporate data and information from Hurricane Harvey flooding, and completion is now expected in early 2019.

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

The BRA is constantly reviewing potentially feasible water supply strategies to address the future needs of the Brazos River basin. There are a wide variety of strategies available, including not only evolving technologies such as seawater and/or brackish groundwater desalination and aquifer storage and recovery, as well as the more traditional approaches of surface water reservoir construction and groundwater well completions. The BRA maintains an active process of defining future water demands and identifying the means to address those needs.

WATER TREATMENT

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

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

system in the future to meet water needs in rapidly growing Williamson County. The BRA has invested in significant upgrades to the EWCRRWS since acquiring the water treatment plant from the City of Taylor in 2008.

WATER DELIVERY

- ***Williamson County Regional Raw Water Line***

The Williamson County Regional Raw Water Line is a water transportation pipeline operated by the BRA for three municipal customers in Williamson County: the City of Georgetown, the City of Round Rock, and the Brushy Creek Municipal Utility District. The line delivers water from Stillhouse Hollow Lake in Bell County to Georgetown Lake in Williamson County. BRA determines when to pump water based on lake elevation trigger levels. Due to dry conditions, approximately 33,400 acre-feet of water was moved through the pipeline during Fiscal Year 2018.

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

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

MAINTENANCE

Dam Rehabilitation Projects

As part of proactively addressing the safety, preventive maintenance and ongoing operational efficiency of the BRA-owned dams, the BRA continued modifications to low-flow gates at Lake Granbury's DeCordova Bend Dam. The low flow gate modification project has taken significantly longer than anticipated due to design and contractor inefficiencies discovered during construction. The BRA expects a satisfactory resolution of the issues and completion of the project. BRA staff completed negotiations and reached a settlement agreement with all parties, recovering sufficient funding to complete the project. BRA's new consulting engineer is currently working on completion of the design remediation. We are proceeding with other dam projects at DeCordova Bend Dam, including the stop log trolley replacement project. In the past year, the reinforced concrete components project was completed strengthening the bridge deck over the low flow gates.

Maintenance of the spillway gates and resolution of the ring jet valve shaft and gearbox alignment issue at Possum Kingdom Lake's Morris Sheppard Dam continues and is anticipated to be complete prior to the end of the calendar year. Additionally, selection of a firm to assist in the structural assessment and potential concrete remediation activities is progressing, BRA has successfully negotiated a contract with Gannet Flemming to address maintenance improvements to the Dam.

The BRA has also begun a series of comprehensive studies to determine the need for future rehabilitation projects on the forty year old Sterling C. Robertson Dam at Lake Limestone. This will be a multi-year effort and will initially include replacement of the five tainter gates that are used to pass floodwater through the dam. Engineering design work for the tainter gate replacement project was initiated in Fiscal Year 2018.

Internal Engineering Design and Project Oversight

The BRA Water Supply System's most critical assets are the three dams which impound the self-owned and

operated reservoirs. In the past, BRA has relied heavily on outside consultants to deliver all services related to the investigation, maintenance and rehabilitation of these facilities. While we will continue to use consultants to augment resource needs and staff capabilities, we will continue to perform services and reviews internally to make BRA employees the technical experts on BRA facilities. Internal Engineering efforts in Fiscal Year 2018 included the following:

- Completed the Morris Sheppard Dam five-year engineering site inspection, precision monument survey, and downstream river channel range-line survey
- Completed the preliminary evaluation of the Morris Sheppard Dam Gate 2 side seal plates
- Completed the annual maintenance inspections for De Cordova Bend Dam and Sterling C. Robertson Dam
- Completed the Sterling C. Robertson Dam stilling basin dewatering assessment and hydrostatic pressure relief system assessment
- Completed the design phase for the Central Office parking lot renovation and bid and began construction of the Central Office renovations

PROPERTY MANAGEMENT

Salt Creek, Graham, Texas Floodplain Project

In partnership with the USACE, the BRA served as the non-federal sponsor on a project to minimize the flood risk to homeowners and commercial businesses located within the 10-year floodplain in the City of Graham. After significant effort, the Graham Salt Creek Project was completed in June 2018. Ultimately, the USACE de-authorized the project effectively ending all actions. However, prior to de-authorization, the BRA and the City of Graham executed an agreement wherein the City would utilize the area as a park/green space facility. Consistent with prior negotiations, the BRA has conveyed approximately \$1.3 million to facilitate the construction of the park.

ENVIRONMENTAL

Texas Clean Rivers Program and Other Environmental Assessments

Since the 1990's, the BRA has collected and assessed surface water quality data in streams and reservoirs throughout the Brazos River basin as part of the Texas Clean Rivers Program. During Fiscal Year 2018, the BRA had a 99.6% data completion rate and submitted approximately 25,000 water quality and environmental data points to the Texas Clean Rivers Program. Also during Fiscal Year 2018, aquatic life monitoring was completed on the North Bosque River.

Environmental Services provided support to BRA's wastewater and reservoir operations. These services included investigating algal blooms and fish kills, invasive species monitoring, assisting with data collection and analysis for regulatory permitting and compliance, stream assessments for wastewater permitting, assistance with waste classification, storage and disposal, and providing technical assistance to basin customer relation's staff.

Environmental Flow Standard Studies

In support of the System Operation Permit, Water Management, and the State's environmental flow standards program, Environmental Services staff completed six instream flow assessments in two different river segments and channel surveys, riparian assessments, and sediment surveys in two different river segments to contribute to the verification of adopted environmental flow standards. Environmental Services' ability to complete instream flow-related studies in the lower basin was impeded in Fiscal Year 2018 because the river failed to meet the target flows outlined in the study design.

Endangered Species Issues Engagement

Currently, five Central Texas freshwater mussels are under consideration by the United States Fish and Wildlife Service (USFWS) for Federal endangered species protection. Three of these five species are known to occur in the Brazos River basin. Listing of these species could impact current and future operations significantly. In response to this concern, BRA is pursuing a Candidate Conservation Agreement with Assurances (CCAA) with the USFWS. Negotiations with USFWS began in May 2018 and are ongoing with a planned CCAA submittal date in January 2019.

Reservoir Fisheries Habitat Improvement

BRA, in partnership with the Texas Parks and Wildlife Department, completed the third round of reservoir habitat improvements on Possum Kingdom Lake, Lake Somerville and Lake Stillhouse Hollow. The goal of this project is to improve deep-water reservoir habitat to mitigate the negative effects of reduced water levels during prolonged drought on reservoir fisheries.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the BRA for its CAFR for the Fiscal Year ended August 31, 2017. This was the 32nd consecutive year that the BRA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the BRA must publish an easily readable and efficiently organized CAFR. The report must satisfy both GAAP and applicable legal requirements.

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

In addition, the BRA also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for Fiscal Year beginning September 1, 2017. This was the fourth consecutive year the BRA has achieved this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the BRA's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communication device.

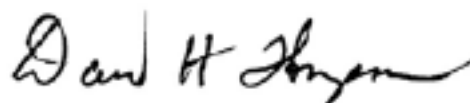
The preparation of this CAFR would not have been possible without the efficient and dedicated endeavors of the entire staff of the Finance and Administration Department. We would like to express our sincere appreciation to Matt Wheelis, Melissa Anthony, Judy Wallace, Michele Giroir, Cheryl Hoelscher,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

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

Respectfully submitted,



David Collinsworth
General Manager/CEO



David Thompson, CPA
Chief Financial Officer



Government Finance Officers Association

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for Excellence
in Financial
Reporting**

Presented to

**Brazos River Authority
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2017

Christopher P. Morill

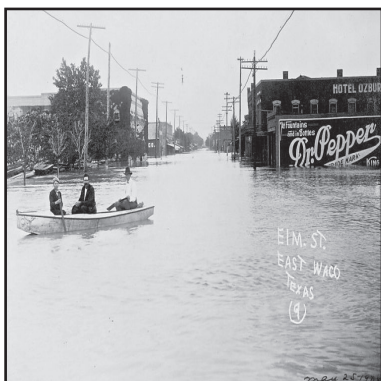
Executive Director/CEO

The River

Timeless as the river itself, legend surrounds the Brazos River, its discovery and its name. Dating back to the early 1700s as the Spanish Conquistador Francisco Vázquez de Coronado and his team wandered fruitlessly searching for a fabled golden City of Cibolo, Coronado and his men are said to have been lost and near death from thirst, when they came upon a running river. In thanks, Coronado joyously proclaimed that they had stumbled upon “Los Brazos de Dios” or the arms of God.

Though the Brazos River watershed begins miles northwest of the New Mexico/Texas border, the river begins to flow at the confluence of the Salt Fork and Double Mountain Fork tributaries moving ever southward toward the Gulf of Mexico near Freeport, Texas. As the longest river contained entirely with the state, the watershed spans 45,000 square miles.

In 1824, Stephen F. Austin proclaimed that an inland waterway between the Harbor of Galveston and the river could be built believing that canals would be key to mastering the waters. Due to heavy siltation that flowed to the mouth, over the years expensive dredging was undertaken to maintain navigation in the Freeport Harbor Channel. And in 1929, the US Army Corps of Engineers diverted the River to a new outlet into the Gulf of Mexico.



Flooding at Waco in May 1908

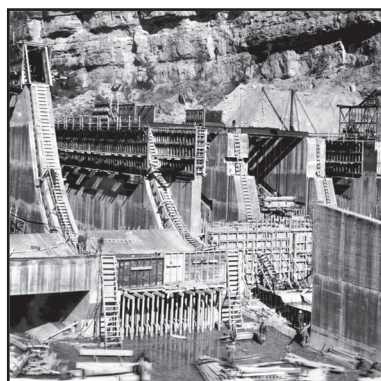
At times during its history, the Brazos River has been considered as a means of transportation and commerce to serve the central portion of the state. There are records of attempts by steamboats to reach as far upstream as the City of Waco. In the early 1900s, the US Army Corps of Engineers began the construction of a series of locks that would enable steamboats to maneuver the oft-times dry riverbed. None of the locks were completed, in part due to the great flood of 1913 and later, due to the interruption of World War I. However, the remains of some elements that were constructed remain visible even today.



Flooding at Waco in May 1935

The river has been referred to as “unruly” and “wild and wooly.” With diversified climates across Texas, the river can simultaneously experience not only flooding but also drought. The floods of 1913 and 1921 devastated livestock, homes and human lives.

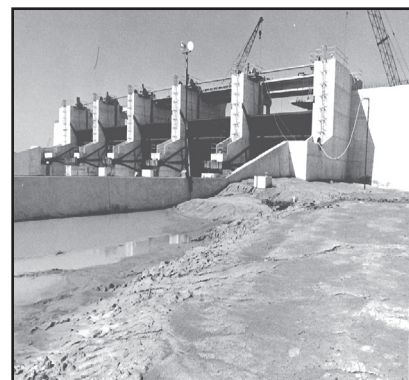
In 1923, the legislature appropriated funds for a survey of all the Texas rivers and an analysis of flood and water issues. As a result, the Texas Legislature created the Brazos River Conservation and Reclamation District (District) in 1929 (see page 4). Later renamed the Brazos River Authority, it was the first agency in the United States created specifically for the purpose of developing and managing the water resources of an entire river basin.



Morris Sheppard Dam



De Cordova Bend Dam



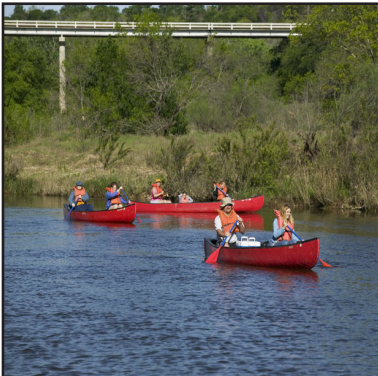
Sterling C. Robertson Dam

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

Over the following 90 years, the Brazos River Authority has grown and now owns and operates three reservoirs in the basin. Possum Kingdom Lake; formed by the Morris Sheppard Dam, Lake Granbury; impounded by the De Cordova Bend Dam, and Lake Limestone, on the Navasota tributary, created by the Sterling C. Robertson Dam. Construction for Possum Kingdom began in 1936 and was completed in 1941. Lake Granbury was completed in 1969 and Lake Limestone in 1978. The Brazos River Authority also partnered with the US Army Corps of Engineers in the construction of nine other multi-purpose reservoirs across the basin from the 1950s through the 1980s, contracting with the Corps for water supply storage in these reservoirs.



As the river flows south, it provides water for recreational opportunities including camping, fishing, canoeing, swimming, boating, and hiking along its banks, where visitors can just take in the diverse scenery. The geological diversity begins with the Salt Flats of the Croton Creek watershed in Dickens County, moving through the rock cliffs of Possum Kingdom down to Lake Whitney, through Central Texas, and then on to the grassy marshes of the lowlands of Southeast Texas.



Along the way, there are hundreds of different species of birds that make their nests on the ground and in the trees along the river. Alligators, beavers, deer, frogs, wild turkeys, to name a few and a large variety of fish also make their home at and in the river.

Brazos River supplies water to growing municipalities; industries such as power plants and chemical plants; and agriculture, such as rice and sugar fields, and cotton fields.

Brazos River Authority is dedicated to the Texas Clean Rivers Program by monitoring the water quality in over 100 different sites in reservoirs, streams, and creeks. It works daily to manage water supply within the Brazos River basin, passing excess runoff through its reservoirs during times of flooding as well as implementing drought contingency measures during dry times, all while providing a reliable water supply to its customers.

References: *Exploring the Brazos River* by Jim Kimmel, *Unruly Waters* by Kenna Lang Archer, *Sandbars and Sternwheelers* by Pamela Ashworth Puryear and Nath Winfield, Jr.
Brazos River near Seymour, Texas - Drought of 2011 - Photo by Nick Carmean

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Financial Section



RSM US LLP

Independent Auditor's Report

To the Board of Directors
Brazos River Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Brazos River Authority (the BRA) as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the BRA's basic financial statements, as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the BRA as of August 31, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Required Supplementary Information

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

Other Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the BRA's basic financial statements. The accompanying supplemental information—the schedule of changes in assets and liabilities (agency funds) and the comparison of budgeted revenues and expenses to actual, as listed in the foregoing table of contents—is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of changes in assets and liabilities (agency funds) and the comparison of budgeted revenues and expenses to actual are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of changes in assets and liabilities (agency funds) and the comparison of budgeted revenues and expenses to actual are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections, as listed in the foregoing table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2019, on our consideration of the BRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BRA's internal control over financial reporting and compliance.

RSM US LLP

Austin, Texas
January 8, 2019

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Management's Discussion and Analysis

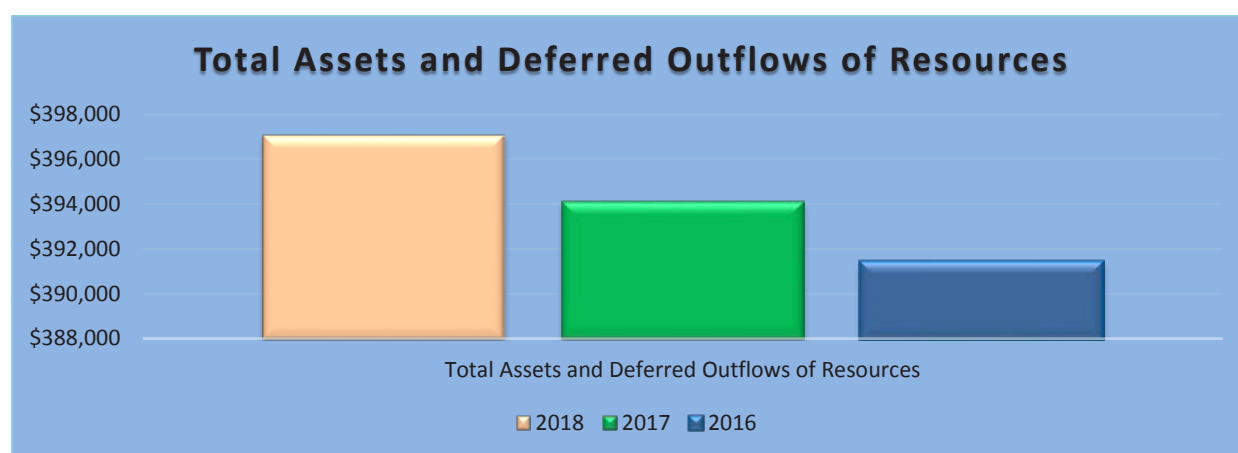
**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018, 2017 AND 2016 (in thousands)**

As Management of the Brazos River Authority (BRA), we offer readers of the BRA's financial statements this narrative overview and analysis of the financial activities of the BRA for the Fiscal Year ended August 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on Pages 10 to 18 of the Introductory Section of this report.

Financial Highlights

Total Assets and Deferred Outflows of Resources

- Total assets and deferred outflows of resources at the end of Fiscal Years 2018, 2017 and 2016 were \$397,074, \$394,119 and \$391,441, respectively. Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the end of Fiscal Year 2018, 2017 and 2016 by \$273,988, \$270,840 and \$261,936, respectively.
- Total assets and deferred outflows of resources for Fiscal Year 2018 increased by \$2,955 over prior year, primarily as a net result from operations, the loss on sale of the Graham Flood Control project, in the amount of six million dollars, and the decrease in deferred outflows of resources as a result of GASB Statement No. 68.
- Total assets and deferred outflows of resources for Fiscal Year 2017 increased by \$2,678 over prior year, primarily as a net result from operations, and the decrease in deferred outflows of resources as a result of GASB Statement No. 68.
- Total assets and deferred outflows of resources for Fiscal Year 2016 increased by \$17,443 over prior year, primarily as a net result from operations, the increase in deferred outflows of resources as a result of GASB Statement No. 68, and the sale of the remaining residential and commercial leased properties held in the Federal Energy Regulatory Commission (FERC) project area. The successful sale and disposition of the legislatively mandated properties was completed in March 2016 resulting in additional revenue of \$10,179 from the sale.
- The BRA's net position increased by \$3,148 for the Fiscal Year ended August 31, 2018.



BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018, 2017 AND 2016 (in thousands)

Capital Assets

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

	2018	2017	2016
Net additions/(deletions) to land, storage and water rights	\$ 6	\$ 16,660	\$ (29)
Additions to construction-in-progress (CIP)	3,903	4,049	8,203
Transfers from CIP to capital assets being depreciated	(761)	(5,810)	(1,389)
Transfers from CIP to land, storage and water rights	-	(16,660)	-
Additions and transfers to capital assets being depreciated	1,842	7,203	2,095
Net deletions and transfers	(7,463)	(112)	(1,170)
Normal annual depreciation and amortization	(8,657)	(8,362)	(8,279)
Total	\$ (11,130)	\$ (3,032)	\$ (569)

- During Fiscal Year 2018, the BRA had twenty-five capital projects outstanding that were in progress during the year, one of those was completed during the year at a current year capitalization amount of \$761. The BRA also deleted one capital project during Fiscal Year 2018 in the amount of \$6,463 as a result of successful negotiations with the City of Graham to take over the project from the BRA. In addition, the BRA invested \$1,842 in capital equipment. With those additions, the sale of various capital assets, and the recording of depreciation on all depreciable assets, capital assets decreased by \$11,130 during the year. Additional information on the BRA's capital assets can be found on Notes 4 & 10 of this report.
- During Fiscal Year 2017, the BRA had over thirty-one capital projects outstanding that were in progress during the year, nine of those were completed during the year at a current year capitalization amount of \$22,470. In addition, the BRA invested \$1,393 in capital equipment. With those additions, the sale of various capital assets, and the recording of depreciation on all depreciable assets, capital assets decreased by \$3,032 during the year.
- During Fiscal Year 2016, the BRA had over thirty-eight capital projects outstanding that were in progress during the year, eleven of those were completed during the year at a current year capitalization amount of \$1,389. In addition, the BRA invested \$2,095 in capital equipment. With those additions, the sale of various capital assets, and the recording of depreciation on all depreciable assets, capital assets decreased by \$569 during the year.

Noncurrent Liabilities

Outstanding debt:

- For Fiscal Year 2018, total outstanding debt (current and noncurrent) decreased by \$3,783. This net decrease is a result of annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$2,605, \$1,194 and \$16, respectively.
- For Fiscal Year 2017, total outstanding debt (current and noncurrent) decreased by \$3,673. This net decrease is a result of annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$2,545, \$1,160 and \$32, respectively.

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018, 2017 AND 2016 (in thousands)**

Noncurrent Liabilities-continued

- For Fiscal Year 2016, total outstanding debt (current and noncurrent) decreased by \$3,207. This net decrease is a result of annual principal payments on revenue bonds, contracts payable net of accretion on capital appreciation bonds of \$2,075, \$1,179 and \$47, respectively.

Net Pension liability:

- During Fiscal Year 2018, the BRA adjusted its net pension liability from \$10,086 in Fiscal Year 2017 to \$10,711 in Fiscal Year 2018, primarily for the Retirement Plan for Employees of the BRA as a result of the Plan's actuarial computation. Additional information on the BRA's Net Pension Liability can be found in Note 8 of this report.
- During Fiscal Year 2017, the BRA adjusted its net pension liability from \$11,711 in Fiscal Year 2016 to \$10,086 in Fiscal Year 2017, primarily for the Retirement Plan for Employees of the BRA as a result of the Plan's actuarial computation.
- During Fiscal Year 2016, the BRA adjusted its net pension liability from \$8,081 in Fiscal Year 2015 to \$11,656 in Fiscal Year 2016 for the Retirement Plan for Employees of the BRA as a result of the Plan's actuarial computation. In addition, the BRA adjusted its prior year pension asset for the Texas County and District Retirement System plan from an asset in prior year of \$274 to a liability of \$55 as a result of the Systems actuarial computation.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the BRA's basic financial statements. The BRA's basic financial statements are composed of Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; Statement of Fiduciary Net Position; Notes to the Basic Financial Statements; and the Required Supplementary Information. This report also contains other supplementary information and statistical information in addition to the basic financial statements themselves.

Basic Financial Statements. The financial statements are designed to provide readers with an overview of the BRA's finances in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the BRA's assets and deferred outflows of resources as well as BRA's liabilities and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BRA is improving or deteriorating. The Statement of Net Position can be found on Pages 40 to 41 of this report.

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018, 2017 AND 2016 (in thousands)**

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the BRA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of the BRA's current year operations on its financial position. The Statement of Revenues, Expenses and Changes in Net Position can be found on Page 42 of this report.

The *Statement of Cash Flows* summarizes all of the BRA's cash flows into three categories as applicable: 1) cash flows from operating activities, 2) cash flows from capital and related financing activities, and 3) cash flows from investing activities. The Statement of Cash Flows can be found on Page 43 of this report. The Statement of Cash Flows, along with the related notes and information in other financial statements, can be useful in assessing the following:

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

The *Statement of Fiduciary Net Position* summarizes the BRA's agency fund transactions. Generally, an agency fund is created to act as a custodian for other funds, governmental entities, or private entities. Assets are recorded by the agency fund, held for a period of time as determined by a legal contract or circumstance and then returned to their owners. Generally, only assets and a liability representing the parties that are entitled to the assets are presented in the Statement of Fiduciary Net Position. The Statement of Fiduciary Net Position can be found on Page 44.

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 45 of this report.

Financial Analysis

Schedule of Net Position - As noted earlier, net position may serve over time as a useful indicator of the BRA's financial position. In the case of the BRA, assets and deferred outflows of resources exceeded liabilities for Fiscal Years 2018, 2017, and 2016 by, \$273,988, \$270,840, and \$261,936, respectively.

The largest portion of the BRA's net position, in any given year has been its investment in capital assets (e.g., land, storage rights, reservoirs, water treatment and sewerage facilities, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. Although the BRA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018, 2017 AND 2016 (in thousands)

Schedule of Net Position - continued

debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. For Fiscal Year 2018, the investment in capital assets amounted to 67% of the BRA's net position.

For Fiscal Year 2018, about 70% (\$191,766) of the BRA's net position represent resources that are not available for expenditure (invested in capital assets or restricted for debt service). The remaining balance of *unrestricted net assets* (\$82,222) may be used to meet the BRA's ongoing obligations.

For Fiscal Year 2017, about 74% (\$198,947) of the BRA's net position represent resources that are not available for expenditure (invested in capital assets or restricted for debt service). The remaining balance of *unrestricted net assets* (\$71,893) may be used to meet the BRA's ongoing obligations.

For Fiscal Year 2016, about 76% (\$198,591) of the BRA's net position represent resources that are not available for expenditure (invested in capital assets or restricted for debt service). The remaining balance of *unrestricted net assets* (\$63,345) may be used to meet the BRA's ongoing obligations.

Condensed Schedule of Net Position
August 31, 2018, 2017 and 2016

	2018	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets - unrestricted	\$ 108,327	\$ 96,420	\$ 86,836
Current assets - restricted	3,250	3,614	4,775
Noncurrent assets - restricted	10,167	7,036	6,992
Capital assets, net	270,271	281,401	284,433
Noncurrent assets	2,941	1,846	2,082
TOTAL ASSETS	394,956	390,317	385,118
DEFERRED OUTFLOWS OF RESOURCES	2,118	3,802	6,323
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 397,074	\$ 394,119	\$ 391,441
LIABILITIES AND DEFERRED INFLOWS			
Current liabilities (payable from current assets)	\$ 22,106	\$ 19,151	\$ 18,910
Current liabilities (payable from restricted assets)	5,170	5,170	6,005
Noncurrent liabilities	94,868	97,951	103,490
TOTAL LIABILITIES	122,144	122,272	128,405
DEFERRED INFLOWS OF RESOURCES	942	1,007	1,100
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 123,086	\$ 123,279	\$ 129,505
NET POSITION			
Net Investment in capital assets	\$ 183,910	\$ 191,280	\$ 189,894
Restricted for debt service	7,856	7,667	8,697
Unrestricted	82,222	71,893	63,345
TOTAL NET POSITION	\$ 273,988	\$ 270,840	\$ 261,936

BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018, 2017 AND 2016 (in thousands)

Condensed Schedule of Revenues, Expenses and Changes in Net Position
Fiscal Years Ended August 31, 2018, 2017 and 2016

	2018	2017	2016
OPERATING REVENUES			
Water supply system	\$ 48,297	\$ 46,677	\$ 42,009
Cost reimbursable operations	15,091	13,287	12,608
TOTAL OPERATING REVENUES	63,388	59,964	54,617
OPERATING EXPENSES			
Operating and maintenance	42,984	39,565	38,518
Depreciation and amortization	8,657	8,362	8,279
TOTAL OPERATING EXPENSES	51,641	47,927	46,797
OPERATING INCOME	11,747	12,037	7,820
Total net non-operating revenues (expenses)	(8,599)	(3,133)	6,394
INCOME BEFORE CONTRIBUTIONS	3,148	8,904	14,214
Capital contributions	-	-	415
CHANGE IN NET POSITION	3,148	8,904	14,629
NET POSITION, BEGINNING	270,840	261,936	247,307
NET POSITION, ENDING	\$ 273,988	\$ 270,840	\$ 261,936

The Change in Net Position for Fiscal Years 2018, 2017, and 2016 was \$3,148, \$8,904 and \$14,629 respectively. The results of those changes are noted below.

Operating Revenue

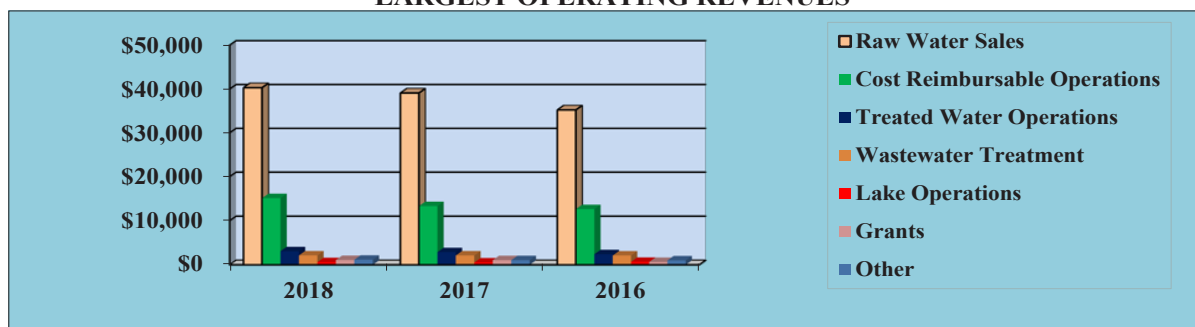
For Fiscal Year 2018, operating revenue increased by 5.7% over prior year, as a net result of two events: first, additional water sales and the rate charged for long term water and interruptible water contracts increased by 2.77% from \$72.00 per acre feet of water sold to \$74.00, resulting in additional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

**BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018, 2017 AND 2016 (in thousands)**

Operating Revenue (continued)

For Fiscal Year 2017, operating revenue increased by 9.8% over prior year, as a net result of three events: first, the rate charged for long term water and interruptible water contracts increased by 2.13% from \$70.50 per acre feet of water sold to \$72.00, resulting in additional revenue of \$481; second, two legacy contracts expired and the terms were renegotiated to the system rate, resulting in additional revenue of over \$3,645; and finally, the Cost Reimbursable Operations experienced higher revenues, \$679 over prior year, as a result of the decrease in rain experienced during the year in that area of the State. The decrease in rain resulted in a higher demand to move water through the Williamson County Regional Raw Water Line.

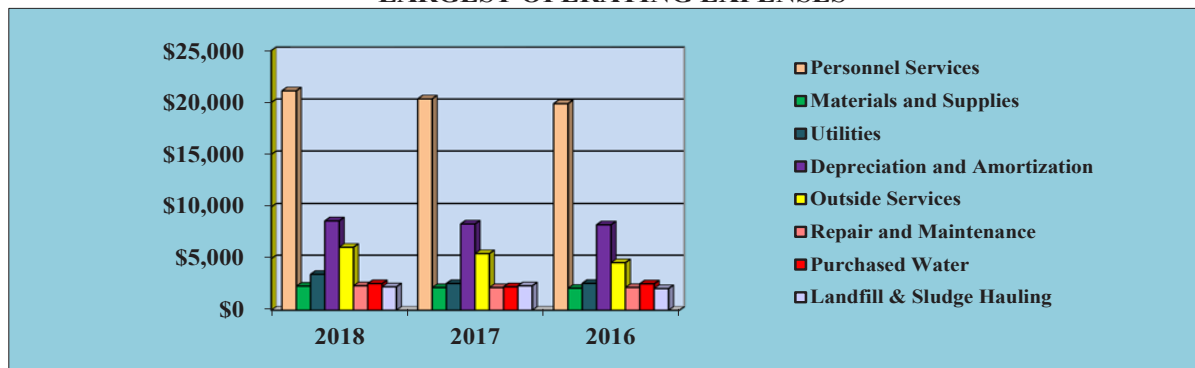
LARGEST OPERATING REVENUES



Operating Expense

Operating expenses, excluding depreciation, over the past three years have increased 8.6% in 2018 and 2.7% in 2017 as a net result of steady increases in wages, health insurance, other expenses related to capital improvement support efforts with our Cost Reimbursable Operations. Depreciation expense also increased by a modest amount during the current year as a result of normal additions of capital assets purchased during the past year.

LARGEST OPERATING EXPENSES



BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018, 2017 AND 2016 (in thousands)

Total Net Non-Operating Revenues (Expenses)

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

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

For Fiscal Year 2016, the amount recorded as net non-operating revenue was \$6,394. The majority of the non-operating revenue represents the interest payments on the BRA's debt, in the amount of \$4,167, and the sale of the remaining residential and commercial leased properties held in the FERC project area resulting in an additional revenue of \$10,179.

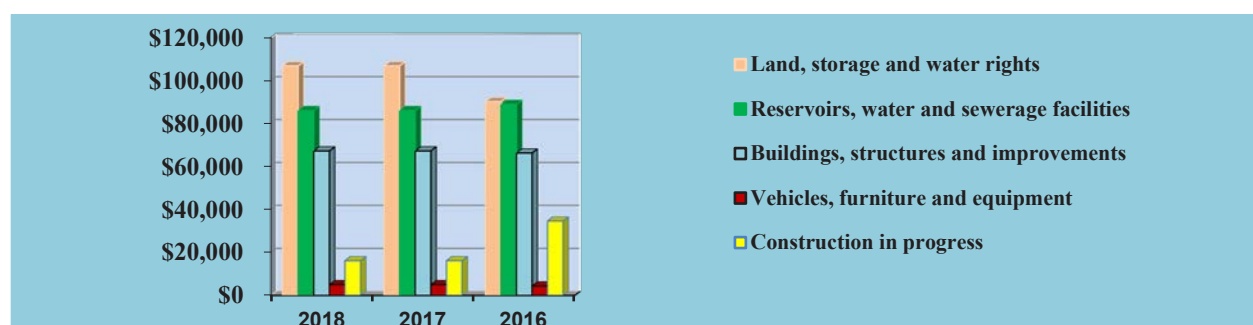
Capital Assets and Outstanding Debt

Capital Assets - The BRA's capital assets, as of August 31, 2018, 2017 and 2016 totaled to \$270,271, \$281,401 and \$284,433, respectively, (net of accumulated depreciation and amortization). For Fiscal Years 2018, 2017, and 2016, the BRA continued its commitment to our customers and stakeholders to ensure the longevity of our capital assets. During Fiscal Year 2018, the BRA invested over \$3,903 on twenty-five capital improvement projects.

Capital Assets
(net of accumulated depreciation and amortization)
August 31, 2018, 2017 and 2016

	2018	2017	2016
Land, storage and water rights	\$ 106,899	\$ 106,893	\$ 90,233
Reservoirs, water and sewerage facilities	83,234	86,104	88,973
Buildings, structures and improvements	62,531	67,241	66,273
Vehicles, furniture and equipment	5,712	5,008	4,379
Construction in progress	11,895	16,155	34,575
Total	<u>\$ 270,271</u>	<u>\$ 281,401</u>	<u>\$ 284,433</u>

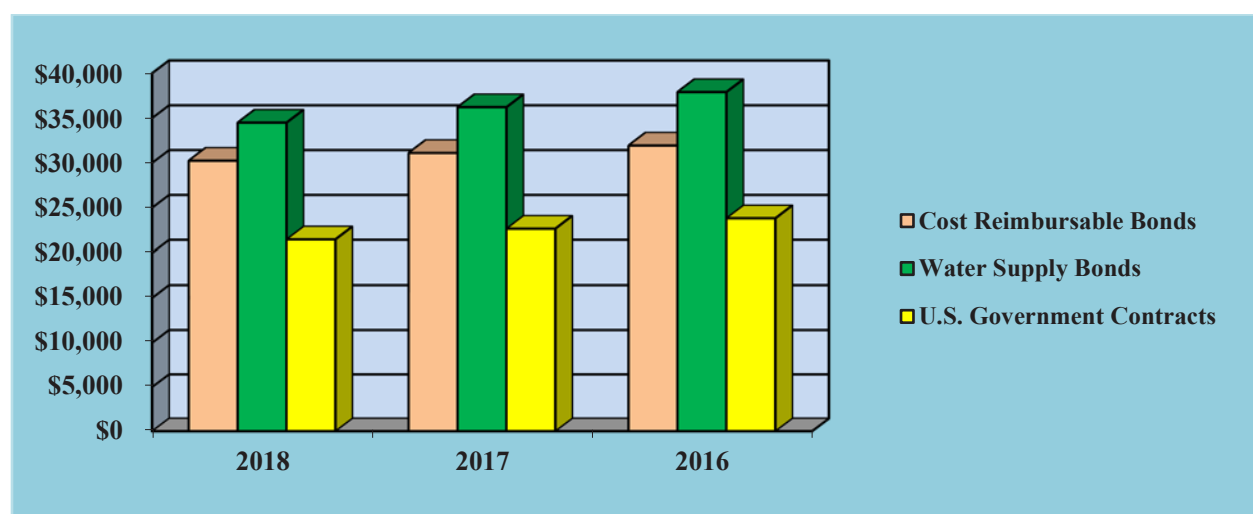
Additional information on the BRA's capital assets can be found in Notes 4 and 10 of this report.



BRAZOS RIVER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2018, 2017 AND 2016 (in thousands)

Outstanding Debt – At the end of Fiscal Years 2018, 2017 and 2016 the BRA had total outstanding debt of \$86,190, \$89,973 and \$93,646, respectively. Of the Fiscal Year 2018 amount, 65% and 35% is reflected in Water Supply System and Cost Reimbursable Operations, respectively. There was no new debt issuances during the Fiscal Year 2018.

On July 21, 2009, Standard & Poor's Global Ratings Services raised its underlying rating (SPUR) on the BRA's water supply system revenue bonds one notch to 'AA' from 'AA-' and reaffirmed this on February 28, 2018. This was based on the BRA's maintenance of a strong and likely sustainable financial position due to its favorable position as the raw water provider of choice throughout a watershed nearly the size of the State of Tennessee, during a time when demand is increasing rapidly from both municipalities and electric power generators.



The changes in the BRA's debt for Fiscal Years 2018, 2017 and 2016 are shown in the following table:

	2018	2017	2016
Accretion of interest on capital appreciation bonds	\$ 16	\$ 32	\$ 47
Principal payments made during each year	<u>(3,799)</u>	<u>(3,705)</u>	<u>(3,254)</u>
Decrease In Debt	<u>\$ (3,783)</u>	<u>\$ (3,673)</u>	<u>\$ (3,207)</u>

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

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Basic Financial Statements

BRAZOS RIVER AUTHORITY
STATEMENTS OF NET POSITION
AUGUST 31, 2018 and 2017 (in thousands)

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
UNRESTRICTED:		
Cash and cash equivalents	\$ 28,435	\$ 50,335
Investments	73,995	42,060
Receivables:		
Accounts	3,647	2,727
Accrued interest	212	49
Other current assets	2,038	1,249
TOTAL UNRESTRICTED	108,327	96,420
RESTRICTED:		
Cash and cash equivalents	3,250	3,614
TOTAL RESTRICTED	3,250	3,614
TOTAL CURRENT ASSETS	111,577	100,034
NONCURRENT ASSETS :		
RESTRICTED:		
Cash and cash equivalents	366	1,394
Investments	9,783	5,633
Interest	18	9
TOTAL RESTRICTED	10,167	7,036
CAPITAL ASSETS:		
Land, storage and water rights	106,899	106,893
Reservoirs, water treatment and sewerage facilities	139,472	139,472
Building, structures and improvements	110,615	110,651
Vehicles, furniture and equipment	17,939	16,898
Construction in progress	11,895	16,155
TOTAL CAPITAL ASSETS	386,820	390,069
Less accumulated depreciation	(116,549)	(108,668)
NET CAPITAL ASSETS	270,271	281,401
OTHER NONCURRENT ASSETS:		
Capital appreciation bonds due from others	-	175
Net pension asset	1,349	-
Other assets	1,592	1,671
TOTAL OTHER NONCURRENT ASSETS	2,941	1,846
TOTAL NONCURRENT ASSETS	283,379	290,283
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on refunding	329	352
Pension plans	1,789	3,450
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,118	3,802
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 397,074	\$ 394,119

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF NET POSITION
AUGUST 31, 2018 AND 2017 (in thousands)

	2018	2017
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
PAYABLE FROM CURRENT ASSETS:		
Accounts payable	\$ 5,670	\$ 6,748
Contracts payable	946	1,194
Accrued interest	508	533
Unearned revenues	14,982	10,676
TOTAL PAYABLE FROM CURRENT ASSETS	22,106	19,151
PAYABLE FROM RESTRICTED ASSETS:		
Accrued interest	1,473	1,483
Construction contracts payable	-	115
Revenue bonds payable	2,660	2,605
Unearned revenues	768	726
Other	269	241
TOTAL PAYABLE FROM RESTRICTED ASSETS	5,170	5,170
TOTAL CURRENT LIABILITIES	27,276	24,321
NONCURRENT LIABILITIES:		
Revenue bonds payable, net of current portion and premium	62,565	65,269
Contracts payable, net of current portion	20,519	21,465
Net pension liability	10,711	10,086
Unearned revenues	271	316
Other liabilities	802	815
TOTAL NONCURRENT LIABILITIES	94,868	97,951
TOTAL LIABILITIES	122,144	122,272
DEFERRED INFLOWS OF RESOURCES - PENSION PLAN	942	1,007
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	\$ 123,086	\$ 123,279
NET POSITION:		
Net Investment in capital assets	\$ 183,910	\$ 191,280
Restricted for debt service	7,856	7,667
Unrestricted	82,222	71,893
TOTAL NET POSITION	\$ 273,988	\$ 270,840
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 397,074	\$ 394,119

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FISCAL YEARS ENDED AUGUST 31, 2018 AND 2017 (in thousands)

	2018	2017
OPERATING REVENUES:		
Water Supply System:		
Raw water sales	\$ 40,285	\$ 39,074
Treated water	3,071	2,862
Wastewater treatment	2,123	2,119
Lake operations	590	523
Grants	1,083	1,055
Other	1,145	1,044
Cost Reimbursable Operations:		
Water conveyance/supply	3,828	2,794
Water treatment	1,277	1,208
Wastewater treatment	9,986	9,285
TOTAL OPERATING REVENUES	<u>63,388</u>	<u>59,964</u>
OPERATING EXPENSES:		
Personnel services	21,120	20,346
Materials and supplies	2,334	2,198
Utilities	3,479	2,589
Depreciation and amortization	8,657	8,362
Outside services	6,105	5,489
Repair and maintenance	2,372	2,198
Landfill and sludge hauling	2,579	2,366
Purchased water	2,271	2,267
Other	2,724	2,112
TOTAL OPERATING EXPENSES	<u>51,641</u>	<u>47,927</u>
OPERATING INCOME	<u>11,747</u>	<u>12,037</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income	1,830	975
Interest expense	(3,945)	(4,020)
Other expenses	(15)	(153)
Net gain or (loss) on sale of capital assets	(6,469)	65
TOTAL NET NON-OPERATING (EXPENSES)	<u>(8,599)</u>	<u>(3,133)</u>
CHANGE IN NET POSITION	3,148	8,904
NET POSITION, BEGINNING	<u>270,840</u>	<u>261,936</u>
NET POSITION, ENDING	<u>\$ 273,988</u>	<u>\$ 270,840</u>

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED AUGUST 31, 2018 AND 2017 (in thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 67,746	\$ 59,373
Cash paid to suppliers for goods and services	(28,506)	(25,352)
Cash paid to employees for services	(14,184)	(13,575)
Net cash provided by operating activities	25,056	20,446
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid for capital assets	(6,045)	(6,321)
Interest paid	(4,023)	(4,110)
Principal payments on long-term debt	(3,799)	(3,705)
Proceeds from disposal of capital assets	(55)	82
Net cash used in capital and related financing activities	(13,922)	(14,054)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	52,064	55,652
Purchases of investments	(88,148)	(31,241)
Interest received	1,657	964
Net cash provided by investing activities	(34,427)	25,375
NET CHANGE IN CASH AND CASH EQUIVALENTS	(23,293)	31,767
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including \$5,008 and \$5,304, respectively, reported in restricted accounts)	55,344	23,577
CASH AND CASH EQUIVALENTS, END OF YEAR (including \$3,616 and \$5,008, respectively, reported in restricted accounts)	\$ 32,051	\$ 55,344
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 11,747	\$ 12,037
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	8,627	8,332
Amortization	30	30
Change in assets, liabilities and deferred inflows and outflows of resources:		
(Increase) in accounts receivable	(220)	(1,022)
(Increase)/decrease in other current assets	(535)	68
(Increase) in net pension asset	(1,349)	-
Increase in deferred outflows of resources	1,684	2,521
Increase/(decrease) in accounts payable	213	(64)
Increase in unearned revenue and other liabilities	4,301	260
Increase/(decrease) in net pension liability	624	(1,624)
(Decrease) in deferred inflows of resources	(66)	(92)
Total adjustments	13,309	8,409
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 25,056	\$ 20,446
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:		
Amounts recorded for accretion on Capital Appreciation Bonds	\$ 16	\$ 32
Amounts recorded as accruals for Capital Assets	\$ 1,380	\$ 1,951

The accompanying notes are an integral part of these statements.

BRAZOS RIVER AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION
AUGUST 31, 2018 AND 2017 (in thousands)

	2018	2017
ASSETS		
Cash	\$ 514	\$ 306
Investments	389	594
Accrued Interest	1	1
TOTAL ASSETS	<u>\$ 904</u>	<u>\$ 901</u>
LIABILITIES		
Held for future debt service	\$ 904	\$ 901
TOTAL LIABILITIES	<u>\$ 904</u>	<u>\$ 901</u>

The accompanying notes are an integral part of these statements.

*Notes to the
Basic Financial Statement*

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017 (in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Accounting - The accompanying basic financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting as prescribed by the Governmental Accounting Standards Board ("GASB"). The BRA consists of a single enterprise fund through which all financial activities are recorded, and one agency fund that reports assets and liabilities held by the BRA in a custodial capacity for others.

Basis of Presentation - The BRA presents its financial statements in accordance with the GASB's Codification of Governmental Accounting and Financial Reporting Standards. Accordingly, the basic financial statements of the BRA consist of Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Statement of Fiduciary Net Position and Notes to the Basic Financial Statements.

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

Agency Funds - The BRA's Agency Fund is created to act as a custodian for the Jonah Water Special Utility District for the facilitating of debt service in accordance with the Inter-local Agreements relating to financial programs. The Agency Fund only reports assets and liabilities in a statement of fiduciary net position.

Revenue and Expense Recognition – Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded in the period in which the liability is incurred. Revenue from grants and contracts, are recorded as revenue when all eligibility requirements imposed by the provider are met and qualifying expenses have been incurred for reimbursement type grants and contracts.

Deposits and Investments - All cash in bank, money market accounts, non-participating certificates of deposit and highly liquid investments (including restricted assets) with original maturities of nine months or less when purchased are considered to be cash equivalents. All non-participating certificates of deposit with original maturities of more than nine months when purchased are considered to be investments and are carried at cost plus accrued interest. All investments in debt

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017 (in thousands)

securities are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. The BRA holds no debt securities as of August 31, 2018 or 2017.

State Statue and Board Policy authorize the BRA to invest any and all of its deposits in fully collateralized Certificates of Deposits (CD), direct securities of the United States of America and other investments specifically allowed by Chapter 2256 of the Texas Government Code (The Public Funds Investment Act).

The BRA's collateral agreement requires that all deposits be fully collateralized by government securities or obligations of other political sub divisions of any State Texas municipal bonds rated A or better, or Letters of Credit issued or guaranteed by the U.S. Government, its agencies and instrumentalities that have a market value exceeding the total amount of cash and investments held at all times.

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

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

Capital Assets - All purchased capital assets are stated at historical cost. Donated assets are stated at their estimated acquisition values on the date donated. Newly acquired assets with a cost of five thousand dollars or more and a useful life greater than three years will be capitalized. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method. As of September 1, 2017, the BRA adopted GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, and did not record any capitalized interest on costs associated with construction projects during August 31, 2018 and 2017. See footnote 13 on page 79 for additional information on GASB Statement No. 89. Estimated useful lives are as follows:

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

Other Assets - By agreement in 1988, the BRA amended a water contract with a utility company which provided for the sale of 162,000 acre feet of water per year through the year 2030. The amendment returned 79,000 acre feet to the BRA. As consideration for the 79,000 acre-feet reduction, the BRA paid the utility company \$3,823 in 1988. The BRA has sold the 79,000 acre-feet to various third parties under long-term water contracts. The balance of \$1,592 and \$1,671 at August 31, 2018 and 2017, respectively is included in other noncurrent assets and will be amortized against related revenues from such contracts over the contract lives.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017 (in thousands)

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

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

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

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

Compensated Absences – Prior to May 1, 2002, the BRA's employees were granted vacation and sick leave in specified amounts. Effective May 1, 2002 vacation and sick leave were superseded by Personal Time Off (PTO). The BRA's current policy states that upon termination an employee will be paid for 100% of unused vacation time and 50% of their PTO balance up to a maximum of 160 hours (20 days) combined. In addition, for retirees, unused sick leave is paid out at a rate of 50% of their balance or 144 hours (18 days) whichever is less. The total recorded liability for PTO as of August 31, 2018 and 2017 was \$547 and \$526, respectively, and is reported in accounts payable. The total recorded liability for compensated absences, as of August 31, 2018 and 2017 was \$159 and \$180, respectively. Based on historical data, a portion of the accrual for vacation and sick leave are classified as other noncurrent liabilities. See footnote 6 on page 57 for additional information on compensated absences.

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

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

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017 (in thousands)

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

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

2. DEPOSITS AND INVESTMENTS

As of August 31, 2018 and 2017, the BRA's investments were composed of non-participating bank certificates of deposit with Weighted Average Maturity (WAM) as follows:

Investment Type	2018		2017	
	Cost	WAM (Years)	Cost	WAM (Years)
Certificates of Deposit	\$ 83,778	0.74	\$ 47,693	0.50

The BRA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level one inputs are quoted prices in active markets for identical assets; Level two inputs are significant other observable inputs; level three inputs are significant unobservable inputs. For August 31, 2018 and 2017 all BRA investments were in non-participating Certificates of Deposit (CDs) and are carried at cost plus accrued interest, which do not require categorization in the fair value hierarchy.

Certificates of Deposit - The BRA's adopted Investment Policy ("Policy") and State law restrict CDs to those which are fully collateralized or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor. The CDs must be from banks or an approved broker doing business within the State of Texas or be obtained through a depository institution that has its main office or a branch office in Texas and that contractually agrees to place the funds in a federally insured depository institution with the conditions prescribed in Section 2256.010(b) of the Act. A written depository agreement approved by the financial institution board or loan committee is required. By Policy, the CDs must be collateralized to 102% of principal and interest by obligations of the U.S. Government, its agencies and instrumentalities including mortgage backed securities which pass the high-risk mortgage obligation test or obligations of municipal entities of any state rated as to investment quality by a nationally recognized investment rating firm of not less than "A" or its equivalent or collateralized at 100% of principal and interest by a Letter of Credit issued or guaranteed by the U.S. Government, its agencies and instrumentalities. The financial institution is held contractually liable for maintaining the margin at all times. All pledged collateral is held by an independent custodian in the BRA's account. All CDs are restricted to a maximum of thirty-six months to its stated maturity.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017 (in thousands)

Repurchase Agreements - State law and the BRA's adopted Policy require repurchase agreements defined as a buy-and-sell transaction. The transactions must have a defined termination date and be placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. They must be secured by a combination of cash and obligations of the U.S. Government, its agencies or instrumentalities, to include mortgage backed securities. Collateral is held with a third party selected or approved by the BRA and held in the BRA's name. The custodian or counter-party is held contractually liable for maintaining a margin of 102% of principal and interest. Repurchase agreements include reverse repurchase agreements in which the reinvestment security shall not mature later than the reverse. The BRA's adopted Policy requires repurchase agreement transactions to be governed by an executed Master Repurchase Agreement or similar agreement. The maximum stated maturity is ninety days except for flex repurchase agreements used only for bond funds which are matched to the expenditure plan of the bonds. A flexible repurchase requires additional approval by the General Manager/CEO and the Chief Financial Officer on an issue-by-issue basis. The BRA had no repurchase agreements as of August 31, 2018 or 2017.

Money Market Mutual Funds - The BRA's adopted Policy requires that SEC registered money market mutual funds be AAA-rated as to investment quality, and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. However, the Policy restricts BRA participation in these funds to 10% of the total assets of any individual money market mutual fund.

The BRA's adopted Policy does not authorize no-load mutual funds. State law prohibits investment in no-load mutual funds for any bond proceeds or debt service funds. Participation in such funds is dependent upon specific Board review and authorization. The BRA had no money market mutual funds as of August 31, 2018 or 2017.

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).

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

	<u>Maximum</u>
a. U.S. Treasury Bills/Notes/Bonds	90%
b. U.S. Agencies & Instrumentalities	90%
c. States, Agencies, Counties, Cities, & Other	50%
Limit per issuer.....	5%
d. Financial Institution Deposit.....	100%
e. Authorized Local Government Investment Pools.....	75%
Limit per pool.....	50%
f. Money Market Mutual Funds.....	75%
Limit per fund.....	50%
g. Repurchase Agreements.....	50% (excluding bond proceeds)

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017 (in thousands)

As of August 31, 2018 and 2017, the BRA's financial institution deposits and investment portfolio concentration was as follows:

Description	August 31, 2018		August 31, 2017	
	Cost	% of Portfolio	Cost	% of Portfolio
Certificates of Deposits	\$ 83,778	72%	\$ 47,693	46%
Money Market Deposit Accounts	32,859	28%	52,017	50%
Texas Local Government Investment Pool	5	0%	5	0%
Cash	(813)	-1%	3,321	3%
	<u>\$ 115,829</u>	<u>100%</u>	<u>\$ 103,036</u>	<u>100%</u>

Interest Rate Risk

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

Portfolio disclosure as of August 31, 2018 and 2017:

- The dollar WAM of the total portfolio was 195 days in 2018 and 84 days in 2017.
- The portfolio contained no debt securities, structured securities and no mortgage backed securities.

Custodial Credit Risk

To control custody risk, State law and the BRA's adopted Policy requires all BRA owned securities and all repurchase agreement collateral be transferred delivery versus payment and all owned securities, repurchase agreement collateral and collateral pledged for time and demand deposits be held by an independent party approved by the BRA in the BRA's account. Repurchase agreements and deposits must be collateralized to 102% by Policy and contract.

Portfolio disclosure as of August 31, 2018 and 2017:

- The portfolio contained 27 CDs in 2018 and 55 CDs in 2017 and all CDs are held in BRA's name.
- The portfolio contained no repurchase agreements.
- All financial institution demand deposits and money market deposit accounts were fully insured and collateralized. All pledged financial institution collateral for demand deposits were held by an independent institution outside the financial institution's holding company.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017 (in thousands)

3. RESTRICTED ASSETS

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

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

Restricted assets represent:

- *Bond Proceeds funds* - Construction of facilities, restricted by purpose of the debt issuance.
- *Debt Service funds* - Current interest and principal of bonded indebtedness, as required by bond covenants.
- *Bond Reserve funds* - Payment of final serial maturity on bonded indebtedness or payment of principal and interest of bonded indebtedness when and to the extent the amount in the debt service funds is insufficient, as required by bond covenants.
- *Repair and Replacement funds* – Unexpected or extraordinary expenditures for which funds are not otherwise available or for debt service to the extent of debt service funds deficiencies as required by bond covenants.
- *Other funds* – On August 27, 2018 the BRA executed an irrevocable standby Letter of Credit in favor of the City of Sugar Land for the purpose of securing the BRA's performance under a contract for the operation, maintenance, and management of the City of Sugar Land's wastewater treatment plants and reclaimed water facility in the amount of \$2.5 million. This is in addition to other miscellaneous contractual obligations.

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

BRAZOS RIVER AUTHORITY
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The cash and cash equivalents, investments, and accrued interest components of each fund represented by restricted assets at August 31, 2018 and 2017 were as follows:

	2018			2017		
	Cash and Cash Equivalents	Investments	Accrued Interest	Cash and Cash Equivalents	Investments	Accrued Interest
CURRENT RESTRICTED:						
Water Supply System:						
Debt service funds	\$ 883	\$ -	\$ -	\$ 863	\$ -	\$ -
Bond proceeds funds	-	-	-	423	-	-
Water Supply System Total	883	-	-	1,286	-	-
Cost Reimbursable Operations:						
Debt service funds	2,367	-	-	2,328	-	-
Cost Reimbursable Operations Total	2,367	-	-	2,328	-	-
TOTAL CURRENT RESTRICTED	<u>\$ 3,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,614</u>	<u>\$ -</u>	<u>\$ -</u>
NONCURRENT RESTRICTED:						
Water Supply System:						
Bond reserve funds	\$ -	\$ 1,412	\$ -	\$ -	\$ 1,421	\$ 3
Repair and replacement funds	-	5,053	14	1,062	3,438	5
Other funds	361	2,823	1	331	275	-
Water Supply System Total	361	9,288	15	1,393	5,134	8
Cost Reimbursable Operations:						
Repair and replacement funds	5	495	3	1	499	1
Cost Reimbursable Operations Total	5	495	3	1	499	1
TOTAL NONCURRENT RESTRICTED	<u>\$ 366</u>	<u>\$ 9,783</u>	<u>\$ 18</u>	<u>\$ 1,394</u>	<u>\$ 5,633</u>	<u>\$ 9</u>

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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4. CAPITAL ASSETS

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

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

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

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

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

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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5. UNEARNED REVENUES

Amounts collected from contracting parties relating to long-term contracts are recorded as noncurrent unearned revenues and are amortized to income over periods equal to the lives of the assets being used to provide services under the long-term contracts on a straight-line basis. Amounts collected in advance from contracting parties that do not yet meet the criteria for revenue recognition are recorded as current unearned revenues until eligible costs are incurred. Unearned revenues at August 31, 2018 and 2017 were as follows:

	2018		2017	
	Current Unearned Revenues	Noncurrent Unearned Revenues	Current Unearned Revenues	Noncurrent Unearned Revenues
Unrestricted				
Water Supply System:				
Lake Granbury	\$ 312	\$ -	\$ 101	\$ -
Lake Limestone	1,286	-	814	-
Possum Kingdom Lake	389	-	298	-
Federal Reservoirs	8,840	-	5,038	-
Other Water Supply System	-	-	133	-
Total Water Supply System	10,827	-	6,384	-
Cost Reimbursable Operations:				
Williamson County RRWL	77	271	1,126	316
Temple-Belton WWTP	1,059	-	937	-
Clute-Richwood RWS	452	-	383	-
Hutto WWS	1,039	-	867	-
Sandy Creek RWS	51	-	-	-
Brushy Creek RWS	1,477	-	979	-
Total Cost Reimbursable Operations	4,155	271	4,292	316
Total Unrestricted	\$ 14,982	\$ 271	\$ 10,676	\$ 316
Restricted				
Cost Reimbursable Operations:				
Williamson County RRWL	\$ 768	\$ -	\$ 726	\$ -
Total Restricted	\$ 768	\$ -	\$ 726	\$ -

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6. NONCURRENT LIABILITIES

Revenue Bonds Payable

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

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

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

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

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Revenue bonds payable at August 31, 2018 and 2017 are further detailed as follows:

Water Supply System:

- *Series 2002 (\$6,000) Brazos River Authority State Participation Loan (Allens Creek Project)* – for purchase of land for Allens Creek Reservoir site; due in installments of \$260 to \$580 beginning from 2022 through 2036; interest at 5.776% to 5.876%
- *Series 2009 (\$22,000) Brazos River Authority* – revenue bonds for the construction of a new deep water intake structure, raw water pump station and transmission pipeline at Granger Lake due in annual installments of \$1,060 to \$1,380 through 2029; interest at .174% to 2.815%
- *Series 2015 (\$16,860) Brazos River Authority Refunding Bonds* – Proceeds from the sale of the bonds were used to refund the Water Supply System Revenue Bonds, Series 2006 (Originally issued to fund the expansion of the East Williamson County Regional Water System.) The new bonds are due in annual installment of \$590 to \$1,120 through 2028; interest at 2.0% to 4.0%

Cost Reimbursable Operation:

- *Series 1999 (\$14,955) Brazos River Authority Texas Water Development Board State Participation Loan for Williamson County Regional Raw Water Line* – due in annual installments of \$860 to \$1,630 beginning from 2021 through 2033; Interest at 4.35% to 5.50%
- *Series 2000 (\$2,795) Brazos River Authority* – capital appreciation bonds for Williamson County Regional Raw Water Line; due in annual installments of \$300 to \$605 through 2019
- *Series 2011 (\$17,190) Brazos River Authority Contract Revenue and Refunding Bonds, (Williamson County Regional Raw Water Line Project)* - to refund the serial portion of the Contract Revenue Bonds Series 2000 for Williamson County Regional Raw Water Line. In addition, proceeds from the sale of the bonds were used to add additional pumps to the project intake structure; due in annual payments of \$115 to \$1,545 through 2030; interest at 2.0% to 5.13%

The Water Supply System bond covenants require that the BRA will fix, establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary to produce Net Revenues for each year, which are at least 1.10 times the maximum annual debt service requirements of all then outstanding bonds and additional parity obligations. For the year ended August 31, 2018 and 2017, the BRA's coverage rate was 6.28 and 6.47, respectively. The BRA was in compliance with this bond covenant.

The BRA has adopted the provisions of Governmental Accounting Standards Board Statement No. 23, as amended, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." The Statement requires that the difference between the reacquisition price and the net carrying amount of the refunded old debt be deferred and amortized as a component of interest expense in a systematic and rational manner over the shorter of the life of the old debt or the life of the new debt. GASB 65 further requires the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflows of resources or a deferred inflows of resources. For the year ended August 31, 2018 and 2017 the cumulative unamortized deferred outflows of resources amounted to \$329 and \$352, respectively. The deferred amount resulted from refunding of debt in 2011 and 2015.

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

	Water Supply System		Cost Reimbursable Operations	
	Principal	Interest	Principal	Interest
2019	\$ 1,765	\$ 1,415	\$ 895	\$ 1,769
2020	1,805	1,371	910	1,741
2021	1,855	1,323	1,810	1,699
2022	2,170	979	1,915	1,446
2023	2,245	908	2,010	1,341
2024-2028	12,305	3,438	11,835	4,908
2029-2033	8,500	1,635	10,865	1,406
2034-2036	3,840	268	-	-
Total	<u>\$ 34,485</u>	<u>\$ 11,337</u>	<u>\$ 30,240</u>	<u>\$ 14,310</u>

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Contracts Payable consists of the following at August 31, 2018:

	Balance at August 31, 2017	Retired/ (Additions)	Balance at August 31, 2018	Amts Due Within One Year
\$5,124 to acquire water conservation storage space in the Belton Reservoir; due in annual installments of principal and interest of \$170 through 2006 and \$126 from 2007 through 2024; interest at 2.50% to 2.54%	\$ 802	\$ 106	\$ 696	\$ 109
\$1,314 to acquire water conservation storage space in the Proctor Reservoir; due in annual installments of principal and interest of \$43 through 2015 and \$35 from 2016 through 2024; interest at 2.69%	223	29	194	30
\$7,127 to acquire water conservation storage space in the Stillhouse Hollow Reservoir; due in annual installments of principal and interest of \$284 through 2018; interest at 2.72%	276	276	-	-
\$7,383 to acquire water conservation storage space in the Somerville Reservoir; due in annual installments of principal and interest of \$266 through 2023 and \$253 from 2024 through 2027; interest at 2.74%	2,256	204	2,052	209
\$15,178 to acquire water conservation storage space in the Granger Reservoir; due in annual installments of principal and interest of \$599 through 2041 and \$598 in 2042; interest at 3.25%	10,145	269	9,876	278
\$7,130 to acquire water conservation storage space in the Georgetown (formerly Northfork) Reservoir; due in annual installments of principal and interest ranging from \$285 through 2032 to \$135 in 2042; the interest at 3.25%	4,391	142	4,249	147
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc; due in annual installments of principal only of \$10 to \$45 through 2020	135	45	90	45
\$5,439 to fund the required repair, replacement and rehabilitation of the Belton Reservoir, due in annual installments of principal and interest of \$311 through 2043; interest at 4.25%	4,431	123	4,308	128
Total	\$ 22,659	\$ 1,194	\$ 21,465	\$ 946

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Contracts Payable consists of the following at August 31, 2017:

	Balance at August 31, 2016	Retired/ (Additions)	Balance at August 31, 2017	Amts Due Within One Year
\$5,124 to acquire water conservation storage space in the Belton Reservoir; due in annual installments of principal and interest of \$170 through 2006 and \$126 from 2007 through 2024; interest at 2.50% to 2.54%	\$ 905	\$ 103	\$ 802	\$ 106
\$1,314 to acquire water conservation storage space in the Proctor Reservoir; due in annual installments of principal and interest of \$43 through 2015 and \$35 from 2016 through 2024; interest at 2.69%	252	29	223	29
\$7,127 to acquire water conservation storage space in the Stillhouse Hollow Reservoir; due in annual installments of principal and interest of \$284 through 2018; interest at 2.72%	544	268	276	276
\$7,383 to acquire water conservation storage space in the Somerville Reservoir; due in annual installments of principal and interest of \$266 through 2023 and \$253 from 2024 through 2027; interest at 2.74%	2,454	198	2,256	204
\$15,178 to acquire water conservation storage space in the Granger Reservoir; due in annual installments of principal and interest of \$599 through 2041 and \$598 in 2042; interest at 3.25%	10,406	261	10,145	269
\$7,130 to acquire water conservation storage space in the Georgetown (formerly Northfork) Reservoir; due in annual installments of principal and interest ranging from \$285 through 2032 to \$135 in 2042; the interest at 3.25%	4,529	138	4,391	142
\$550 to acquire water rights from Brazos Electric Power Cooperative, Inc; due in annual installments of principal only of \$10 to \$45 through 2020	180	45	135	45
\$5,439 to fund the required repair, replacement and rehabilitation of the Belton Reservoir, due in annual installments of principal and interest of \$311 through 2043; interest at 4.25%	4,549	118	4,431	123
Total	<u>\$ 23,819</u>	<u>\$ 1,160</u>	<u>\$ 22,659</u>	<u>\$ 1,194</u>

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

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

Annual requirements to retire contracts payable outstanding, including interest at August 31, 2017, were:

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

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Other Noncurrent Liabilities Other noncurrent liability activity for the year ended August 31, 2018 was as follows:

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

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

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

7. NET POSITION

Details of Net Position of investment in capital assets:

	2018	2017
Net capital assets	\$ 270,271	\$ 281,401
Deferred outflows of resources	329	352
Revenue bonds payable - current & noncurrent	(65,225)	(67,874)
Capital Appreciation Bonds due from others	-	175
Construction contracts payable	-	(115)
Contracts payable - current & noncurrent	(21,465)	(22,659)
Total Net Position of investment in capital assets	<u>\$ 183,910</u>	<u>\$ 191,280</u>

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8. RETIREMENT PLANS

The BRA contributes to two employee retirement systems, the Retirement Plan for Employees of Brazos River Authority and the Texas County and District Retirement System. As of August 31, 2018, and 2017, the BRA had the following balances related to its pension accounts:

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

	BRA Plan	TCDRS Plan	2017 Total
Net Pension Liability	\$ 10,084	\$ 2	\$ 10,086
Deferred Outflows of Resources	\$ 1,187	\$ 2,263	\$ 3,450
Deferred Inflows of Resources	\$ -	\$ 1,007	\$ 1,007
Pension Expense	\$ 1,495	\$ 1,190	\$ 2,685

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

Plan Description

The Plan, a single employer plan, was established in 1959 by the BRA, a governmental agency of the State of Texas, and was amended and restated effective September 1, 1997. Prior to the revision, the Plan was an exclusive defined benefit structure. Effective September 1, 1997, the Plan was changed to a combination defined benefit and defined contribution structure (Internal Revenue Code Section 401 (a) plan) for all eligible employees who first become participants (or who reenter plan participation) on or after September 1, 1997. Employees who were active plan participants on August 31, 1997 made a one-time irrevocable election to choose either to remain under the benefit provisions of the prior plan as it existed August 31, 1997 or to have benefits determined under the new benefit provisions effective September 1, 1997. On July 16, 2007, the Board of Directors of the BRA approved adoption to freeze the Plan as of September 30, 2007. The resolution amended the Plan by closing the Plan to new entrants, freezing benefit accrual service, limiting compensation and service contributions to the defined contribution component of the Plan. On October 18, 2010, the Board of Directors of the BRA approved a resolution to amend and restate substantially the form of the Plan effective November 30, 2010. The resolution spun-off the defined contribution portion into its own plan and at the same time made effective November 30, 2010 the termination of the Defined Contribution Plan for Employees of Brazos River Authority. The Plan is administered by a Retirement Committee appointed by the BRA's Board of Directors and has a fiscal year-end of the last day in February.

Copies of the Plan's audited annual financial report may be obtained from the BRA's office: P.O. Box 7555, Waco, TX 76714-5555 or on the BRA's website at www.brazos.org.

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Benefits Provided

Eligible employees of the BRA, those hired before September 30, 2007, are covered by the Plan, which provides retirement, death and disability benefits. Provided, however, compensation for calendar years beginning on or after January 1, 2008 shall not be included in the determination of average monthly compensation. Effective September 1, 1997 the Plan was amended and the structure of benefits was changed. Employees who were active Plan participants on August 31, 1997 made a one-time irrevocable election to choose either to remain under the benefit provisions of the prior plan as it existed August 31, 1997 or to have benefits determined under the new benefit provisions effective September 1, 1997.

If electing the provisions prior to August 31, 1997, the participant was classified as a Prior Plan Electing Participant. The pension participant's retirement benefit under the Prior Plan Electing Participant status is determined by the following Formula A or Formula B (whichever produces the greater amount):

- (1) Formula A: The sum of (i) 1.75 percent of average monthly compensation multiplied by the participant's years of benefit accrual service, plus (ii) .52 percent of that portion, if any, of average monthly compensation that is in excess of monthly covered compensation multiplied by the participant's years of benefit accrual service up to a maximum of 35 years.
- (2) Formula B: The sum of (i) 2.70 percent of average monthly compensation multiplied by the participant's years of benefit accrual service up to a maximum of 22 years, plus (ii) 0.52 percent of average monthly compensation multiplied by the participant's years of benefit accrual service in excess of 22 years (up to a maximum of six years), plus (iii) 0.52 percent of that portion, if any, of average monthly compensation that is in excess of monthly covered compensation multiplied by the participant's years of benefit accrual service up to a maximum of 28 years.

If electing the provisions after August 31, 1997 the participant's benefit shall be determined by taking 1% of average monthly compensation multiplied by the participant's years of benefit accrual service.

Employees covered by the Plan

Participation in the Plan, as of the beginning of the year evaluation date, March 1, 2018, and March 1, 2017, is composed of the following:

Group	2018	2017
Retirees and beneficiaries currently receiving benefits	141	129
Terminated Plan members entitled to but not yet receiving benefits	104	113
Deferred beneficiaries	6	3
Transferred Canal Division employees*	5	5
Active Plan members	88	96
Total	344	346

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

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Contributions

The BRA's employees were not required or allowed to contribute to the Plan. The BRA intends to make, but does not guarantee, annual contributions in amounts at least equal to the amounts that would be required to meet the minimum funding requirements of Section 412 of the Code. The actuarial valuations for the Plan for the valuation date of March 1, 2018 and March 1, 2017 were performed by Arthur J. Gallagher & Co. A copy of the assumptions used and methods of determining the actuarial determined contribution for the fiscal years commencing September 1, 2017 and 2016 can be obtained by contacting the Human Resources Manager at 254-761-3104. The BRA made the minimum funding requirement for the plan years ending February 28, 2017 and February 29, 2016.

Net Pension Liability

The BRA's net pension liability was measured as of March 1, 2018 and March 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

Actuarial assumptions. The total pension liability in the March 1, 2018 and March 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Information		
	2018	2017
Actuarial valuation date	March 1, 2018	March 1, 2017
Actuarial cost method	Entry age	Entry age
Actuarial Assumptions		
Investment return*	6.5%	6.5%
Projected salary increases	N/A**	N/A**
Inflation	3.5%	3.5%

*Includes inflation at the stated rate

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

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

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

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

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Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of the Plan's fiscal year February 28, 2018 and February 29, 2017 are summarized in the following tables:

February 28, 2018

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	35%	7.50%
International equity	15%	8.50%
Domestic fixed income	25%	2.50%
Master limited partnerships	10%	7.50%
Real estate investment trusts	10%	4.50%
Private equity partnerships	5%	7.80%
Cash	0%	0.00%

February 28, 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	35%	7.50%
International equity	15%	8.50%
Domestic fixed income	25%	2.50%
Master limited partnerships	10%	7.50%
Real estate investment trusts	10%	4.50%
Private equity partnerships	5%	7.80%
Cash	0%	0.00%

Discount rate

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

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Sensitivity in the discount rate

The following presents the net pension liability of the BRA calculated using the discount rate of 6.5 percent, as well as what the BRA's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Brazos River Authority's Net Pension Liability			
	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
August 31, 2018	\$ 13,854	\$ 10,711	\$ 8,035
August 31, 2017	\$ 13,272	\$ 10,084	\$ 7,373

Changes in the Net Pension Liability

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

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

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Plan Fiduciary Net Position

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

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

Pension expense:

For the years ended August 31, 2018 and 2017, the Employer GASB 68 pension expense and the components of the expense were as followed:

	2018	2017
Service cost	\$ 76	\$ 105
Interest	1,934	1,892
Amortization of differences between expected and actual experience	595	543
Amortization of changes of assumptions	79	394
Projected earnings on pension plan investments	(1,303)	(1,182)
Amortization of differences between projected and actual earnings	179	120
Pension plan administrative expenses	84	80
Other	256	(457)
Total pension expense	<u>\$ 1,900</u>	<u>\$ 1,495</u>

Deferred outflows and deferred inflows of resources

For the years ended August 31, 2018 and 2017, the BRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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Deferred outflows and deferred inflows of resources - continued

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

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

Year ended August 31, 2018		Year ended August 31, 2017	
2019	\$ 809	2018	\$ 614
2020	462	2019	570
2021	(348)	2020	361
2022	9	2021	(358)
2023	-	2022	-
Thereafter	-	Thereafter	-
Total	<u>\$ 932</u>	Total	<u>\$ 1,187</u>

Texas County and District Retirement System:

Plan Description

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

Benefits Provided

The BRA provides retirement, disability, and death benefits for all of its employees through a nontraditional defined benefit pension plan in the statewide TCDRS. A percentage of each employee's paycheck is deposited into his or her TCDRS account. That percentage has been set by the BRA at 6% and the BRA has elected a matching rate of \$2 to \$1. The employee's savings grow at a rate of 7%, as set by state law, compounded annually. At retirement, the employee's account balance is combined with the BRA's matching and converted into a lifetime monthly benefit. Employees earn one month of service credit for each month that they make a deposit into their account. The amount of service an

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employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to a monthly benefit, which includes the employer matching contribution, at age 60 or older.

The plan provisions are adopted by the Board of Directors, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages sixty and above with eight or more years of service, with thirty years of service regardless of age, or when the sum of their age and years of service equals eighty or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer financed benefit. Members who withdraw their personal contribution in a lump sum are not entitled to any amounts contributed by the BRA. The plan offers no post-employment benefits.

Any TCDRS member who is a vested member under Section 844.207 (d) may retire and receive a disability retirement annuity if he or she is certified as disabled, as defined by the plan.

Any TCDRS member who has four or more years of service credit with the BRA is eligible for purpose of the Survivor Annuity Death Benefit.

Employees covered by the Plan

Participation in the Plan, as of the evaluation date December 31, 2017 and December 31, 2016, is composed of the following:

Group	2017	2016
Retirees and beneficiaries currently receiving benefits	58	52
Terminated Plan members entitled to but not yet receiving benefits	87	84
Active Plan members	236	231
Total	381	367

Contributions

As an agent, multiple-employer plan, each participating employer in the TCDRS system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

Pursuant to State law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

The BRA has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the annual employer contribution rate for calendar years 2018 and 2017 was 7.23% and 7.08% respectively. The required contribution rate payable by the employee members is 6.0% as adopted by the Board of Directors. The employee and employer contribution rates may be changed by the BRA's Board of Directors within the options available in the TCDRS Act.

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Net Pension Liability

The BRA's net pension liability was measured as of December 31, 2017 and December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

Actuarial assumptions. The total pension liability in the December 31, 2017 and the December 31, 2016 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Information		
	2018	2017
Actuarial valuation date	December 31, 2017	December 31, 2016
Actuarial cost method	Entry age	Entry age
Actuarial Assumptions		
Investment return	8.0%	8.0%
Projected salary increases	2.0%	2.0%
Inflation	2.75%	3.0%

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

For the December 31, 2016 actuarial valuation, the mortality rates, for depositing members, were based on the RP-2000 Active Employee Mortality Table for males with a two year set forward and the RP-2000 Active Employee Mortality Table for females with a four year setback, both projected to 2014 with the projection scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Long-term expected rate of return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 and January 2017 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a thirty year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 through December 31, 2016 for more details.

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

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

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

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

Discount rate

The discount rate used to measure the total pension liability was 8 percent gross. The projection of cash flows used to determine the discount rate assumed the contributions from the BRA will meet the minimum funding requirements as supplied by the actuarially determined computation. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity in the discount rate

The following presents the net pension liability of the BRA calculated using the discount rate of 8 percent, as well as what the BRA's net pension (asset)/liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	TCDRS net pension liability/(net pension asset)		
	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
August 31, 2018	\$ 2,328	\$ (1,349)	\$ (4,440)
August 31, 2017	\$ 3,221	\$ 2	\$ (2,668)

Changes in the Net Pension Liability/(Asset)

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

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

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Plan Fiduciary Net Position

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

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

Pension expense:

For the years ended August 31, 2018 and 2017, the Employer GASB 68 pension expense and the components of the expense were as followed:

	2018	2017
Service cost	\$ 1,841	\$ 1,921
Interest	1,958	1,641
Member contributions	(871)	(843)
Effect of plan changes	-	-
Amortization of differences between expected and actual experience	(235)	(240)
Amortization of changes of assumptions	32	27
Projected earnings on pension plan investments	(1,884)	(1,640)
Amortization of differences between projected and actual earnings	207	492
Pension plan administrative expenses	18	16
Other *	(19)	(184)
Total pension expense	<u>\$ 1,047</u>	<u>\$ 1,190</u>

* Relates to allocation of system-wide items.

Deferred outflows and inflows of resources:

For the years ended August 31, 2018 and 2017, the BRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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Deferred outflows and deferred inflows of resources - continued

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

*For Fiscal Years ending August 31, 2018 and 2017, a total of \$711 and \$681 was contributed subsequent to the measurement date of the net pension liability, respectively. The amounts are recorded in deferred outflows of resources that will be recognized as a decrease in the net pension liability in the Fiscal Years ending August 31, 2019 and 2018 respectively.

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

Year ended August 31, 2018		Year ended August 31, 2017	
2019	\$ 4	2018	\$ 280
2020	(55)	2019	280
2021	(455)	2020	220
2022	(301)	2021	(180)
2023	11	2022	(25)
Thereafter	-	Thereafter	-
Total	<u>\$ (796)</u>	Total	<u>\$ 575</u>

9. FINANCING ARRANGEMENTS

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

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

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

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The BRA has also entered into an inter-local agreement with a utility district (contracting party) for the issuance of tax-exempt debt for the benefit of the contracting party to provide for construction of sewerage treatment and water supply systems. The contracting party then makes payments to the BRA in amounts sufficient to service the debt. The BRA has no liabilities for repayment of the bonds. The contracting party is liable for the repayments of the bonds and has pledged revenues from the project as security for the bondholders.

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

Contracting Party	Date of Issue	Original Amount	Date of Maturity	Interest Rate	Balance at August 31, 2018
Jonah Water SUD	2007	\$ 3,170	2009-2028	4.0% to 4.5%	\$ 1,895
Jonah Water SUD	2008	\$ 2,630	2010-2029	3.0% to 5.0%	1,715
Jonah Water SUD	2012	\$ 5,090	2015-2032	3.0% to 5.0%	4,205
Total					<u>\$ 7,815</u>

10. COMMITMENTS & CONTINGENCIES

Deferred Compensation Plans

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

All regular full-time and part-time employees who contribute to the 457 Deferred Compensation Plan are eligible for employer contributions to the 401(a) plan. The employer contribution is based on 50% of the employee's 457 semi-monthly deferral (maximum employer contribution is 3% of the employee's semi-monthly gross compensation). Employees are vested in the employer contribution and related investment earnings (losses) after completing five or more years of continuous BRA service. Non-vested employer contributions are deposited into the Mass Mutual Sagic Diversified Bond II II7 Fund until vesting occurs. Total deposits into the non-vested account for the twelve months ended August 31, 2018 and August 31, 2017 were \$34 and \$18, respectively.

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

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017 (in thousands)

Other

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

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

Construction Projects

The BRA has several construction contracts related to the capital improvement plan, approved by the Board of Directors. As of August 31, 2018 the BRA had approximately \$10,658 in open contract commitments, including change orders. The BRA has recorded construction in progress (CIP) related to these contracts totaling \$11,895. The following identifies some of those projects and selected details regarding the commitments.

Name	Construction In Progress at August 31, 2018	Total Project Budgeted Cost	Estimated Project Comp. Date
DeCordova Bend Dam Low Flow Facility	3,036	4,775	2020
PK Dam Improvement Projects	1,446	9,896	2019+
Trinity Groundwater	4,343	22,860	2024+
Lake Limestone Improvement Projects	1,380	28,921	2024+
Lake Granbury Improvement Projects	932	5,323	2019+
Allens Creek Reservoir	465	92,422	2022+
Other	293	-	various
Total	<u>\$ 11,895</u>		

11. RISK MANAGEMENT

The BRA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions, natural disasters, and job-related injuries or illnesses to employees for which the BRA carries commercial insurance or participates in the Texas Municipal League Intergovernmental Risk Pool (Pool). The BRA's relationship with the Pool parallels that with a commercial insurance company. The Pool has the responsibility to defend any suit seeking damages on account of any liability up to the applicable limits of the agreement. The BRA has the responsibility to notify the Pool of all potential claims and pay for any amounts up to the agreement's deductible. The Schedule of Insurance can be found on Pages 120 to 121 of this report.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017 (in thousands)

12. BOARD DESIGNATED RESERVES

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

The balances of those reserves at August 31, 2018 are represented as follows:

Working Capital Reserve	\$ 8,843
Contingency Reserve Fund	5,000
Self Insurance Fund	500
Rate Stabilization Reserve Fund	71,878
Total	<u>\$ 86,221</u>

13. RECENTLY ISSUED GASB STATEMENTS

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

In January 2017, the GASB issued Statement No 84, *Fiduciary Activities*. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The BRA has not yet determined the impact this statement may have on the Financial Statements.

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

The Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The BRA has elected to early adopt as of September 1, 2017, with no significant impact to the financial statements, since the BRA did not record any capitalized interest cost associated with construction projects in 2017.

BRAZOS RIVER AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017 (in thousands)

In March 2018, the GASB issued Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The principal objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, the Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. The BRA has not yet determined the impact this statement may have on the Financial Statements.

Required Supplemental Information

RETIREMENT PLAN FOR EMPLOYEES OF BRAZOS RIVER AUTHORITY

(in thousands) (Unaudited)

**SCHEDULE OF CHANGES IN THE NET PENSION (ASSET)/LIABILITY AND RELATED RATIOS
LAST 10 YEARS***

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

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

Notes to schedule:

Changes in assumptions. Effective May 18, 2015, the Retirement Committee of the BRA voted and approved the change in the mortality table used in the Actuary's assumptions.

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
(in thousands) (Unaudited)

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

LAST 10 YEARS*

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

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

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

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

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

Year Ended August 31	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution (b)	Contribution deficiency (excess) (b-a)	Covered payroll	Contributions as a percentage of covered-employee payroll
2018	\$1,018,208	\$1,018,208	-	\$ 7,255,347	14.03%
2017	\$ 911,424	\$ 911,424	-	\$ 7,412,926	12.30%
2016	\$ 826,368	\$ 826,368	-	\$ 7,887,499	10.48%
2015	\$ 682,436	\$ 682,436	-	\$ 8,028,405	8.50%
2014	\$ 750,287	\$ 750,287	-	\$ 7,815,209	9.60%
2013	\$ 655,971	\$ 655,971	-	\$ 7,864,785	8.34%
2012	\$ 302,314	\$ 302,314	-	\$ 8,406,599	3.60%
2011	\$ 222,879	\$ 222,879	-	\$ 9,028,907	2.47%
2010	\$ 296,283	\$ 296,283	-	\$ 9,842,617	3.01%
2009	\$ 13,178	\$ 12,998	\$180	\$ 10,356,313	0.01%

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

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

Year Ended August 31	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution (b)	Contribution deficiency (excess) (b-a)	Covered payroll	Contributions as a percentage of covered-employee payroll
2018	\$1,061,610	\$1,061,610	-	\$14,785,789	7.18%
2017	\$1,014,973	\$1,014,973	-	\$14,302,486	7.10%
2016	\$1,004,040	\$1,004,040	-	\$13,952,415	7.20%
2015	\$1,019,633	\$1,019,633	-	\$ 13,636,040	7.48%
2014	\$1,013,122	\$1,013,122	-	\$ 12,983,412	7.80%
2013	\$1,011,451	\$1,011,451	-	\$ 12,879,290	7.85%
2012	\$1,037,780	\$1,037,780	-	\$ 13,175,002	7.88%
2011	\$1,020,002	\$1,020,002	-	\$ 13,057,123	7.81%
2010	\$1,029,498	\$1,029,498	-	\$ 13,321,019	7.73%
2009	\$1,086,803	\$1,086,803	-	\$ 13,570,496	8.01%

Note to Schedule: *Beginning October 1, 2007, all existing employees, and any employee hired after that date, transitioned to and became members of the Texas County and District Retirement System.

BRAZOS RIVER AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION **(Unaudited)**

Notes to Schedule of Employer Contributions and Net Pension Liability

NOTE A – DESCRIPTION OF CHANGES IN THE BRA’S NET PENSION LIABILITY FOR THE RETIREMENT PLAN FOR EMPLOYEES OF BRAZOS RIVER AUTHORITY.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the total pension liability as a factor. Isolated analysis of the dollar amounts of actuarial value of assets, total pension liability, and net pension liability can be misleading. The plan fiduciary net position as a percentage of the total pension liability provides an indication of the Plan’s funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the public employee retirement system.

Additional information as of the two most recent actuarial valuation dates as of March 1, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Actuarial cost method	Entry age method	Entry age method
Amortization method	closed 20 year period	closed 20 year period
Payroll growth rate for amortization	N/A	N/A
Remaining amortization period	N/A	N/A
Asset valuation method (Market value)	gains and losses smoothed over a 5 year period	gains and losses smoothed over a 5 year period
Actuarial Assumptions:		
Investment rate of return	6.5%*	6.5%*
Projected salary increase	N/A**	N/A**
Cost-of-living adjustments	N/A**	N/A**
* Includes inflation at	3.5%	3.5%
** Not applicable due to the amendment to freeze the Plan in 2007.		

Effective May 18, 2015, the Retirement Committee of the BRA voted and approved the change in the mortality table used in the Actuaries assumptions. The new mortality table is the RP2000 Combined Healthy Mortality Table, Fully Generational with Scale AA, set forward one year for males (changed from RP2000 Combined Healthy Mortality Table effective March 1, 2015).

BRAZOS RIVER AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Notes to Schedule of Employer Contributions and Net Pension Liability

NOTE B – DESCRIPTION OF CHANGES IN THE BRA’S NET PENSION LIABILITY FOR THE TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM.

Actuarial Methods and Assumptions Used

Following are the key assumptions and methods used in these schedules:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/ demographic gains and losses	Straight-line amortization over expected working life
Recognition of assumption changes or inputs	Straight-line amortization over expected working life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	3.25% (made up of 2.75% inflation and .05% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.
Investment Rate of Return	8.1% (2)
Cost-of-Living Adjustments	Cost-of-living adjustments for BRA are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments are included in the GASB calculations. No assumption for future cost-of-living adjustments are included in the funding valuation.

Note to schedule:

- (1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.
- (2) Return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

BRAZOS RIVER AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Notes to Schedule of Employer Contributions and Net Pension Liability

NOTE B – DESCRIPTION OF CHANGES IN THE BRA’S NET PENSION (ASSETS)/LIABILITY FOR THE TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM. (Continued)

Demographic Assumptions

Retirement age Annual Rates of Service Retirement *

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
40-44	4.5%	4.5%	62	20%	20%
45-49	9	9	63	15	15
50	10	10	64	15	15
51	9	9	65	25	25
52	9	9	66	25	25
53	9	9	67	22	22
54	10	10	68	20	20
55	10	10	69	20	20
56	10	10	70	22	22
57	10	10	71	22	22
58	12	12	72	22	22
59	12	12	73	22	22
60	12	12	74**	22	22
61	12	12			

* Deferred members are assumed to retire (100% probability) at the later of: a) age 60 b) earliest retirement eligibility.

** For all eligible members ages 75 and later, retirement is assumed to occur immediately.

Other Terminations of Employment - The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement vary by length of service, entry - age group (age at hire), and sex. No termination after eligibility for retirement is assumed.

Withdrawals - Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to the BRA’s plan are shown in the table below. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

Probability of Withdrawal

<u>Years of Service</u>	<u>Probability</u>	<u>Years of Service</u>	<u>Probability</u>	<u>Years of Service</u>	<u>Probability</u>	<u>Years of Service</u>	<u>Probability</u>
0-1	100%	8	47%	15	40%	22	24%
2	100	9	46	16	38	23	22
3	100	10	45	17	36	24	20
4	100	11	44	18	33	25	18
5	100	12	43	19	30	26	16
6	100	13	42	20	28	27	14
7	100	14	41	21	26	28	12

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

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Supplemental Information

BRAZOS RIVER AUTHORITY
SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES (AGENCY FUNDS)
YEAR ENDED AUGUST 31, 2018 (in thousands)

	Balance August 31, 2017	Additions	Deletions	Balance August 31, 2018
<u>Jonah Water SUD Agency Fund</u>				
ASSETS				
Cash	\$ 306	\$ 2,179	\$ (1,971)	\$ 514
Investments	594	795	(1,000)	389
Accrued interest	1	-	-	1
TOTAL ASSETS	<u><u>\$ 901</u></u>	<u><u>\$ 2,974</u></u>	<u><u>\$ (2,971)</u></u>	<u><u>\$ 904</u></u>
LIABILITIES				
Held for future debt service	\$ 901	\$ 826	\$ (823)	\$ 904
TOTAL LIABILITIES	<u><u>\$ 901</u></u>	<u><u>\$ 826</u></u>	<u><u>\$ (823)</u></u>	<u><u>\$ 904</u></u>

BRAZOS RIVER AUTHORITY
SUPPLEMENTAL INFORMATION
COMPARISON OF BUDGETED REVENUES AND EXPENSES TO ACTUAL
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED AUGUST 31, 2018 (in thousands)

	2018 Budget	2018 Actual	Variance	
OPERATING REVENUES:				
Water Supply System:				
Raw water sales	\$ 33,837	\$ 40,285	\$ 6,448	1
Treated water	2,218	3,071	853	
Wastewater treatment	2,622	2,123	(499)	
Lake operations	457	590	133	
Grants	1,234	1,083	(151)	
Rate stabilization reseerves	2,800	-	(2,800)	2
Other	694	1,145	451	
Cost Reimbursable Operations:				
Water conveyance	4,051	3,828	(223)	
Water treatment	1,319	1,277	(42)	
Wastewater treatment	13,012	9,986	(3,026)	3
TOTAL OPERATING REVENUES	62,244	63,388	1,144	
OPERATING EXPENSES:				
Personnel services	24,002	21,120	2,882	4
Materials and supplies	2,918	2,334	584	
Utilities	4,038	3,479	559	
Depreciation and amortization	-	8,657	(8,657)	5
Outside services	7,068	6,105	963	
Repair and maintenance	3,369	2,372	997	
Landfill & sludge hauling	2,801	2,579	222	
Purchased water	2,269	2,271	(2)	
Other	7,711	2,724	4,987	6
TOTAL OPERATING EXPENSES	54,176	51,641	2,535	
NON-OPERATING REVENUES (EXPENSES):				
Investment income	500	1,830	1,330	7
Interest expense	(4,306)	(3,945)	361	
Other expenses	-	(15)	(15)	
Gain on sale of capital assets	-	(6,469)	(6,469)	8
Debt service - principal	(3,499)	-	3,499	9
TOTAL NET NON-OPERATING REVENUES/ (EXPENSES)	(7,305)	(8,599)	(1,294)	
CHANGE IN NET ASSETS	\$ 763	\$ 3,148	\$ 2,385	

1 Higher than expected interruptible water sales

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

3 Cost savings across most wastewater treatment facilities

4 Normal attrition in the replacement of personnel

5 Depreciation and amortization are not budgeted expenditures

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

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

8 Gains/Losses on the sale of capital assets is not a budgeted item

9 Debt service principal payments are not GAAP expenditures

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Statistical Section

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BRAZOS RIVER AUTHORITY

STATISTICAL SECTION

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

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain information to assist the reader in obtaining a better understanding of how the BRA's financial performance and well-being have changed over time.	96-99
Revenue Capacity These schedules contain information to assist the reader in obtaining a better understanding of the BRA's significant revenue sources, water sales and cost reimbursable operations.	101-105
Debt Capacity These schedules present information to help the reader assess the affordability of the BRA's current levels of outstanding debt, the BRA's ability to issue additional debt in the future, and to provide information to comply with the continuing disclosure requirements of SEC Rule 15c2-12.	106-109
Demographic and Economic information These schedules offer demographic and economic indicators to help the reader understand the environment within which the BRA operates and the geographic regions the BRA manages, each with distinctive climate, topography and water needs.	111-117
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the BRA's financial report relates to the services the BRA provides and the activities it performs.	119-122
Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports for the relevant year.	

BRAZOS RIVER AUTHORITY
CHANGES IN NET POSITION (in thousands)
LAST TEN FISCAL YEARS (unaudited)
(accrual basis of accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
OPERATING REVENUES:					
Water Supply System:					
Raw water	\$ 40,285	\$ 39,074	\$ 35,209	\$ 34,133	\$ 31,420
Treated water	3,071	2,862	2,388	2,208	1,790
Wastewater treatment	2,123	2,119	2,108	1,992	2,095
Lake operations	590	523	663	1,025	934
Hydroelectric	-	-	-	-	-
Grants	1,083	1,055	644	1,419	988
Other	1,145	1,044	997	1,011	930
Cost Reimbursable Operations:					
Water conveyance	3,828	2,794	2,394	3,230	3,453
Water treatment	1,277	1,208	1,232	1,225	1,102
Wastewater treatment	9,986	9,285	8,982	8,685	8,316
TOTAL OPERATING REVENUES	63,388	59,964	54,617	54,928	51,028
OPERATING EXPENSES:					
Personnel services	21,120	20,346	19,881	18,675	17,693
Materials and supplies	2,334	2,198	2,130	2,168	2,101
Utilities	3,479	2,589	2,606	3,814	4,329
Depreciation and amortization	8,657	8,362	8,279	7,244	7,274
Outside services	6,105	5,489	4,610	4,697	4,572
Repair and maintenance	2,372	2,198	2,207	2,281	2,260
Landfill and sludge hauling	2,579	2,366	2,561	2,280	2,236
Purchased water	2,271	2,267	2,423	2,610	2,360
Other	2,724	2,112	2,100	1,239	1,028
TOTAL OPERATING EXPENSES	51,641	47,927	46,797	45,008	43,853
OPERATING INCOME	11,747	12,037	7,820	9,920	7,175
NON-OPERATING REVENUES (EXPENSES):					
Investment income	1,830	975	660	493	470
Interest expense	(3,945)	(4,020)	(4,167)	(4,367)	(4,283)
Other expenses	(15)	(153)	(371)	(268)	(107)
Gain/(Loss) on sale of capital assets (a),(b),(c),(d),(f)	(6,469)	65	10,272	820	(1,466)
TOTAL NET NON-OPERATING REVENUES (EXPENSES)	(8,599)	(3,133)	6,394	(3,322)	(5,386)
INCOME (LOSS) BEFORE CONTRIBUTIONS & SPECIAL ITEMS	3,148	8,904	14,214	6,598	1,789
CAPITAL CONTRIBUTIONS	-	-	415	874	479
SPECIAL ITEMS (e)	-	-	-	-	-
CHANGE IN NET POSITION	\$ 3,148	\$ 8,904	\$ 14,629	\$ 7,472	\$ 2,268

- a During Fiscal Year 2011, the BRA sold most residential and selected commercial leases at PK Lake to Patterson PK Land Partnership, Ltd.
- b During Fiscal Year 2012, the customer cities of SWATS and the BRA entered into negotiations for early termination of their contract. Negotiations were completed and the ownership/operation was transferred to the customers May 31, 2012 and all existing contracts, assets, and related debt were transferred to the SWATS customers.
- c Proceeds from litigation settlement of capital assets
- d During Fiscal Year 2016, BRA sold the West Central Brazos Water Distribution System to the West Central Texas Municipal Water District. In addition, the BRA sold the remaining PK residential and commercial leased properties held in the FERC project area.
- e Central office mold remediation expenses
- f During Fiscal Year 2018, as a result of successful negotiations with the City of Graham, the BRA sold the project to the City of Graham.

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

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BRAZOS RIVER AUTHORITY
NET POSITION BY COMPONENTS (in thousands)
LAST TEN FISCAL YEARS (unaudited)
(accrual basis of accounting)

Fiscal Year	Net Invested in Capital Assets	Restricted For Construction and Debt Service	Unrestricted	Total Net Position
8/31/2009	\$ 135,152	\$ 6,149	\$ 37,698	\$ 178,999
8/31/2010	\$ 135,931	\$ 5,641	\$ 43,389	\$ 184,961
8/31/2011	\$ 143,435	\$ 9,393	\$ 90,359	\$ 243,187
8/31/2012	\$ 173,492	\$ 6,490	\$ 58,205	\$ 238,187
8/31/2013	\$ 180,670	\$ 9,627	\$ 52,425	\$ 242,722
8/31/2014	\$ 187,305	\$ 8,800	\$ 43,730	\$ 239,835
8/31/2015	\$ 187,640	\$ 8,684	\$ 50,983	\$ 247,307
8/31/2016	\$ 189,894	\$ 8,697	\$ 63,345	\$ 261,936
8/31/2017	\$ 191,280	\$ 7,667	\$ 71,893	\$ 270,840
8/31/2018	\$ 183,910	\$ 7,856	\$ 82,222	\$ 273,988

- During Fiscal Year 2009, the BRA issued \$22,000 in new debt for the construction of the deep water intake structure on Granger Lake.
- During Fiscal Year 2011, the BRA sold most residential and selected commercial leases at Possum Kingdom Lake to Patterson PK Land Partnership, Ltd.
- During Fiscal Year 2012, the BRA disposed of all assets and liabilities related to the SWATS operation as a result of the transfer agreement with the contracting parties of the SWATS operation. In addition, during the Fiscal Year 2012, the BRA redeemed the Series 2002 Water Supply bonds, the Series 2005A Water Supply bonds, and the Contracts Payable for the Aquilla Reservoir storage space.
- During Fiscal Year 2014, the BRA disposed of all assets related to the Temple Belton Wastewater Treatment Plant operation as a result of the transfer agreement with the contracting parties. In addition, during the Fiscal Year 2014 the BRA redeemed the Series 2005B Water Supply bonds.
- During Fiscal Year 2015, the BRA implemented GASB 68. The Statement 68 requires entities to restate prior periods for all periods reported, when practical, and if not practical, the entity should report the cumulative effect of applying this Statement, if any, as a restatement of beginning net position for the earliest period restated. The BRA has elected the latter and as a result reduced the unrestricted portion of total net position by \$5,155 for Fiscal Year 2014.
- During Fiscal Year 2016, the BRA sold the remaining PK residential and commercial leased properties held in the FERC project area. The successful sale and disposition of the legislatively mandated properties was completed in March, of 2016 resulting in additional revenue of \$10,179 from the sale. In addition to the sale of leased properties, the BRA sold the West Central Brazos Water Distribution System to the West Central Texas Municipal Water District for \$1,200, in January of 2016.

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

Year	System Rate			Agriculture			Two-Tier			Other Fixed			Colorado Basin Water			Utilities			Total	
	Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	Avg Price		Acre Feet	
2009	289,414	57.00		9,990	39.75		100,238	16.51		33,583	17.71		25,000	72.86		205,447			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			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			671,281	
2012	296,891	62.50		10,160	43.75		100,238	16.72		33,583	18.30		21,528	81.49		205,447			667,847	
2013	296,546	62.50		10,160	43.75		100,238	16.72		33,878	18.36		21,528	81.19		205,447			667,797	
2014	294,506	65.65		10,160	45.95		100,238	17.04		33,878	18.47		25,000	83.02		205,447			669,229	
2015	294,546	69.50		10,285	48.65		100,238	17.14		33,778	18.66		25,000	88.44		205,447			669,294	
2016	320,785	70.50		10,285	49.35		98,999	17.32		33,778	18.87		25,000	88.61		180,447	a		669,294	
2017	371,422	72.00		10,285	50.40		98,999	17.25		33,778	18.96		25,000	79.72		97,000	b		636,484	
2018	364,572	74.00		10,285	51.80		98,999	17.37		33,778	19.02		21,528	77.95		97,000			626,162	

Source: Brazos River Authority Annual Operating Plan.

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

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

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

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

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

Fiscal Year 2018			Fiscal Year 2017		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
City of Round Rock	\$ 8,463	13.35	City of Round Rock	\$ 8,496	14.17
TXU / Luminant Generation Co.	5,956	9.40	City of Georgetown	5,561	9.27
City of Georgetown	5,602	8.84	Gulf Coast Water Authority	5,163	8.61
Gulf Coast Water Authority	5,357	8.45	NRG Texas Power, LLC.**	5,145	8.58
NRG Texas Power, LLC	4,001	6.31	City of Temple	3,066	5.11
Dow Chemical Company	2,950	4.65	Dow Chemical Company	2,985	4.98
City of Temple	2,886	4.55	City of Sugar Land	2,960	4.94
City of Sugar Land	2,628	4.15	Luminant (TXU/Oakgrove)	2,908	4.85
Jonah Water S. U. D.	2,282	3.60	Bell County Water C.I.D. #1	2,615	4.36
Bell County Water C.I.D. #1	2,045	3.23	Jonah Water S.U.D.	2,076	3.46
	<u>\$ 42,170</u>	<u>66.53</u>		<u>\$ 40,975</u>	<u>68.33</u>

Fiscal Year 2016			Fiscal Year 2015		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
City of Round Rock	\$ 9,303	16.94	City of Round Rock	\$ 9,014	16.41
City of Georgetown	5,333	9.71	City of Georgetown	5,138	9.35
Gulf Coast Water Authority	4,929	8.97	Gulf Coast Water Authority	3,581	6.52
NRG Texas Power, LLC.**	3,375	6.14	City of Temple	2,474	4.50
City of Temple	3,114	5.67	City of Sugar Land	2,440	4.44
Dow Chemical Company	2,845	5.18	Dow Chemical Company	1,994	3.63
City of Sugar Land	2,529	4.60	Bell County Water C.I.D. #1	1,937	3.53
Luminant (TXU/Oakgrove)	2,216	4.03	City of Taylor	1,599	2.91
Bell County Water C.I.D. #1	1,981	3.61	TXU Electric / Oakgrove	1,583	2.88
Jonah Water S.U.D.	1,612	2.94	NRG Texas Power, LLC.**	1,542	2.81
	<u>\$ 37,237</u>	<u>67.79</u>		<u>\$ 31,302</u>	<u>56.98</u>

Fiscal Year 2014			Fiscal Year 2013		
Customer	Revenues	% of Total Operating Revenues	Customer	Revenues	% of Total Operating Revenues
City of Round Rock	\$ 8,464	16.59	City of Round Rock	\$ 8,313	15.73
City of Georgetown	3,529	6.92	Gulf Coast Water Authority	5,059	9.57
Gulf Coast Water Authority	3,405	6.67	City of Georgetown	4,831	9.14
NRG Texas Power, LLC. **	2,595	5.09	NRG Texas Power, LLC. **	2,618	4.95
City of Sugar Land	2,376	4.66	City of Sugar Land	2,425	4.59
City of Temple	2,278	4.46	Dow Chemical Company	2,375	4.49
Dow Chemical Company	1,900	3.72	City of Temple	2,077	3.93
Bell County Water C.I.D. #1	1,882	3.69	Bell County Water C.I.D. #1	1,836	3.48
TXU Electric / Oakgrove	1,514	2.97	TXU Electric / Oakgrove	1,607	3.04
Chisholm Trail S.U.D.	1,305	2.56	City of Taylor	1,266	2.40
	<u>\$ 29,248</u>	<u>57.33</u>		<u>\$ 32,407</u>	<u>61.32</u>

Fiscal Year 2012		
Customer	Revenues	% of Total WSS Revenues
City of Round Rock	\$ 8,450	13.96
Johnson County S.U.D.*	5,673	9.37
City of Georgetown	4,470	7.38
Gulf Coast Water Authority	4,412	7.29
NRG Texas Power, LLC.**	2,593	4.28
City of Sugar Land	2,121	3.50
City of Temple	2,241	3.70
Bell County Water C.I.D. #1	1,828	3.02
Dow Chemical Company	1,820	3.01
TXU Electric / Oakgrove	1,648	2.72
	\$ 35,256	58.23

Fiscal Year 2011		
Customer	Revenues	% of Total WSS Revenues
City of Round Rock	\$ 7,167	11.48
Gulf Coast Water Authority	6,821	10.93
Johnson County S.U.D.*	5,611	8.99
City of Georgetown	4,968	7.96
NRG Texas Power, LLC.**	2,594	4.16
City of Temple	2,350	3.77
City of Sugar Land	1,994	3.19
Dow Chemical Company	1,928	3.09
Bell County Water C.I.D. #1	1,813	2.90
TXU Electric / Oakgrove	1,450	2.32
	\$ 36,696 (1)	58.79

Fiscal Year 2010		
Customer	Revenues	% of Total WSS Revenues
Johnson County S.U.D.*	\$ 6,551	11.18
City of Round Rock	6,357	10.85
City of Georgetown	4,472	7.63
Lower Colorado River Authority	3,414 (2)	5.83
NRG Texas Power, LLC.**	2,629	4.49
City of Temple	2,579	4.40
Gulf Coast Water Authority	2,513	4.29
Bell County Water C.I.D. #1	1,782	3.04
City of Sugar Land	1,743	2.98
TXU Electric / Oakgrove	1,545	2.64
	\$ 33,585	57.33

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

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

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

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

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

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

Source: Brazos River Authority Billing System

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

Fiscal Year 2018		
Customer	Revenues	% of Total WSS Revenues
TXU / Luminant Generation Co.	\$ 5,956	12.46
Gulf Coast Water Authority	5,357	11.20
NRG Texas Power, LLC	4,001	0.37
City of Round Rock	3,484	7.29
City of Georgetown	3,382	7.07
Dow Chemical Company	2,950	6.17
City of Sugar Land	2,628	5.50
Bell County Water C.I.D. #1	2,045	4.28
City of Taylor	1,599	3.34
Jonah Water S. U. D.	1,472	3.08
	<u>\$ 32,874</u>	<u>60.76</u>

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

Fiscal Year 2016		
Customer	Revenues	% of Total WSS Revenues
Gulf Coast Water Authority	\$ 4,929	11.92
City of Round Rock	3,431	8.30
NRG Texas Power LLC *	3,375	8.16
City of Georgetown	3,222	7.79
Dow Chemical Company	2,845	6.88
City of Sugar Land	2,529	6.11
Bell County Water C.I.D. #1	2,216	5.36
Luminant (TXU/Oakgrove)	1,981	4.79
City of Taylor	1,599	3.87
City of Cleburne	1,058	2.56
	<u>\$ 27,185</u>	<u>65.74</u>

Fiscal Year 2015		
Customer	Revenues	% of Total WSS Revenues
City of Round Rock	\$ 3,704	8.95
Gulf Coast Water Authority	3,581	8.66
City of Georgetown	3,151	7.62
NRG Texas Power LLC *	2,733	6.61
City of Sugar Land	2,440	5.90
Dow Chemical Company	1,994	4.82
Bell County Water C.I.D. #1	1,937	4.68
City of Taylor	1,599	3.87
TXU Electric / Oakgrove	1,583	3.83
City of Cleburne	1,043	2.52
	<u>\$ 23,765</u>	<u>57.46</u>

Fiscal Year 2014		
Customer	Revenues	% of Total WSS Revenues
Gulf Coast Water Authority	\$ 3,405	8.92
City of Round Rock	3,361	8.81
City of Sugar Land	2,376	6.23
NRG Texas Power LLC *	2,281	5.98
City of Georgetown	2,112	5.53
Dow Chemical Company	1,900	4.98
Bell County Water C.I.D. #1	1,882	4.93
TXU Electric / Oakgrove	1,514	3.97
City of Taylor	1,273	3.34
City of Cleburne	985	2.58
	<u>\$ 21,089</u>	<u>55.27</u>

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

Fiscal Year 2012			Fiscal Year 2011		
Customer	Revenues	% of Total WSS Revenues	Customer	Revenues	% of Total WSS Revenues
Gulf Coast Water Authority	\$ 4,412	10.50	Gulf Coast Water Authority	\$ 6,821	16.02
City of Georgetown	3,654	8.69	City of Georgetown	3,582	8.41
City of Round Rock	3,309	7.87	City of Round Rock	3,301	7.75
NRG Texas Power LLC *	2,593	6.17	NRG Texas Power LLC *	2,594	6.09
City of Sugar Land	2,121	5.05	City of Sugar Land	1,998	4.69
Bell County Water C.I.D. #1	1,828	4.35	Dow Chemical Company	1,928	4.53
Dow Chemical Company	1,820	4.33	Bell County Water C.I.D. #1	1,813	4.26
TXU Electric / Oakgrove	1,648	3.92	TXU Electric / Oakgrove	1,450	3.41
City of Taylor	1,608	3.83	City of Taylor	1,262	2.96
City of Cleburne	938	2.23	City of Cleburne	938	2.20
	<u>\$ 23,931</u>	<u>56.94</u>		<u>\$ 25,687</u> (1)	<u>60.32</u>

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

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

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

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

Source: Brazos River Authority Billing System

BRAZOS RIVER AUTHORITY
WATER SUPPLY REVENUE BOND DEBT
SERIES 2009 AND SERIES 2015 (in thousands)
AMORTIZATION SCHEDULE (unaudited)

Fiscal Year Ended August 31	Series 2015		Series 2009		Outstanding Bonds		Total Debt Service Requirements	% Of Principal Retired
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST		
2019	665	472	1,100	301	1,765	773	2,538	
2020	690	445	1,115	285	1,805	730	2,535	
2021	720	417	1,135	264	1,855	681	2,536	
2022	750	387	1,160	241	1,910	628	2,538	
2023	780	357	1,185	215	1,965	572	2,537	32.65
2024	810	325	1,215	187	2,025	512	2,537	
2025	835	301	1,245	157	2,080	458	2,538	
2026	855	283	1,275	125	2,130	408	2,538	
2027	875	260	1,310	92	2,185	352	2,537	
2028	900	233	1,345	56	2,245	289	2,534	70.09
2029	930	206	1,380	19	2,310	225	2,535	
2030	960	177	-	-	960	177	1,137	
2031	985	148	-	-	985	148	1,133	
2032	1,015	118	-	-	1,015	118	1,133	
2033	1,050	87	-	-	1,050	87	1,137	92.28
2034	1,080	53	-	-	1,080	53	1,133	
2035	1,120	18	-	-	1,120	18	1,138	100.00
Total	\$ 15,020	\$ 4,287	\$ 13,465	\$ 1,944	\$ 28,485	\$ 6,231	\$ 34,717	

Source: Combined Bond Resolutions

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

**BRAZOS RIVER AUTHORITY
WATER SUPPLY REVENUE BONDS
SERIES 2009 AND SERIES 2015
COVERAGE AND ACCOUNT BALANCES
AUGUST 31, 2018 (unaudited) (in thousands)**

Average Annual Principal and Interest Requirements, 2019 - 2035	\$ 2,042
Coverage of Average Requirements by August 31, 2018 Net Revenues	7.80
Maximum Principal and Interest Requirements, 2019	\$ 2,538
Coverage of Maximum Requirements by August 31, 2018 Net Revenues	6.28
System Revenue Bonds Outstanding, August 31, 2018	\$ 28,485
Interest and Sinking Account Balance, August 31, 2018	\$ 883 ¹
Reserve Account Balance, August 31, 2018 (Series 2009)	\$ 1,412 ²

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

² At August 31, 2018, all reserve account balances met all coverage requirements.

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

BRAZOS RIVER AUTHORITY
WATER SUPPLY SYSTEM
CONDENSED SUMMARY OF OPERATING RESULTS
(CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS)
AUGUST 31, 2018 (unaudited) (in thousands)

	Fiscal Year Ended August 31				
	2018	2017	2016	2015	2014
Gross Revenues:					
Raw water	\$ 40,285	\$ 39,074	\$ 35,209	\$ 31,584	\$ 30,460
Treated water	3,071	2,862	2,388	2,208	1,790
Wastewater treatment	2,123	2,119	2,108	1,992	2,095
Lease income	590	523	663	1,024	934
Other	670	589	560	580	574
Interest	1,756	947	644	485	457
Grants	1,083	1,055	644	1,419	988
TOTAL GROSS REVENUES	\$ 49,578	\$ 47,169	\$ 42,216	\$ 39,292	\$ 37,298
Operation & Maintenance Expenses:					
Personnel services	\$ 17,764	\$ 16,202	\$ 15,889	\$ 14,990	\$ 13,825
Materials, supplies & services	1,477	1,420	1,310	1,377	1,275
Utilities	815	844	854	1,011	1,043
Outside services	5,096	4,542	3,732	3,901	2,973
Repair and maintenance	1,428	1,337	1,211	1,230	1,228
Landfill and sludge hauling	215	216	355	361	361
Purchased water	2,137	2,143	2,225	2,261	2,258
Other	1,025	795	1,624	1,634	3,348
Other non-operating	14	21	26	216	44
Program and project expenditures	1,032	599	919	299	48
Other debt service (1)	2,638	2,638	2,638	2,834	2,232
TOTAL OPERATION & MAINTENANCE	\$ 33,641	\$ 30,757	\$ 30,783	\$ 30,114	\$ 28,635
NET REVENUES AVAILABLE TO PAY DEBT SERVICE	\$ 15,937	\$ 16,412	\$ 11,433	\$ 9,178	\$ 8,663
DEBT SERVICE WATER SUPPLY SYSTEM BONDS	\$ 2,538	\$ 2,537	\$ 2,540	\$ 2,603	\$ 2,974
COVERAGE PERCENTAGE	6.28	6.47	4.50	3.53	2.91

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

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

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

Fiscal Year	Water Supply		Contract Revenue		US Army Corps of Engineers		Conduit Debt								
	Revenue	Bonds		Bonds (1)		Contracts Payable	Contracting								
							Parties		Pollution Control						
2009	\$	85,235	a	\$	61,247	\$	36,097	\$	6,530	\$	2,227,195				
2010	\$	82,615		\$	58,032	\$	34,951	\$	5,500	\$	2,227,195				
2011	\$	73,735	b	\$	60,503	c	\$	33,766	\$	5,295	\$	2,227,195			
2012	\$	52,985	d	\$	33,424	e	\$	23,724	f	\$	10,170	g	\$	2,193,725	
2013	\$	51,550		\$	33,015		\$	28,047		\$	9,950		\$	2,101,780	
2014	\$	41,565	h	\$	32,664		\$	26,901		\$	9,720		\$	1,974,395	
2015	\$	39,555		\$	32,300		\$	24,998		\$	9,265		\$	1,974,395	
2016	\$	37,895		\$	31,932		\$	23,819		\$	8,795		\$	50,000	i
2017	\$	36,210		\$	31,104		\$	22,659		\$	8,315		\$	50,000	
2018	\$	34,485		\$	30,240		\$	21,465		\$	7,815		\$	50,000	

a During FY 2009, the Water Supply Revenue Bonds increased as a result of the issuance of the Brazos River Authority Revenue Bonds, Series 2009, in the amount of \$22,000, used for the construction of a new deep water intake structure, raw water pump station and transmission pipeline at Granger Lake.

b During FY 2011, the BRA defeased the Water Supply System Revenue Refunding & Improvement Bonds, Series 2001A (AMT), in the amount of \$5,245, and the Water Supply System Revenue Refunding bonds, Series 2001B, in the amount of \$430.

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

d During FY 2012, the BRA defeased the Water Supply System Revenue Bonds, Series 2002 (AMT), in the amount of \$6,710 and the Water Supply System Revenue Bonds, Series 2005A (AMT), in the amount of \$11,605.

e During FY 2012, the contracting parties of the Lake Granbury Surface Water and Treatment System (SWATS) and the BRA entered into negotiations for the sale and transfer of the SWATS facility. Negotiations were completed and the ownership/operation was transferred to the contracting parties on May 31, 2012. This resulted in \$25,980 of Contract Revenue Bonds to be called and refinanced by the contracting parties.

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

g During FY 2012, the Conduit Debt increased as a result of the issuance of the Brazos River Authority Contract Revenue Bonds, Series 2012 (Jonah Water Special Utility District water supply project) used for the continuation of construction for Phase 2 of the Circleville Pump Station.

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

i With the reorganization of Texas Complective Electric Holdings Company LLC and their subsequent settlement with creditors, the company came out of bankruptcy during 2016 resulting in the BRA removing \$1,365,695 of pollution control bonds from the Financing Arrangement section of the CAFR.

Certain CenterPoint pollution control bonds were also redeemed, resulting in the BRA removing \$558,700 of pollution control bonds from the Financing Arrangement section of the CAFR. The last \$50,000 set to expire in 2018.

- (1) Contract Revenue Bonds are payable from revenue derived from various contracts between the BRA and the parties securing payment to the BRA for debt service payments on the bonds. Debt coverage is 100% for these bonds. Each customer is billed monthly for 1/6th of the next debt payment due. Each contract revenue bond is insured or credit rated based on the financial strength of the contracting parties.

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**BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2018 (unaudited)**

BRA was 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: 2015

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

Area of District: 42,800 square miles

Brazos River

Total river miles: 840 miles

Average discharge: 6,000,000 acre feet

Average annual rainfall in the Basin ranges from:

West - 16 inches

Southeast - 47 inches

Number of employees: 255 Full-time, 20 Part-time (per Fiscal Year 2018 Annual Operating Plan)

Offices:

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

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2018 (unaudited)

Brazos River Authority Operating Statistics: (water/wastewater treated in thousands of gallons)		
	Years Ended August 31	
	<u>2018</u>	<u>2017</u>
Temple Belton Wastewater Treatment Plant	2,160,210	2,539,030
Sugar Land Regional Sewerage System	2,987,268	3,218,501
Hutto Wastewater System	447,118	461,994
Clute/Richwood Regional Sewerage System	726,336	877,140
Sandy Creek Regional Water Treatment Plant	1,601,700	1,178,400
East Williamson County Water Treatment System	1,420,226	1,240,729
Doshier Farm Wastewater Treatment Plant	706,200	837,090

Brazos River Authority Dams and Reservoirs:	
Possum Kingdom	(TWDB Survey December 2016)
Capacity - 566,291 acre-feet	
Surface Area - 16,713 acres	
Elevation - 1,000.0 ft-msl	
Permitted Yield - 230,750 acre-feet	
Limestone	(TWDB Survey June 2014)
Capacity - 203,780 acre-feet	
Surface Area - 12,486 acres	
Elevation - 363.0 ft-msl	
Permitted Yield - 65,074 acre-feet	
Granbury	(TWDB Survey July 2016)
Capacity - 136,326 acre-feet	
Surface Area - 8,282 acres	
Elevation - 693.0 ft-msl	
Permitted Yield - 64,712 acre-feet	

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2018 (unaudited)

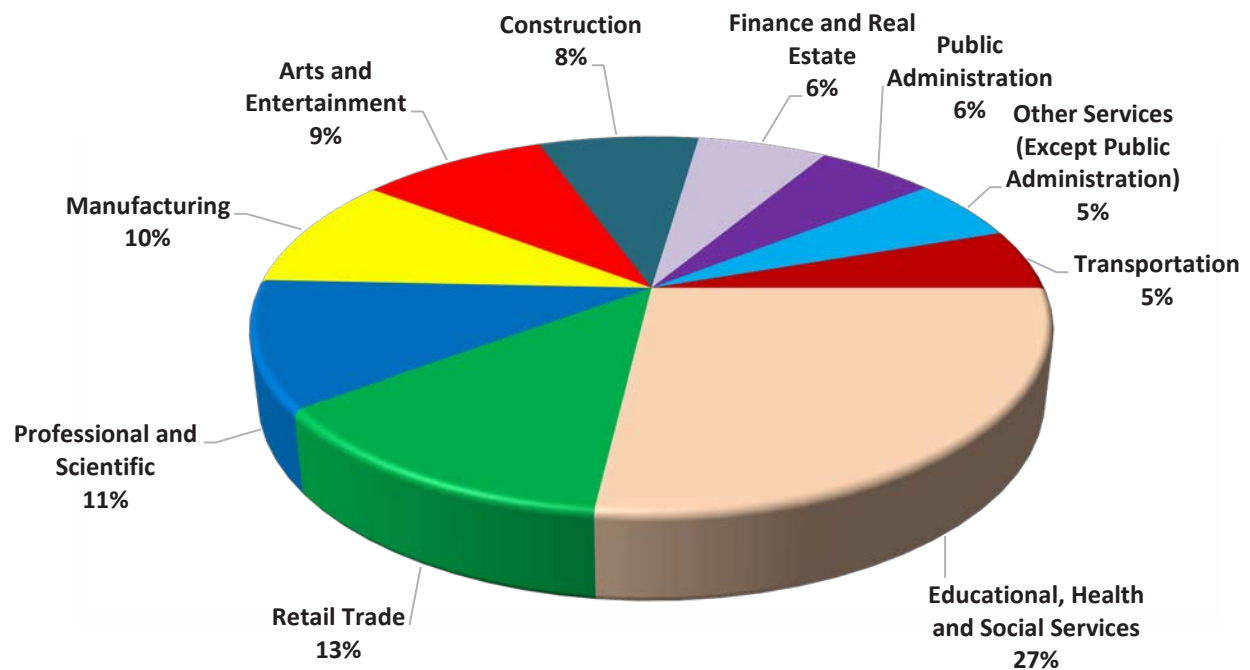
U. S. Army Corps of Engineers Dams and Reservoirs		
Aquilla	Conservation Pool	Flood Control Pool
Capacity	43,293 acre-feet	135,636 acre-feet
Surface Area	3,085 acres	6,999 acres
Elevation	537.5 ft-msl	556.0 ft-msl
Permitted Yield - 13,896 acre-feet		TWDB Survey March 2014
Belton	Conservation Pool	Flood Control Pool
Capacity	432,631 acre-feet	1,072,631 acre-feet
Surface Area	12,445 acres	23,915 acres
Elevation	594.0 ft-msl	631.0 ft-msl
Permitted Yield - 100,257 acre-feet		TWDB Survey October 2015
Granger	Conservation Pool	Flood Control Pool
Capacity	51,882 acre-feet	230,481 acre-feet
Surface Area	4,159 acres	11,040 acres
Elevation	504.0 ft-msl	528.0 ft-msl
Permitted Yield - 19,840 acre-feet		TWDB Survey August 2013
Georgetown	Conservation Pool	Flood Control Pool
Capacity	38,068 acre-feet	131,793 acre-feet
Surface Area	1,307 acres	3,220 acres
Elevation	791.0 ft-msl	834.0 ft-msl
Permitted Yield - 13,610 acre-feet		TWDB Survey December 2015
Proctor	Conservation Pool	Flood Control Pool
Capacity	54,760 acre-feet	314,740 acre-feet
Surface Area	4,615 acres	14,010 acres
Elevation	1,162.0 ft-msl	1,197.0 ft-msl
Permitted Yield - 19,658 acre-feet		TWDB Survey June 2014
Somerville	Conservation Pool	Flood Control Pool
Capacity	147,100 acre-feet	494,500 acre-feet
Surface Area	11,395 acres	24,400 acres
Elevation	238.0 ft-msl	258.0 ft-msl
Permitted Yield - 48,000 acre-feet		TWDB Survey June 2012
Stillhouse Hollow	Conservation Pool	Flood Control Pool
Capacity	229,881 acre-feet	624,581 acre-feet
Surface Area	6,429 acres	11,830 acres
Elevation	622.0 ft-msl	666.0 ft-msl
Permitted Yield - 67,768 acre-feet		TWDB Survey December 2015
Waco	Conservation Pool	Flood Control Pool
Capacity	189,773 acre-feet	518,895 acre-feet
Surface Area	8,190 acres	19,440 acres
Elevation	462.0 ft-msl	500.0 ft-msl
Permitted Yield - 104,100 acre-feet		TWDB Survey May 2011
Whitney	Conservation Pool	Flood Control Pool
Capacity	554,203 acre-feet	1,926,673 acre-feet
Surface Area	23,220 acres	49,820 acres
Elevation	533.0 ft-msl	571.0 ft-msl
Permitted Yield - 18,336 acre-feet		TWDB Survey June 2005

Source: Brazos River Authority Water Services Department

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2018 (unaudited)

Brazos Basin Geographic Area
Ten Largest Industries

Industry	Number of Entities in Category
Educational, Health and Social Services	388,566
Retail Trade	187,088
Professional and Scientific	157,058
Manufacturing	140,069
Arts and Entertainment	131,415
Construction	112,913
Finance and Real Estate	91,139
Public Administration	82,752
Other Services (Except Public Administration)	78,387
Transportation	75,767

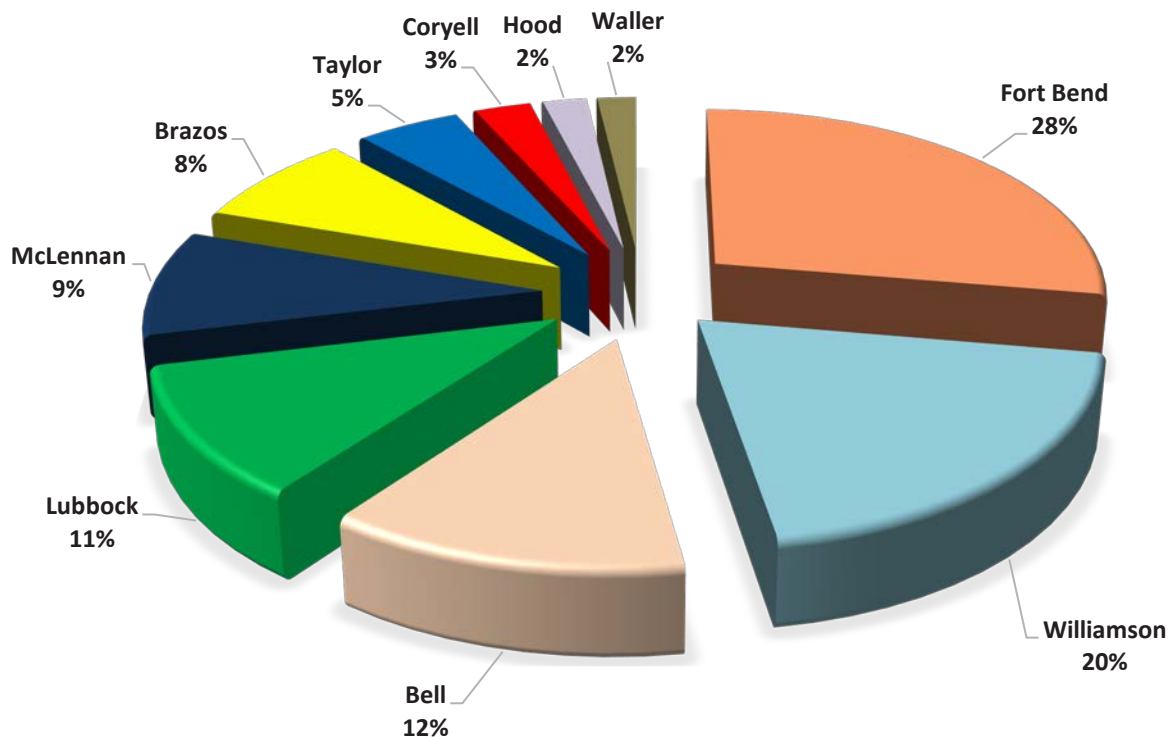


Source: U.S. Census Bureau, 2012-2016 5-year American Community Survey

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2018 (unaudited)

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

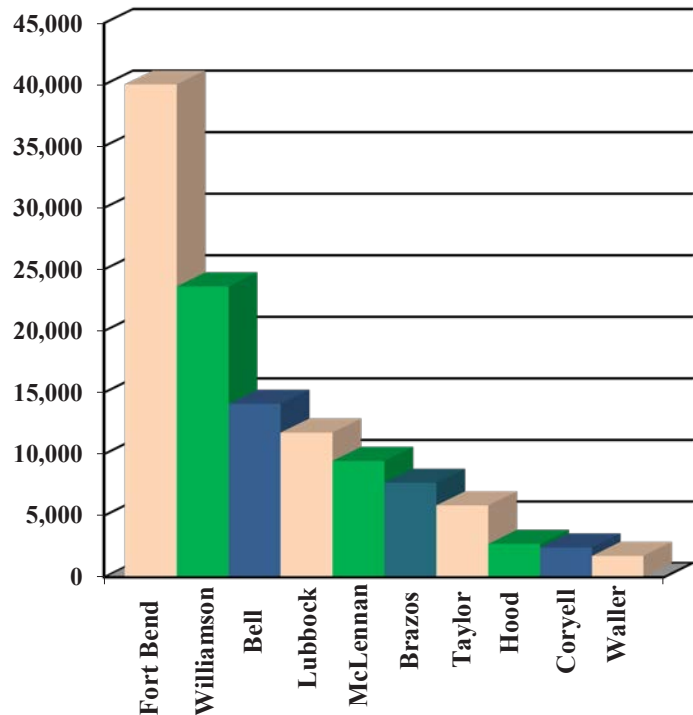
County	Population
Fort Bend	764,828
Williamson	547,545
Bell	347,833
Lubbock	305,225
McLennan	251,259
Brazos	222,830
Taylor	136,290
Coryell	74,913
Hood	58,273
Waller	51,307



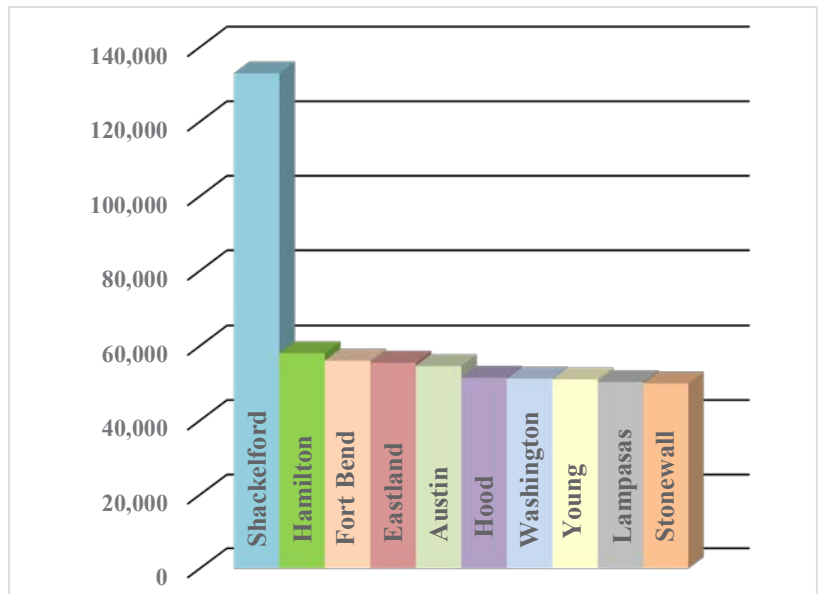
Source: U.S. Census Bureau, Annual Estimate of the Resident Population as of July 1, 2017

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2018 (unaudited)

County (Top Ten)	Total Personal Income (in millions)
Fort Bend	40,030
Williamson	23,622
Bell	14,086
Lubbock	11,749
McLennan	7,453
Brazos	7,665
Taylor	5,841
Hood	2,709
Coryell	2,418
Waller	1,734



County (Top Ten)	Total Per Capital Income (in thousands)
Shackelford	162,378
Hamilton	55,320
Fort Bend	54,005
Eastland	51,152
Austin	49,559
Hood	47,654
Washington	47,470
Young	47,362
Lampasas	46,808
Stonewall	45,778

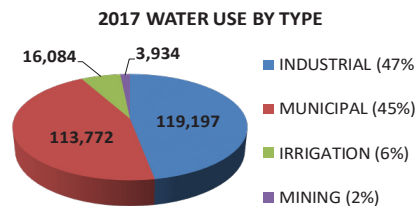


Source: Bureau of Economic Analysis, Updated November 2017

BRAZOS RIVER AUTHORITY
MISCELLANEOUS DEMOGRAPHIC AND ECONOMIC INFORMATION
AUGUST 31, 2018 (unaudited)

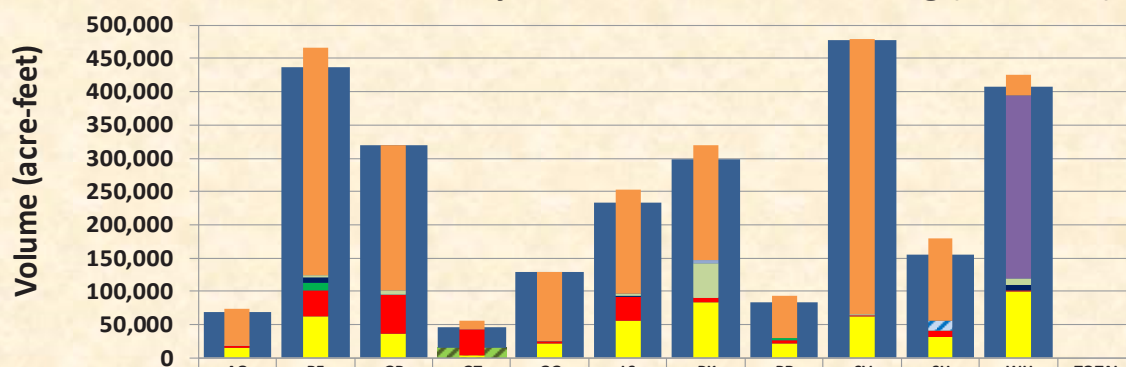
**Brazos River Authority 2017
Customer Water Use and
Reservoir Accounting Summary**

**2017 TOTAL WATER USE
252,987 Acre-Feet**



AQ=Lake Aquilla
BE=Lake Belton
GB=Lake Granbury
GT=Lake Georgetown
GG=Lake Granger
LS=Lake Limestone
PK=Possum Kingdom Lake
PR=Lake Proctor
SV=Lake Somerville
SH=Stillhouse Hollow Lake
WH=Lake Whitney

Brazos River Authority 2017 Reservoir Accounting (acre-feet)



	AQ	BE	GB	GT	GG	LS	PK	PR	SV	SH	WH	TOTAL
■ Inflow	69,008	436,592	319,020	31,078	129,563	233,365	298,938	83,730	477,774	155,775	408,194	2,643,037
■ Pumped in from Stillhouse				14,612								14,612
■ Flood Release	55,205	343,259	218,520	13,117	104,764	156,158	172,676	62,948	413,607	123,785	30,550	1,694,589
■ Pumped out to Georgetown										14,612		14,612
■ Balancing Release to GB							4,067					4,067
■ Hydro Electric Release											275,942	275,942
■ Undedicated Release (Leakage and/or Environmental Release)*	724	1,944	7,015			3,208	51,897		724	699	9,830	76,040
■ Undedicated Release used for Water Supply		8,122	554		43	1,311	1,315			25	8,270	19,639
■ Water Supply Release**		11,756						4,097				15,853
■ Lakeside Water Use	3,415	39,634	58,547	39,167	3,803	37,127	5,596	4,678	2,795	8,457	907	204,125
■ Evaporation	14,993	62,100	35,786	4,419	21,065	55,343	83,980	21,936	61,877	32,276	100,286	494,061

* Leakage has not been quantified by the US Army Corp of Engineers for Lakes Georgetown, Granger and Proctor.

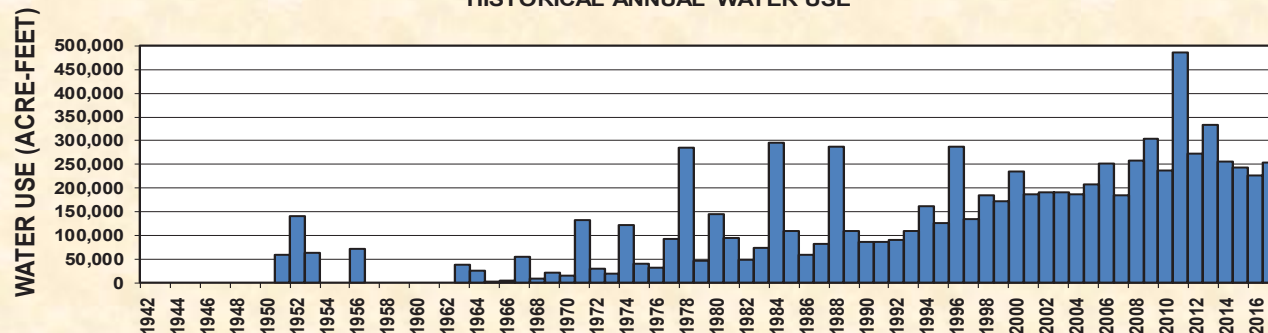
**12,500 acre-feet of the 19,645 acre-feet of water released for water supply from Lake Belton was for the City of Temple under its own water right. Therefore, this 12,500 acre-feet is not reflected in BRA's water use total for 2017.

**25,762 acre-feet of water used under NRG's BRA contract was pumped at their downstream pumping point near the City of Richmond under the BRA's Excess Flows permit.

Since water pumped under the Excess Flows permit is run-of-river water and not released from any of the BRA system reservoirs, it is not reflected in this reservoir accounting.

NOTE: [Lakeside Water use (204,125 acre-feet) + Water Supply Release (15,853 acre-feet) + Undedicated Release used for Water Supply (19,639 acre-feet) - Temple Water Right (12,500 acre-feet) + Excess Flows (25,762 acre-feet) + Water Use from the Colorado Basin (108 acre-feet) = Total 2017 BRA Water Use (252,987 acre-feet)]

HISTORICAL ANNUAL WATER USE



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BRAZOS RIVER AUTHORITY
SCHEDULE OF CAPITAL ASSETS – NET ADDITIONS/ (DELETIONS) BY OPERATIONS
AUGUST 31, 2018 (unaudited) (in thousands)
(accrual basis of accounting)

Last Ten Fiscal Years

Year	Water Supply	SWATS	WCRRWL	TBRSS	BCRWS	Hutto	Sandy Creek	Clute-Richwood	Total
2009	11,895	8,454	-	124	33	7	-	1	20,514
2010	1,452	196	-	26	22	-	38	-	1,734
2011	(1,504)	272	6,693	13	(287)	(18)	(15)	(152)	5,002
2012	(3,547)	(28,126)	(1,101)	307	(8)	-	(8)	(3)	(32,486)
2013	28,901	-	1,040	383	(43)	-	2	-	30,283
2014	4,070	-	(2,170)	(1,554)	(7)	-	(9)	(1)	329
2015	1,170	-	599	-	(21)	-	-	-	1,748
2016	(720)	-	231	-	-	-	-	-	(489)
2017	21,470	-	-	-	59	-	-	-	21,529
2018	961	-	50	-	-	-	-	-	1,011
	<u>\$ 64,148</u>	<u>\$ (19,204)</u>	<u>\$ 5,342</u>	<u>\$ (701)</u>	<u>\$ (252)</u>	<u>\$ (11)</u>	<u>\$ 8</u>	<u>\$ (155)</u>	<u>\$ 49,175</u>

BRAZOS RIVER AUTHORITY
SCHEDULE OF CAPITAL ASSETS – NET ADDITIONS/ (DELETIONS) BY CLASSIFICATION
AUGUST 31, 2018 (unaudited) (in thousands)
(accrual basis of accounting)

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Land, storage and water rights	\$ -	\$ -	\$ (73)	\$ (630)	\$ (550)	\$ (542)	\$ 278	\$ (29)	\$ 16,660	\$ 6	\$ 15,120
Reservoirs, water treatment and sewerage facilities	1,911	-	6,652	(18,490)	4,532	5,556	13,520	39	-	-	13,720
Building, structures and improvements	17,386	1,150	(278)	(12,594)	24,490	(3,543)	(13,542)	(10)	5,491	(36)	18,514
Vehicles, furniture and equipment	1,217	584	(1,299)	(772)	1,811	(1,142)	1,492	(489)	(622)	1,041	1,821
Total	<u>\$ 20,514</u>	<u>\$ 1,734</u>	<u>\$ 5,002</u>	<u>\$ (32,486)</u>	<u>\$ 30,283</u>	<u>\$ 329</u>	<u>\$ 1,748</u>	<u>\$ (489)</u>	<u>\$ 21,529</u>	<u>\$ 1,011</u>	<u>\$ 49,175</u>

**BRAZOS RIVER AUTHORITY
SCHEDULE OF INSURANCE
AS OF AUGUST 31, 2018 (unaudited)**

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Aircraft Liability	Texas Municipal League	1970-14	Non-owned Aircraft Liability Deductible - None	\$10,000,000 Each occurrence	10/1/2017 10/1/2018
Airport Liability	Texas Municipal League	1970-14	Airport Liability Premises (BI&PD) Airport Liability Premises (PI&AI) Products & Completed Operations Max. of all Coverages Combined Deductible - None	\$10,000,000 \$10,000,000 \$10,000,000 \$10,000,000	10/1/2017 10/1/2018
Automobile Liability & Physical Damage	Texas Municipal League	1970-14	Automobile Liability Uninsured Motorist Collision Comprehensive Deductible - None Hired Auto Comp/Coll Deductible: \$ 250/Scheduled Vehicles	\$5,000,000 \$1,000,000 Actual Cash Value Actual Cash Value Actual Cash Value	10/1/2017 10/1/2018
Commercial Crime	Texas Municipal League	1970-14	Public Employee Dishonesty Forgery or Alteration Computer Fraud Deductible: \$10,000 Theft, Disappearance & Destruction Deductible - None	\$2,000,000 \$1,000,000 \$1,000,000 \$10,000	10/1/2017 10/1/2018
Fiduciary and Employee Benefits	Great American Insurance	MEP4387691	Annual Aggregate Per Occurrence Deductible: \$10,000	\$5,000,000 \$5,000,000	10/1/2017 10/1/2018
General Liability	Texas Municipal League	1970-14	General Aggregate Products/Completed Operation Each Occurrence (BI, PI, AI) Fire Damage Deductible - None	\$10,000,000 \$5,000,000 \$5,000,000 \$5,000,000	10/1/2017 10/1/2018
Marine and Hull/ Mobile Equipment	Texas Municipal League	1970-14	Coverage for Boats, Motors and Mobile Equipment Deductible: \$10,000	\$7,200,765	10/1/2017 10/1/2018
Law Enforcement Liability	Texas Municipal League	1970-14	Each Occurrence Annual Aggregate Deductible: \$2,500	\$5,000,000 \$10,000,000	10/1/2017 10/1/2018
Public Officials and Employees Practices Liability	Texas Municipal League	1970-14	Each Wrongful Act Annual Aggregate Deductible: \$25,000	\$5,000,000 \$10,000,000	10/1/2017 10/1/2018

**BRAZOS RIVER AUTHORITY
SCHEDULE OF INSURANCE
AS OF AUGUST 31, 2018 (unaudited)**

Policy	Name of Company	Policy Number	Summary of Coverage	Limits of Liability	Coverage Period
Property/Boiler & Machinery	Texas Municipal League	1970-14	Blanket Real & Personal Property, EDP, & Boiler & Machinery	\$130,011,832	10/1/2017
			Deductible: \$50,000		10/1/2018
			Terrorism	\$10,000,000	
			Valuable Papers & Records	\$25,000,000	
			Accounts Receivable & Business Income	\$1,000,000	
			Fine Arts & Transportation	\$1,000,000	
			Demolition	Blanket Limit	
			Increased cost of Construction	Blanket Limit	
			Expediting Costs	Blanket Limit	
			Mobile Homes per Location	Blanket Limit	
			Pollution Cleanup in the Aggregate per premises	\$20,000	
			Flood in the Aggregate	\$10,000,000	
			(no flood coverage in 100 year flood zone or in Tier 1 and 2 counties)		
			Deductible: \$25,000		
Public Officials Bond	Insurors of Texas/ C N A Surety Group	71252612	Board of Director's Bond	\$105,000	5/1/2018
			Deductible - None		5/1/2019
Peace Officer Bond	Insurors of Texas/ Hartford Insurance Group	46BSBAE6365	Peace Officer Bond	\$15,000	2/1/2018
			Deductible - None		2/1/2019
Travel Accident	Insurors of Texas/ Hartford Life	ETB-4333	Aggregate for Hazard	\$5,000,000	11/1/2017
			Excludes Personal Aircraft		11/1/2018
			Deductible - None		
Workers' Compensation	Texas Water Conservation Association	99	Self-insured for first	Aggregate Deduct	8/31/2017
			\$ 50,000 per occurrence	\$150,000	9/1/2018

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

	Full-Time Equivalent Employees Per Annual Operating Plan									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Upper Basin										
Management	4	4	4	4	4	4	4	4	4	4
Possum Kingdom	44	42	44	48	48	51	51	53	54	57
SWATS (a)	0	0	0	0	0	0	18	18	18	17
Lake Granbury	17	15	15	15	15	15	14	12	12	12
Central Basin										
Management & Lab	28	24	24	24	25	24	25	23	21	23
Temple-Belton WWTP	13	16	16	17	10	10	10	10	11	10
Brushy Creek RWS	16	17	17	17	17	17	17	17	17	16
Georgetown WWTP (a)	0	0	0	0	8	8	8	8	9	8
Sandy Creek WTP	4	4	4	4	5	5	5	5	5	6
Hutto WWS	2	2	2	0	0	0	0	0	0	0
East Williamson RWS	8	6	6	6	6	6	5	5	5	5
Lower Basin										
Management	0	0	0	0	0	0	0	4	4	4
Lake Limestone	11	11	10	10	10	9	9	9	9	9
SLRSS	10	10	10	10	10	10	10	10	11	11
Clute	4	4	4	4	4	4	4	4	4	4
Liberty Hill (a)	0	0	0	0	1	1	1	1	1	1
Central Office										
General Administration	2	2	2	3	3	3	4	4	4	4
Legal Services	4	4	4	4	4	4	4	4	4	4
Financial Services	15	15	15	15	15	17	17	17	17	17
Human Resources	5	5	5	5	4	4	4	4	4	4
Gov. Cus. Relations	6	7	7	7	7	7	7	7	7	7
Information Technology	14	14	14	14	13	13	12	12	12	12
Planning & Development	1	2	2	2	1	1	1	1	1	1
Strategic Planning	0	0	0	0	2	2	2	2	2	3
Technical Services	47	46	43	41	41	40	40	42	37	40
	<u>255</u>	<u>250</u>	<u>248</u>	<u>250</u>	<u>253</u>	<u>255</u>	<u>272</u>	<u>276</u>	<u>273</u>	<u>279</u>

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

Source: Brazos River Authority Annual Operating Plan

Back Cover - The Brazos River as it flows through South Texas and empties into the Gulf of Mexico



Brazos River Authority
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