



B R O W N S V I L L E
PUBLIC UTILITIES BOARD

**Public Utilities Board
of the**

City of Brownsville, Texas

(A Component Unit of the City of Brownsville, Texas)

**Comprehensive Annual
Financial Report**

**For the Fiscal Years Ended
September 30, 2020 and 2019**



Public Utilities Board of the City of Brownsville, Texas
(A Component Unit of the City of Brownsville, Texas)



Comprehensive Annual Financial Report
For the Fiscal Years Ended September 30, 2020 and 2019

PREPARED BY: FINANCE DIVISION

MIGUEL A PEREZ

Acting Chief Financial Officer

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PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
(A Component Unit of the City of Brownsville, Texas)

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PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
(A Component Unit of the City of Brownsville, Texas)

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INTRODUCTORY SECTION

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February 8, 2021

Members of the Board of Directors
Public Utilities Board of the City of Brownsville, Texas

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Public Utilities Board of the City of Brownsville, Texas (Public Utilities Board) for the fiscal year ended September 30, 2020. As required by state law, the CAFR includes financial statements which have been audited by a firm of licensed certified public accountants. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by the licensed certified public accounting firm of Baker Tilly US, LLP.

The report consists of management's representation concerning the finances of the Public Utilities Board. As a result, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Public Utilities Board has established a comprehensive internal control framework that is designed both to protect the Public Utilities Board's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of the Public Utilities Board's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Public Utilities Board's comprehensive framework of internal controls is designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The goal of the independent audit, conducted by Baker Tilly US, LLP, is to provide reasonable assurance that the financial statements of the Public Utilities Board for the fiscal year ended September 30, 2020, are free of material misstatement. 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. Baker Tilly US, LLP concluded, based upon the audit, that there is a reasonable basis for rendering an unmodified opinion.

The Public Utilities Board's financial statements for the fiscal year ended September 30, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires 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 Public Utilities Board's MD&A can be found immediately following the report of the independent auditors.

In accordance with standards established by the Governmental Accounting Standards Board's (GASB) Statement No. 61, the Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14, the Public Utilities Board meets the definition of a component unit of the City of Brownsville, Texas (City).

PROFILE

The Public Utilities Board was formed in 1960 to provide electric, water, and wastewater services to its customers in the Brownsville area. Pursuant to the City's Charter, management, operation, and control of the City's combined water, wastewater, and electric utilities system is delegated to the Public Utilities Board. The Public Utilities Board is comprised of seven members, six of whom are appointed by the City Commission for four-year terms, and the seventh member being the City's Mayor serving Ex-officio.

The **Electric System** provides retail electric service through its electric facilities to consumers inside and outside the city limits. The existing customer service area of the electric facilities encompasses approximately 133 square miles of Cameron County, including substantially the entire City (estimated by the Public Utilities Board at over 96%). The electric system serves a growing base of about 51,406 customers and serves a peak load of 282 MW. Current resources, mainly owned by the Public Utilities Board, are sufficient to cover peak demand.

The Public Utilities Board met its power supply obligations through a combination of resources: (i) the operation of Oklaunion Unit No. 1, a coal-fired steam electric generating unit jointly owned and operated by Public Service Company of Oklahoma, AEP Texas North Company, Oklahoma Municipal Power Authority, and the Public Utilities Board entitling the Public Utilities Board to 124 MW of capacity (see Note 5 – Joint Operations for details on the Oklaunion Power Station closure), (ii) the operation of the Silas Ray Power Production Facilities owned and operated by the Public Utilities Board (composed of one conventional steam turbine unit and a re-powered steam turbine in Combined Cycle with a combustion turbine and a GE LM6000 gas turbine generator for an estimated gas fired capability of 115 MW), (iii) the operation of the Calpine/Hidalgo combined cycle Power Plant in which the Public Utilities Board has an ownership interest entitling it to 105 MW of capacity, (iv) a Power Purchase Agreement with Exelon Corporation entitling the Public Utilities Board to purchase 78 MW of renewable energy and (v) economy energy purchases through an economy power interchange arrangement.

The Public Utilities Board currently has a gas transportation agreement with Texas Gas Services Company ("TGS"), a division of ONE Gas, Inc. and a gas supply agreement with Tenaska Marketing

Ventures ("TMV") for service to its Silas Ray Generation units, and a gas supply agreement with Calpine Energy Services, LP for service to its Calpine/Hidalgo Plant.

Fuel and transportation contracts are in place, limiting the Public Utilities Board's exposure to the volatile fuel commodity markets.

The **Water System** draws raw water from the Rio Grande River and consists of a river rock weir, a river pump station, two reservoirs providing 187 million gallons total capacity, and a raw water transport system. Surface water treatment is achieved by two water treatment plants providing 40 million gallons per day (MGD) of total capacity (20 MGD treatment capacity each). Two clear wells provide 6.84 million gallons storage capacity, and three elevated storage tanks provide 5 million gallons of elevated storage capacity. Water is pumped by three high-service pumping stations into the distribution system which consists of 676 miles of transmission and distribution mains. The Public Utilities Board mainly sells to residential and commercial customers, but also sells treated water on a wholesale basis to three other water distribution companies that amount to approximately 8.43% of sales. The Public Utilities Board partnered with the Southmost Regional Water Authority (the Authority) and built a 7.5 million gallon per day reverse osmosis water treatment plant of which the Public Utilities Board has 92.91% ownership. The Authority's plant completed an expansion in November 2015 to provide microfiltration pretreatment and a total production capacity up to 10 MGD. The Authority's plant includes a 7.5 million gallon storage tank.

The Public Utilities Board has an annual allocation of municipal priority water rights from the Texas Commission on Environmental Quality (TCEQ) in the amount of 31,442.381 acre-feet of water, which is dependent upon inflow to the Falcon and Amistad Reservoirs. In addition, the Public Utilities Board holds Permit No. 1838 entitling it the right to 40,000 acre-feet of surplus water.

The Public Utilities Board is subject to regulation of water quality by the TCEQ. The Public Utilities Board presently has a "Superior" water system as determined in accordance with current TCEQ regulations.

The Public Utilities Board's water utility service area is subject to the certification jurisdiction of the TCEQ. The Public Utilities Board has been certified singly to provide water service within the boundaries of the City. A large portion of the area, three and one-half miles surrounding the boundaries (the "extraterritorial jurisdiction") of the City, is dually certified. There is a small water utility system (El Jardin Water Supply Corporation) whose customers are situated adjacent to or within the System. All of its treated water is supplied by the Public Utilities Board's water system.

The **Wastewater System**, consisting of collection and treatment facilities, includes gravity wastewater collection lines, 178 pumping/lift stations and two treatment plants. Wastewater is transported by pumping stations and associated force mains to one of two wastewater treatment plants – the Robindale Plant or the South Plant. The Robindale Plant was designed to treat 5 MGD in 1980 and expanded to a capacity of 10 MGD in 1995. The Robindale renovation and expansion project completed in July 2014 increased the treatment capacity to 14.5 MGD. The Robindale Plant provides secondary waste treatment utilizing a Modified Ludzack-Ettinger (MLE) process (anoxic and aerobic with an internal nitrate cycle) of activated sludge, turbo blowers (with magnetic bearings) with auto dissolved oxygen control, secondary settling, ultra-violet light system (as alternate source of disinfection), effluent cascade aeration system, sludge thickening, aerobic digestion, mechanical

sludge dewatering (via 2-meter belt filter press), a SCADA (Supervisory Control and Data Acquisition) system, and sludge disposal at a Dedicated Land Disposal (DLD) site of 137 Acres. The South Plant was originally constructed in 1952, with a trickling filter process and anaerobic digestion plant design with a treatment capacity of 5 MGD. South Plant was modified in 1974 with major modifications in 1978 when it was expanded to a capacity of 7.8 MGD and the treatment process design was changed to a variation of activated sludge identified as complete-mix process and anaerobic digesters were converted to aerobic digesters. In 2000, the plant was expanded to 12.8 MGD. The treatment process was changed to reflect the complete mix activated sludge treatment process we have today. It consists of a dual channel mechanical bar screening system, two grit classifiers, compactor washer, a four aerated grit chamber system, three complete mix aeration basins, Return Activated Sludge (RAS) and Waste Activated Sludge (WAS) pumping stations, four final clarifiers, chlorine contact chamber, chemical feed station with scrubber system, two effluent river pump stations for offsite force main for pumping treated effluent to the Rio Grande River, two gravity thickeners, four aerobic digesters with mechanical sludge dewatering process (via 2-meter belt filter press unit that was added in July of 2010) and sludge disposal at a Dedicated Land Disposal (DLD) site of 137 Acres.

The wastewater system is subject to regulation by the EPA and the TCEQ with regards to operations of the facilities and the water quality of the wastewater plants' effluent.

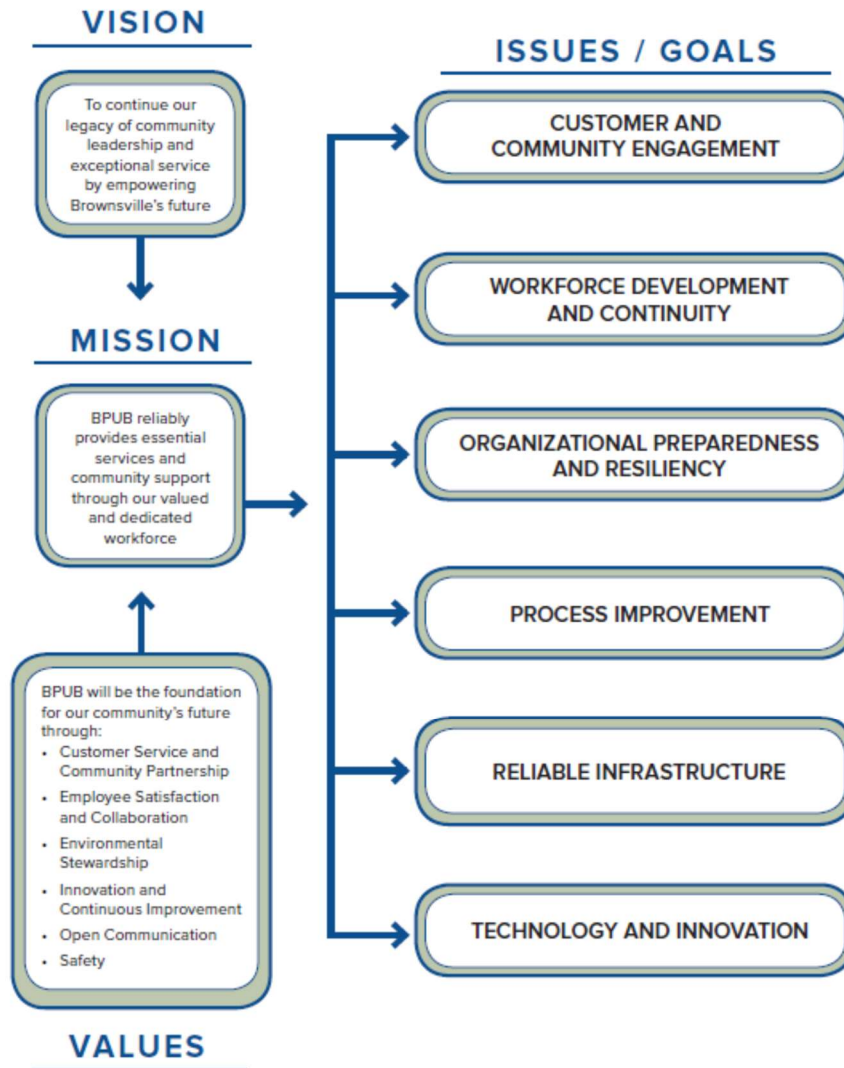
The Public Utilities Board has the authority to provide wastewater service both inside and outside the city limits. The Brownsville Navigation District owns and operates its own wastewater treatment facilities. There is no competition between the Public Utilities Board's wastewater system and the Brownsville Navigation District since the Brownsville Navigation District operates in defined areas in which the System has no wastewater lines.

Strategic Plan

During 2019, Brownsville PUB developed its 2019-2024 Strategic Plan to identify the key issues that would influence the utility's efforts over the next five years. The updated 2019-2024 Strategic Plan was adopted by the Board in September 2019. The plan supports the Public Utilities Board's legacy of community leadership and exceptional service.

The Public Utilities Board's Strategic Plan continues to promote strategies regarding our customers and community, the workforce, process improvements and reliable infrastructure that continue to be important areas in which to focus the utility's efforts. The issues identified in the 2019-2024 Strategic Plan will support the Public Utilities Board's Mission Statement to reliably provide essential services and community support through our valued and dedicated workforce.

The following summarizes of each of the Public Utilities Board's six priority issues/goals as identified in the Strategic Plan for implementation:



ECONOMIC CONDITIONS AND OUTLOOK

The City is the county seat of Cameron County. It is the southernmost city in Texas and the largest city in the Lower Rio Grande Valley. In Texas, Brownsville is second only to San Antonio in historical significance. Its location is attractive, since it is the closest to the major tourism and business travel attractions of the area: South Padre Island, Mexico, and the Gladys Porter Zoo, rated as one of the ten best zoos in the United States. Brownsville is also one of the top five cities in Texas as a destination location.

The City is located about 25 miles inland from the Gulf of Mexico on the north bank of the Rio Grande River directly across from Matamoros, Mexico, which it joins by three international bridges. The City serves as a trade center for much of the Lower Rio Grande Valley.

Based on U.S. Census Bureau historical data, Brownsville's estimated population for 2020 was 188,517. The demographics of Brownsville's population can be summed up as young and fast growing. The median age is 31.1 years versus a national average of 38.5 years. About 30.4% of all persons in the City are younger than 18 years of age.

Reporting Entity

A basis for preparing the CAFR for the Public Utilities Board was the identification of the reporting entity. A component unit was considered to be part of the Public Utilities Board's reporting entity when it was concluded that the Public Utilities Board was financially accountable for the entity or the nature and significance of the relationship between the Public Utilities Board and the entity was such that exclusion would cause the Public Utilities Board's financial statements to be misleading or incomplete.

The reporting entity of the Public Utilities Board consists of the primary government and a blended component unit, Southmost Regional Water Authority. The Authority is a conservation and reclamation district created pursuant to Article XVI, Section 59, of the Texas Constitution and the Act of June 12, 1981, 67th Leg., Ch. 511, 1981 Tex. Gen. Laws 2196. The Authority provides treated water to various areas of Cameron County.

Major Initiatives

Annex Building

The Public Utilities Board broke ground in September 2019 on a new Administration Building Annex adjacent to the existing Administration Building. The new building will house the following departments: Accounting, Electric Engineering, Energy Control Center Operations, Energy Efficiency & Conservation, Finance, Geographic Information Systems (GIS), Information Technology, Internal Audit, Key Accounts Marketing, SCADA & Electrical Support Services, and Water & Wastewater Engineering.

Rio Grande Distribution Substation Upgrade

The Power Plant Distribution Substation that serves southwest Brownsville is more than 45 years old. On September 25, 2020, the Rio Grande Distribution Substation was energized. This new 138/12.5kV substation will now serve customers in southwest Brownsville and will eventually replace all the load from the Power Plant Distribution Station. With new equipment and the latest engineering design features, the new Rio Grande Substation will provide improved capacity and reliability to the Public Utilities Board customers for years to come.

Airport Substation Upgrade

A portion of the existing Airport Substation is currently operating with 69kV equipment that was not replaced during the 2006-2007 69kV-138kV Public Utilities Board's Conversion Project. Maintenance of this substation is challenging due to the difficulty in acquiring parts for obsolete equipment and thus, reliability is affected. The consultant, ESC Engineering, is working with the Engineering Department on finalizing the specifications, design, and procurement packages. This upgrade will improve the reliability and maintenance of the station. The tentative construction schedule is the third quarter of FY 2021.

Brownsville Airport Electric Utility Improvements

As part of the City of Brownsville's New Airport Passenger Terminal Project, the Public Utilities Board agreed to provide \$1.1 million of in-kind funding for electric utility system improvements. The majority of the project requires the conversion of overhead utilities to underground. About 95% of

the conversion construction was completed in FY 2020 with the remaining to be completed in the first quarter of FY 2021.

Loma Alta Substation Interconnection with Sharyland Stillman Station

On February 13, 2020, the 138kV transmission line to interconnect the Public Utilities Board's Loma Alta Substation with Sharyland Utilities Stillman Station was energized. The Sharyland / Public Utilities Board's interconnection at the Stillman Substation will provide the Public Utilities Board's Electric System with increased reliability and switching options via the Stillman Station's new transmission bus (breaker and a half), modern protection relays, and associated equipment. Furthermore, the 138kV transmission lines between the Public Utilities Board's Price Road and Water Port Substations will also interconnect with the Stillman Station. These additional interconnections are tentatively scheduled to be completed in the 4Q of FY 2021.

New Two Million Gallon Elevated Storage Tank to Replace the Southmost and University of Texas Rio Grande Valley (UTRGV) Elevated Storage Tanks

The existing one-million gallon elevated storage tanks on Southmost Road and at UTRGV, constructed in 1969, are in poor structural condition and beyond their useful life. The Southmost tank was demolished during fiscal year 2018, and the UTRGV tank will be demolished in fiscal year 2022. The Public Utilities Board will construct a new two-million gallon composite elevated storage tank to replace the two tanks and maintain adequate water system capacity, as well as pressure in the water distribution system, for an estimated cost of \$3.9 million.

Raw Water Pump Station Improvements

The existing Raw Water Pump Station was built circa 1930 with much of the original equipment remaining in use. This pump station serves as the main raw water source for the Public Utilities Board, by pumping raw water from the Rio Grande and discharges into the storage reservoir behind Water Treatment Plant No. 1. The Brownsville Public Utilities Board proposes to commence engineering design services for a new raw water pump station in FY 2021 with construction to commence in FY 2023.

Resaca Restoration Project

Resacas are former distributaries of the Rio Grande River. They now serve as urban waterways throughout the City of Brownsville. The central focus of the Resaca Restoration Project involves the removal of accumulated bottom sediments through dredging, which will increase both the depths and storage capacity of the resacas. It is anticipated that the depths of most resacas will be restored from less than two (2) feet in some areas up to eight (8) feet in others. Plans for dredging the resacas have been designed to improve water quality, promote erosion control and bank stabilization, while also improving habitat conditions for fish and other aquatic wildlife. During rainy seasons or hurricanes, the dredged resacas will provide better flood control by storing flood waters that otherwise could inundate adjacent developments.

The project scope was implemented in phases. Phase I included dredging several segments of the Town Resaca system. These segments included the City Cemetery resaca, Dean Porter Park resaca, the Gladys Porter Zoo resaca, and the Resaca Boulevard resaca. Phase I work began on March 2013 and was completed on September 2016. The Public Utilities Board contributed \$14.35 million in equipment and other costs and O&M funding for staff, engineering and other services for the dredging of the Phase I resacas. Phase II site dredging began on September 2017 and is currently

underway. The Public Utilities Board has contributed a total of \$18.03 million to the restoration effort through September 2020.

In August 2015, the Public Utilities Board partnered with the U.S. Army Corps of Engineers on a City-wide ecosystem restoration feasibility study of the three resaca systems within the City of Brownsville. The feasibility study and environmental assessment was completed on August 2018. The study findings are recommending resaca improvements totaling \$207,164,000 over a 16-year period at a 65/35 (federal/non-federal) cost share.

LONG-TERM FINANCIAL PLANNING

The Public Utilities Board's current electric, water, and wastewater capital improvement plan identifies projects for a five-year period ending September 30, 2025. The electric capital improvement plan identifies approximately \$94.0 million in generation, transmission, distribution, general and facilities projects of which \$36.8 million are projected to be debt financed. The water capital improvement plan identifies approximately \$73.2 million in projects, of which approximately 72.4% are projected to be debt financed while the wastewater capital improvement plan identifies approximately \$63.0 million in projects, of which approximately 87.6% are projected to be debt financed.

CASH MANAGEMENT POLICIES AND PRACTICES

As required by the provisions of Chapter 2256 of the Texas Government Code, the Public Utilities Board updates its Investment Policy annually. A primary objective of the Public Utilities Board's Cash and Investment Program is the safety and preservation of the principal. The Investment Policy authorizes the Public Utilities Board to invest in treasury notes, agencies and instrumentalities, and other investments guaranteed by the U.S. Treasury or the State of Texas, or investments rated by a national rating company at "A" or better. The Investment Policy also authorizes investments in local government investment pools and in certificates of deposit issued by banks across the United States that are FDIC insured. Investments are made only with certified brokers/dealers as required by the Investment Policy.

During FY 2020, the Public Utilities Board's cash portfolio earned an average yield of 1.16%. The Public Utilities Board's cash deposits at September 30, 2020, were entirely covered by the Federal Deposit Insurance Corporation or were secured by collateral held by the Bank of New York Mellon in the Public Utilities Board's name, pursuant to the Public Utilities Board's Investment Policy and its Depository Agreement.

AWARDS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Public Utilities Board for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2019. This was the fourteenth consecutive year that the Public Utilities Board has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated services of the entire staff of the Public Utilities Board's Finance Division. Each member of this division has our sincere appreciation for the contributions made in the preparation of this report.

We would also like to acknowledge the support of the Board for its continuing interest in the development of a strong financial system to serve the customers of the Public Utilities Board.

Respectfully submitted,



Miguel A. Perez

Acting Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Public Utilities Board
of the City of Brownsville, Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

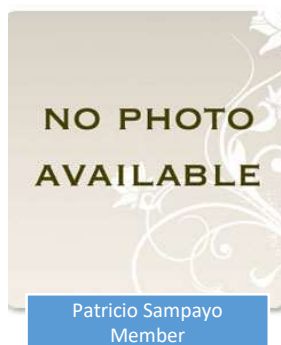
September 30, 2019

Christopher P. Morill

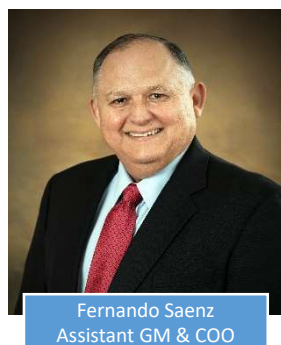
Executive Director/CEO

PRINCIPAL OFFICIALS

~ Board Members ~



~ Board Administration ~



~ Consultants and Advisors ~

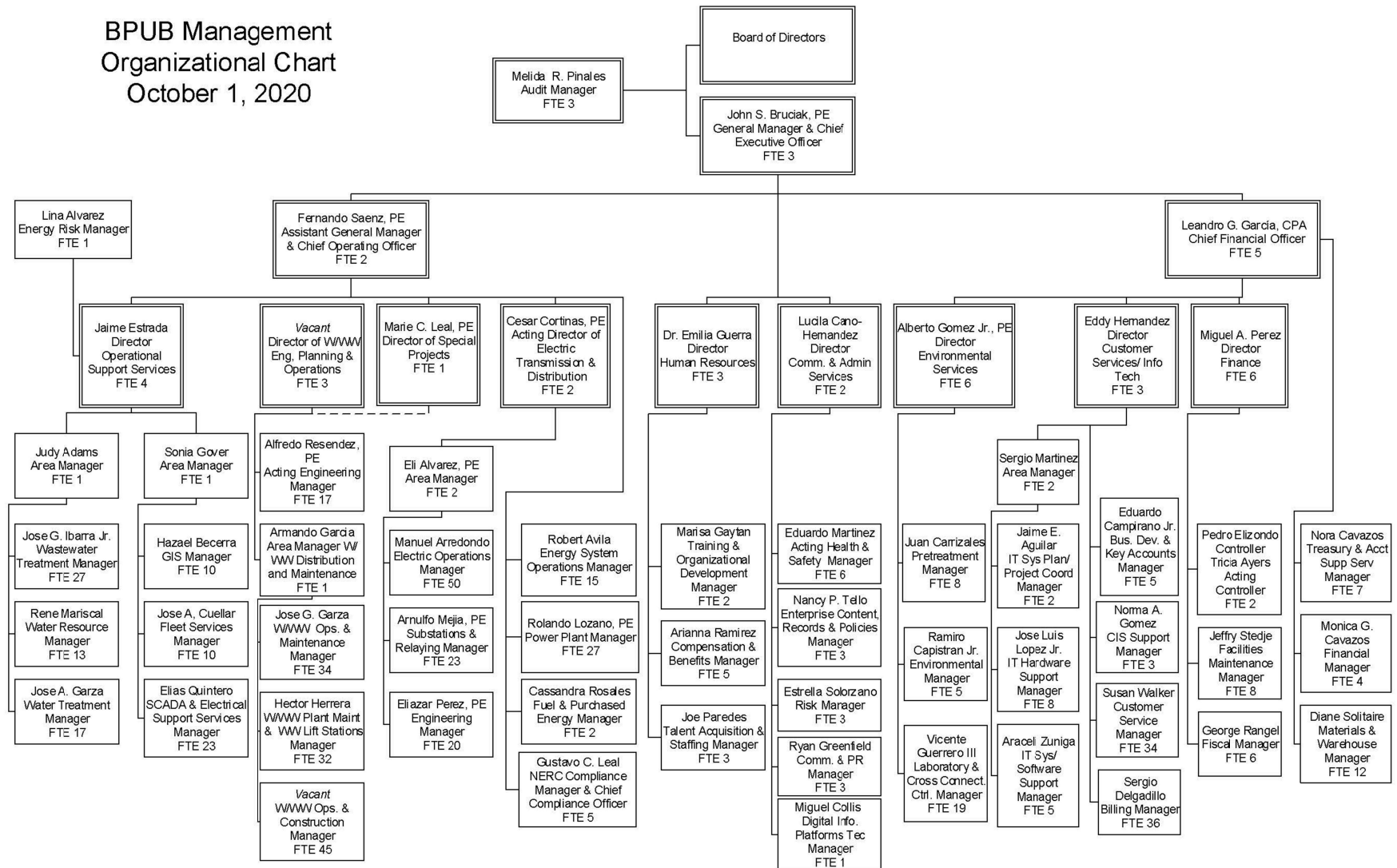
Davidson Troilo Ream & Garza, PC
San Antonio, Texas

Baker Tilly US, LLP
Austin, Texas

Orrick, Herrington & Sutcliffe, LLP
Houston, Texas

Estrada Hinojosa & Company, Inc.
Dallas, Texas

BPUB Management Organizational Chart October 1, 2020



FINANCIAL SECTION

- ❖ *Independent Auditors' Report*
- ❖ *Management's Discussion and Analysis (Unaudited)*
- ❖ *Financial Statements*
- ❖ *Notes to the Financial Statements*
- ❖ *Required Supplementary Information*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Brownsville Public Utilities Board
Brownsville, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Brownsville Public Utilities Board, a component unit of the City of Brownsville, Texas, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Brownsville Public Utilities Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Brownsville Public Utilities Board'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 Brownsville Public Utilities Board'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brownsville Public Utilities Board as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated February 1, 2021 on our consideration of the Brownsville Public Utilities Board'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 Brownsville Public Utilities Board 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 Brownsville Public Utilities Board's internal control over financial reporting and compliance.



Austin, Texas
February 1, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)

This section of the Public Utilities Board of the City of Brownsville, Texas’ (Public Utilities Board) annual financial report presents management’s analysis of its financial performance during the fiscal years that ended on September 30, 2020 and 2019. Please read it in conjunction with the financial statements that follow this section.

Overview of Annual Financial Report

The financial statements report information about the Public Utilities Board using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include the statements of net position, the statements of revenues, expenses, and changes in net position, the statements of cash flows, and the notes to the financial statements.

The Statements of Net Position present the financial position of the Public Utilities Board on a full accrual, historical cost basis. The Statements of Net Position present information on all of the Public Utilities Board’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Public Utilities Board is improving or deteriorating.

While the Statements of Net Position provide information about the nature and amount of resources and obligations at year-end, the Statements of Revenues, Expenses, and Changes in Net Position present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the 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 the related cash flows. This statement also provides certain information about the Public Utilities Board’s recovery of its costs.

The Statements of Cash Flows present changes in cash and cash equivalents, resulting from operating, non-capital financing, and capital and related financing, and investing activities. These statements present cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Public Utilities Board’s accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events.

Financial Analysis

The following condensed financial information and other selected information serve as the key financial data and indicators for management monitoring and planning.

Financial Condition

One of the most important questions asked about the Public Utilities Board’s finances is, “Is the Public Utilities Board, as a whole, better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Public Utilities Board’s activities in a way that will help answer this question. These two statements report the net position of the Public Utilities Board and changes in them. Increases or decreases in net position over time is a useful indicator of whether the Public Utilities Board’s financial health is improving or deteriorating.

The Public Utilities Board’s assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$480.1 million at the close of fiscal year 2020. Total net position increased by \$10.3 million or 2.2%

compared to the previous fiscal year. The increase in net position is a good indicator of the Public Utilities Board's overall financial health.

Net position in investment in capital assets totaled \$298.3 million and \$301.9 million for fiscal years 2020 and 2019, respectively. The restricted net position of \$153.8 million and \$154.4 million for fiscal years 2020 and 2019, respectively, is subject to external restrictions on how it may be used. The remaining balances of unrestricted net position, totaling \$28.0 million and \$13.5 million for fiscal years 2020 and 2019, respectively, may be used to meet the Public Utilities Board's ongoing obligations. The Public Utilities Board's changes in net position are further analyzed in Table A-1 and Table A-2.

While affordability is always a concern, the rate increases implemented will allow the Public Utilities Board to continue investing in core service areas including energy reliability, water quality, and wastewater treatment services.

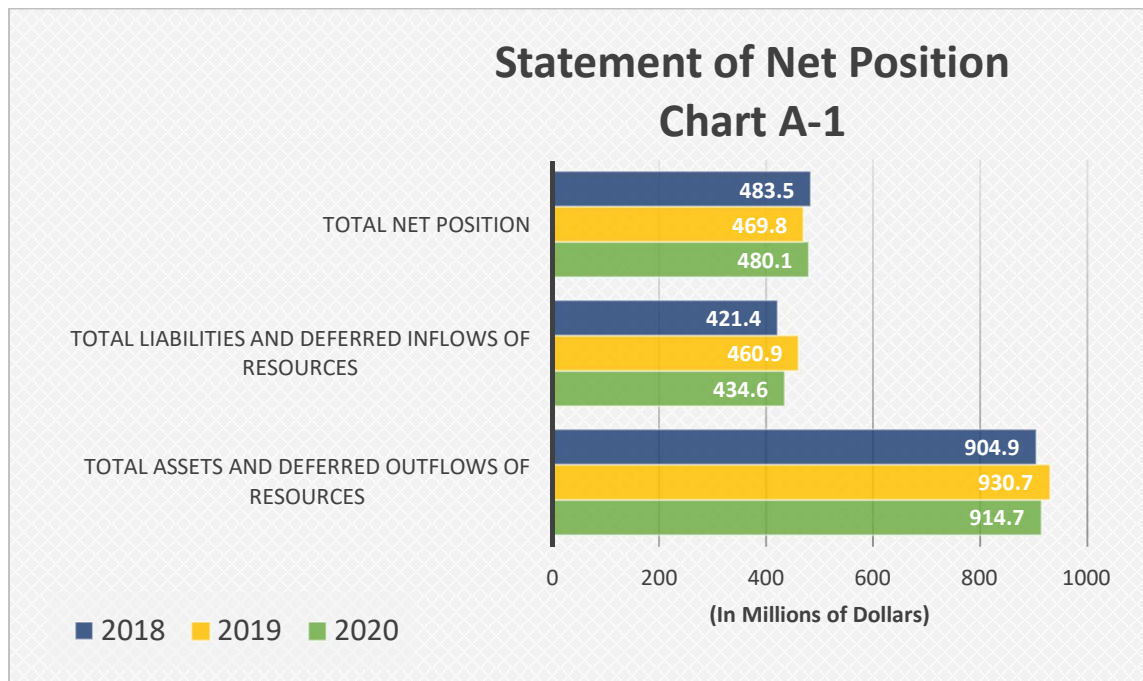
Net Position

A summary of the Public Utilities Board's Statements of Net Position is presented in Table A-1.

TABLE A-1
STATEMENTS OF NET POSITION
September 30, 2020, 2019 and 2018
(In millions of dollars)

	2020	2019	2018	Change		Change	
				2020 vs. 2019		2019 vs. 2018	
Current assets	\$ 147.5	\$ 134.9	\$ 120.0	\$ 12.6	9.3%	\$ 14.9	12.4%
Non-current assets	148.2	145.8	123.4	2.4	1.6%	22.4	18.2%
Capital assets	587.6	617.0	637.1	(29.4)	-4.8%	(20.1)	-3.2%
Total assets	883.3	897.7	880.5	(14.4)	-1.6%	17.2	2.0%
Deferred outflows of resources	31.4	33.0	24.4	(1.6)	-4.9%	8.6	35.2%
Total assets plus deferred outflows of resources	914.7	930.7	904.9	(16.0)	-1.7%	25.8	2.9%
Current liabilities	56.7	91.2	69.3	(34.5)	-37.8%	21.9	31.6%
Long-term liabilities	366.4	345.3	345.4	21.1	6.1%	(0.1)	0.0%
Total liabilities	423.1	436.5	414.7	(13.4)	-3.1%	21.8	5.3%
Deferred inflows of resources	11.5	24.4	6.7	(12.9)	-52.9%	17.7	264.2%
Total liabilities plus deferred inflows of resources	434.6	460.9	421.4	(26.3)	-5.7%	39.5	9.4%
Net position:							
Investment in capital assets	298.3	301.9	323.3	(3.6)	-1.2%	(21.4)	-6.6%
Restricted	153.8	154.4	149.4	(0.6)	-0.4%	5.0	3.3%
Unrestricted	28.0	13.5	10.8	14.5	107.4%	2.7	25.0%
Total net position	\$ 480.1	\$ 469.8	\$ 483.5	\$ 10.3	2.2%	\$ (13.7)	-2.8%

A graphic summary of the Public Utilities Board's Statements of Net Position is presented in Chart A-1 below.

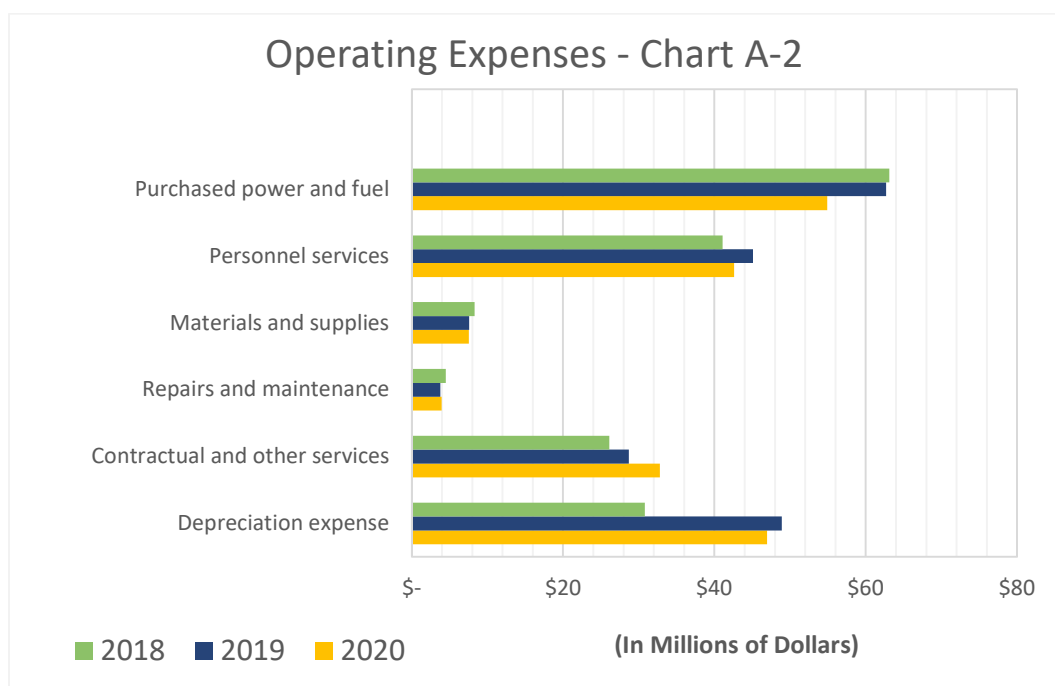


The Public Utilities Board's net position as of September 30, 2020, increased by \$10.3 million or 2.2% from FY 2019. The increase in FY 2020 from prior year is primarily attributed to recognition of the gain on retirement of assets, although the Public Utilities Board did record accelerated depreciation on the Oklaunion Plant of \$19.5 million. Net position for FY 2019 decreased from FY 2018 by \$13.7 million, or 2.8%. The decrease in FY 2019 from prior year are attributed to accelerated depreciation of \$17.1 million on the Oklaunion Plant and a write-off of pre-development costs of \$9.3 million for the cancelled Tenaska Power Plant project.

The following is a tabular summarization of the Statement of Revenues, Expenses, and Changes in Net Position followed by a graphic summary of operating expenses.

TABLE A-2
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For Fiscal Years Ended September 30, 2020, 2019 and 2018
(In millions of dollars)

	2020	2019	2018	Change		Change	
				2020 vs. 2019		2019 vs. 2018	
Operating revenues - sales	\$ 198.5	\$ 206.3	\$ 193.7	\$ (7.8)	-3.8%	\$ 12.6	6.5%
Investment and interest income	2.6	5.2	3.3	(2.6)	-50.0%	1.90	57.6%
Gain on retirement of assets	17.3	-	-	17.3	100.0%	-	0.0%
Gain on disposition of capital assets	-	-	0.3	-	0.0%	(0.3)	-100.0%
Non-operating revenue	-	2.1	1.3	(2.1)	-100.0%	0.8	61.5%
Total revenues	218.4	213.6	198.6	4.8	2.2%	15.0	7.6%
Purchased power and fuel	54.9	62.7	63.1	(7.8)	-12.4%	(0.4)	-0.6%
Personnel services	42.6	45.1	41.1	(2.5)	-5.5%	4.0	9.7%
Materials and supplies	7.5	7.6	8.3	(0.1)	-1.3%	(0.7)	-8.4%
Repairs and maintenance	3.9	3.8	4.5	0.1	2.6%	(0.7)	-15.6%
Contractual and other services	32.8	28.7	26.1	4.1	14.2%	2.6	10.0%
Depreciation expense	47.0	48.9	30.8	(1.9)	-3.9%	18.1	58.8%
Interest expense	12.0	12.8	13.3	(0.8)	-6.3%	(0.5)	-3.8%
Loss on disposition of capital assets	0.1	0.9	-	(0.8)	-88.9%	0.9	100.0%
Non-operating expense	0.5	-	-	0.5	0.0%	-	0.0%
Project abandonment	-	9.3	-	(9.3)	-100.0%	9.3	100.0%
Other payments to the City of Brownsville	2.3	-	-	2.3	100.0%	-	200.0%
Payments to the City of Brownsville	11.2	11.9	11.1	(0.7)	-5.9%	0.8	7.2%
Total expenses	214.8	231.7	198.3	(16.9)	-7.3%	33.4	16.8%
Changes in net position before capital contributions	3.6	(18.1)	0.3	21.7	-119.9%	(18.4)	-6133.3%
Capital contributions	6.7	4.4	6.9	2.3	52.3%	(2.5)	-36.2%
Change in net position	10.3	(13.7)	7.2	24.0	-175.2%	(20.9)	-290.3%
Beginning net position	469.8	483.5	476.3	(13.7)	-2.8%	7.2	1.5%
Ending net position	\$ 480.1	\$ 469.8	\$ 483.5	\$ 10.3	2.2%	\$ (13.7)	-2.8%



While the Statements of Net Position show the yearly change in financial position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes. For fiscal year 2020, the Public Utilities Board experienced a decrease in operating revenues from prior year of \$7.8 million due primarily to a decrease in wholesale electric sales, while water and wastewater revenues increased only slightly from prior year. Investment earnings decreased \$2.6 million from fiscal year 2019. Capital contributions increased by \$2.3 million from the prior year. Gain on sale of retirement of assets resulted in \$17.3 million.

Operating expenses decreased overall from fiscal year 2019 by \$8.0 million. Repairs and maintenance and Contractual and other services were the only two categories with increases from 2019 by \$0.1 million and \$4.1 million, respectively. Purchased power and fuel expenses decreased from prior year by \$7.8 million. Personnel services decreased by \$2.5 million. Other operating expense changes from prior year were minimal. Overall, the Public Utilities Boards net position decreased by \$4.7 million in 2020.

For fiscal year 2019, the Public Utilities Board experienced an increase in operating revenues from prior year of \$12.6 million due primarily to an increase in wholesale electric sales. Investment earnings increased \$1.9 million from fiscal year 2018. Other revenue increased from prior year by \$0.8 million. Capital contributions decreased slightly by \$2.5 million from the prior year.

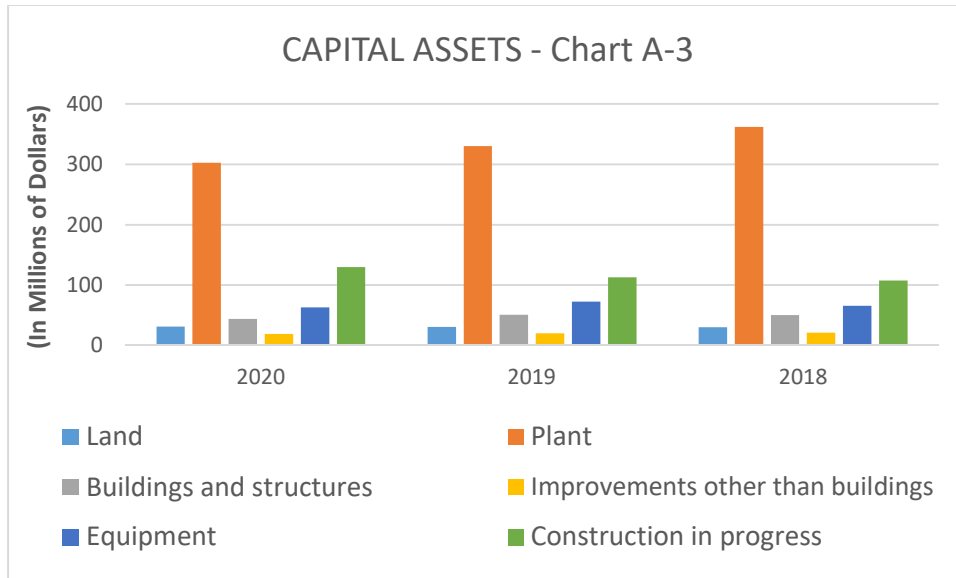
Operating expenses increased overall from fiscal year 2018 by \$22.8 million. Most of the increased expense is due to accelerated depreciation of \$17.1 million the Oklaunion Plant and a write-off of pre-development costs of \$9.3 million for the cancelled Tenaska Power Plant project. Purchased power and fuel expenses remained nearly steady with just a \$0.4 million decrease. Personnel services and contractual and other services increased by \$4.0 and \$2.6 million respectively. In fiscal year 2019, a loss on disposition of capital assets was recorded at \$0.9 million, in comparison to the gain on disposition of capital assets recorded in prior year of \$0.3 million. Overall, the Public Utilities Boards net position decreased by \$13.7 million in 2019.

Capital Assets

At the end of 2020 and 2019, the Public Utilities Board's net capital assets in Table A-3 of \$587.6 million and \$617.0 million, respectively. This represents a 4.8% or a \$29.4 million decrease, and a 3.2% or a \$20.1 million decrease, respectively, for fiscal year 2020 and 2019. Due to the upcoming Oklaunion Plant closure, the Public Utilities Board has segregated \$22.7 million of capital assets on the Statement of Net Position as Assets held for sale. For more details on the Oklaunion Plant closure, see Note 5 – Joint Operations.

TABLE A-3
CAPITAL ASSETS
September 30, 2020, 2019 and 2018
(In millions of dollars)

	2020	2019	2018	Change		Change	
				2020 vs. 2019		2019 vs. 2018	
Land	\$ 31.4	\$ 30.6	\$ 30.2	\$ 0.8	2.6%	\$ 0.4	1.3%
Plant	681.6	765.4	764.1	(83.8)	-10.9%	1.3	0.2%
Buildings and structures	78.9	94.9	92.3	(16.0)	-16.8%	2.6	2.8%
Improvements other than buildings	48.0	48.1	48.5	(0.1)	-0.2%	(0.4)	-0.8%
Equipment	140.0	144.8	134.0	(4.8)	-3.3%	10.8	8.1%
Construction in progress	129.9	112.7	107.5	17.2	15.3%	5.2	4.8%
Subtotal	1,109.8	1,196.5	1,176.6	(86.7)	-7.2%	19.9	1.7%
Less accumulated depreciation	(522.2)	(579.5)	(539.5)	57.3	-9.9%	(40.0)	7.4%
Net capital assets	<u>\$ 587.6</u>	<u>\$ 617.0</u>	<u>\$ 637.1</u>	<u>\$ (29.4)</u>	-4.8%	<u>\$ (20.1)</u>	-3.2%

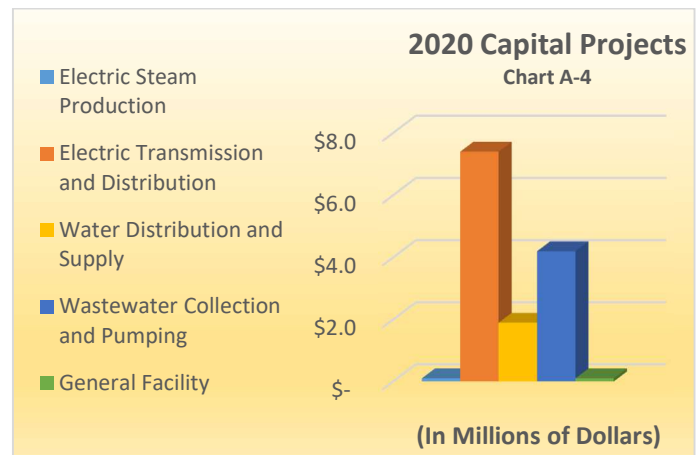


The following is a summary of some of the major improvements to the utility system during each fiscal year:

Project Category:

	2020
Electric Steam Production	\$ 0.1
Electric Transmission and Distribution	7.4
Electric General	0.0
Water Distribution and Supply	1.9
Wastewater Collection and Pumping	4.2
General Facility	0.1

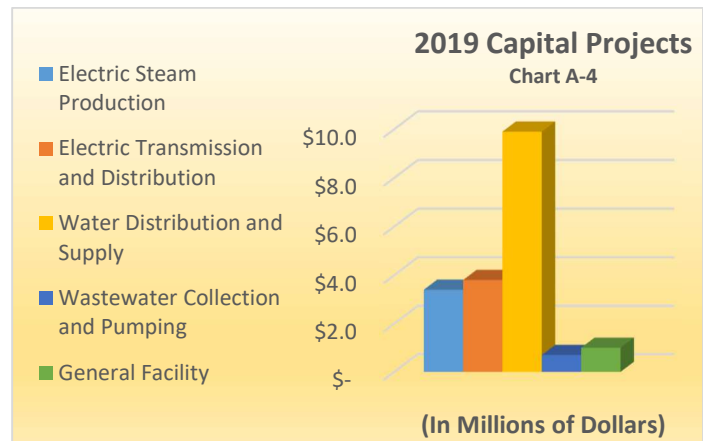
(Reported in millions of dollars)



Project Category:

	2019
Electric Steam Production	\$ 3.4
Electric Transmission and Distribution	3.8
Water Distribution and Supply	9.9
Wastewater Collection and Pumping	0.7
General Facility	1.0

(Reported in millions of dollars)



At September 30, 2020 and 2019, the Public Utilities Board had contractual obligations totaling approximately \$23,848,868 and \$38,860,092, respectively, for utility plant expansion and improvements. Funding of these amounts will come from available revenues of the Public Utilities Board and restricted funds.

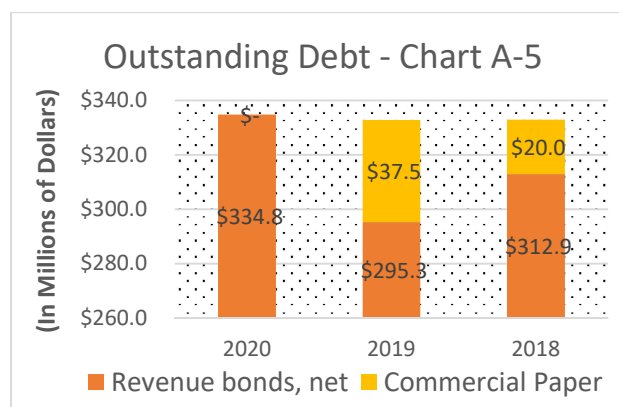
Additional information on the Public Utilities Board's capital assets can be found in Note 4 to the financial statements.

Debt Administration

The Public Utilities Board's outstanding debt is summarized as follows:

TABLE A-4
OUTSTANDING DEBT
September 30, 2020, 2019 and 2018
(In millions of dollars)

	2020	2019	2018
Revenue bonds, net	\$ 334.8	\$ 295.3	\$ 312.9
Commercial Paper	-	37.5	20.0
Total	<u>\$ 334.8</u>	<u>\$ 332.8</u>	<u>\$ 332.9</u>



Additional information on the Public Utilities Board's debt can be found in Notes 6 and 7 of this report.

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., has assigned short term insured ratings of AA. The Public Utilities Board underlying ratings on its senior lien debt are "A2", "A+" and "A+" by Moody's, Standard & Poor's, and Fitch Ratings, respectively.

Revenue bonds outstanding at September 30, 2020 and 2019 were \$296,400,000 and \$263,055,000, respectively. Interest on bonds is due semi-annually on March 1 and September 1, and the principal is due annually on September 1. Revenue bond debt service coverage for the Public Utilities Board's priority and second lien obligations was calculated at 2.94 and 3.16 times at September 30, 2020 and 2019, respectively.

On January 15, 2003, the Public Utilities Board sold \$76,400,000 variable rate demand bonds as series 2002A and 2002B Utility System Subordinate Lien Revenue and Refunding Bonds. The bonds' variable rate was synthetically fixed at 2.576% until 2008 utilizing a swap financing strategy. The City Commission of the City of Brownsville, Texas, authorized the execution of a Rate Cap Agreement effective September 1, 2006, through September 1, 2011, to give an insurance against increasing short term rates. The Public Utilities Board executed an agreement with an eligible provider for a notional amount of \$41,880,000 with an interest rate cap of 4.50%. The notional amount of the original swap decreased to \$10,830,000 effective September 1, 2006, provided a synthetic fixed rate of 2.576%. Proceeds from the sale of the bonds were used to retire currently outstanding revenue bonds, to build, improve, extend, enlarge, and repair the system, and to pay costs of issuance of the bonds. On August 24, 2005, the Public Utilities Board sold \$163,725,000 in tax exempt bonds and \$56,855,000 in taxable bonds as part of a major debt restructuring. The tax exempt bonds, Series 2005A, provided proceeds to refund \$50,890,000 in Series 1995 outstanding obligations, \$50,000,000 in Series 2001A and \$50,000,000 in Series 2001B variable rate outstanding obligations, and \$7,250,000 in outstanding commercial paper notes, and provided \$20,000,000 in new money bonds. The taxable bonds, Series 2005B, provided proceeds to defease \$27,420,000 in Series 1992 outstanding obligations and \$22,120,000 in Series 1995 outstanding obligations.

On December 1, 2006, the Public Utilities Board issued \$601,000 City of Brownsville, Texas Utilities System Junior Lien Revenue Bonds, Series 2007 for the purpose of building, improving, extending, enlarging, and repairing the City's utilities system and to pay costs of issuance of the bonds.

The Public Utilities Board issued \$77,805,000 in aggregate principal amount of Utilities System Revenue Refunding Bonds, Series 2008. The refunding bonds provided proceeds to defease \$40,000,000 of Commercial Paper Notes, Series 2004, \$32,285,000 of the Series 2002A Utility System Subordinate Lien Revenue and Refunding Bonds, and \$13,415,000 of the Series 2002B Utility System Subordinate Lien Revenue and Refunding Bonds.

On February 28, 2011, the Public Utilities Board issued \$12,305,000 in Utilities System Revenue Refunding Bonds, Series 2011. The refunding bonds provided proceeds to refund \$6,270,000 of Junior Lien Exchange Revenue Refunding Bonds, Series 2005A and \$5,980,000 of Junior Lien Exchange Revenue Refunding Bonds, Series 2005B.

On September 25, 2012, the Public Utilities Board issued \$20,690,000 in Utility System Revenue Refunding Bonds, Series 2012. The refunding bonds had a closing date of October 18, 2012, and the proceeds plus \$5,275,000 in issuer contributions were used to defease \$24,450,000 of Commercial Paper notes.

On October 1, 2012, the Public Utilities Board issued \$840,000 in Utility System Junior Lien Revenue Bonds, Series 2012. Proceeds from sale of the Obligations will be used for the purpose of funding construction improvements to the wastewater system on the FM 511 – 802 Colonia Project.

On May 1, 2013, the Public Utilities Board issued \$118,185,000 in Utilities System Revenue Refunding Bonds, Series 2013. The refunding bonds provided proceeds to refund \$109,985,000 of Utility System Improvement and Refunding Bonds, Series 2005A. In addition, the proceeds provided funds of \$11,818,500 to make a cash deposit into the Debt Service Reserve Fund.

On July 15, 2015, the Public Utilities Board issued \$94,770,000 in Utilities System Revenue Refunding Bonds, Series 2015. The bonds provided proceeds to refund \$49,060,000 of Series 2005A Revenue Improvement & Refunding Bonds, \$27,815,000 of Series 2005B Revenue Refunding Bonds and \$5,480,000 of Series 2011 Revenue Refunding Bonds. In addition, the proceeds provided funds to defease \$20,000,000 in outstanding Commercial Paper Notes.

On May 15, 2016, the Public Utilities Board issued \$39,410,000 in Utilities System Revenue Refunding Bonds, Series 2016. The bonds, plus a premium of \$7,705,681, provided proceeds to refund \$42,505,000 of the Series 2008 Revenue Refunding Bonds.

On July 1, 2018, the Public Utilities Board issued \$14,000,000 in Utilities System Revenue Refunding Bonds, Series 2018. The bonds, plus a premium of \$1,404,015, provided proceeds to refund \$14,980,000 of the Series 2007 Jr. Lien Revenue Bonds, Series 2008 Revenue Refunding Bonds, and a portion of Series 2012 Sr. Lien Revenue Refunding Bonds.

The Public Utilities Board's participation in the Southmost Regional Water Authority's (the Authority) desalination plant project was complete and operational during 2005. The Authority successfully issued \$30,975,000 in Water Supply Contract Revenue Bonds during fiscal year 2003 and has expended approximately 100.0% of bond proceeds in the construction of the desalination plant. The Series 2002 bonds were issued with insured ratings of "Aaa" and "AAA" by Moody's Investor Services and Fitch Ratings, respectively. The underlying ratings on the bonds are "A2" and "A" by Moody's and Fitch, respectively. The Public Utilities Board total interest in the project is 92.91%. The Authority is considered a blended component unit of the Public Utilities Board. As a participating owner, the Public Utilities Board is obligated to contribute its percentage allocation of the Authority's debt service obligations and annual system budget. The Public Utilities Board's total 2020 and 2019 contributions to the Authority were \$6,410,252 and \$6,417,779, respectively. The Public Utilities Board's participation in the Authority's desalination project provides the City with an alternate, long-term, drought-resistant source of drinking water.

The Authority issued \$9,950,000 in aggregate principal amount of Water Supply Contract Revenue Refunding Bonds, Series 2006. The refunding bonds provided proceeds to defease \$9,360,000 of the Series 2002 Revenue Bonds for the years 2019 and from 2028 through 2032.

On December 7, 2009, the Authority issued \$9,295,000 in Water Supply Contract Revenue Bonds, Series 2009A and \$3,795,000 in Water Supply Contract Revenue Bonds, Series 2009B through the Texas Water Development Board Drinking Water State Revolving Fund for the construction of a full scale Micro Filtration Pretreatment System. The objective of this project is to achieve compliance with both existing and future maximum contaminant levels for arsenic in public drinking water by constructing a full scale Micro Filtration Pretreatment System prior to entering the existing reverse osmosis treatment process. An additional need is to control and reduce iron levels to eliminate complaints of colored water. Project objectives also include an additional 1.0 million gallons per day of capacity through upgrading certain pumps within the existing well field and adding one additional reverse osmosis train.

On September 26, 2012, the Southmost Regional Water Authority issued \$13,530,000 in Water Supply Contract Revenue Refunding Bonds, Series 2012. The refunding bonds had a closing date of October 18, 2012, and the proceeds plus the bond premium were used to defease \$14,990,000 of the Series 2002 Revenue Bonds for the years 2013 through 2027.

On April 18, 2017, the Authority issued \$9,255,000 in Water Supply Contract Revenue Refunding Bonds, Series 2017. The refunding bond proceeds plus the bond premium of \$725,245 were used to defease \$9,715,000 of the Series 2006 Water Supply Contract Revenue Refunding Bonds for the years 2019 through 2032.

On July 29, 2020, the Public Utilities Board issued \$53,590,000 in aggregate principal amount of Utilities System Revenue Refunding Bonds, Series 2020. The refunding bond proceeds plus the bond premium of \$9,295,486 were used to defease \$12,105,000 of the Series 2012 Utilities System Senior Lien Revenue Refunding Bonds for the years 2026-2037, and \$50,000,000 of Commercial Paper Notes.

On July 29, 2020, the Public Utilities Board issued \$62,320,000 in aggregate principal amount of Utilities System Revenue Refunding Bonds, Series 2020A (Taxable). The refunding bond proceeds were used to defease \$54,480,000 of the Series 2013A Utilities System Revenue Refunding Bonds for the years 2027- 2031.

COVID-19 Global Pandemic

In response to national, state and local mandates, in March 2020, the Public Utilities Board ordered some employees to work remotely and reduced critical workforce onsite.

The Public Utilities Board continues to support its customers during the COVID-19 pandemic. The Public Utilities Board provided its customers with a temporary moratorium on shutoffs through September 2020 and temporary suspension of delayed payment charges. The Public Utilities Board is working proactively with customers to create payment arrangements for those who need them. The effects of the pandemic and economic contraction will likely result in an increase in the number of accounts treated as bad debt.

Potential impacts to the Public Utilities Board associated with COVID-19 include increased costs related to keeping customers and employees safe, supply chain disruptions, and disruptions to the local economy with corresponding decreases in utility revenue. The Public Utilities Board continues to evaluate the economic and financial impact that will result from these actions.

Request For Information

This financial report is designed to provide the reader with a general overview of the Public Utilities Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, P.O. Box 3270, Brownsville, TX 78523-3270. This report is available on the Public Utilities Board's website at www.brownsville-pub.com.

FINANCIAL STATEMENTS

- ❖ *Statements of Net Position*
- ❖ *Statements of Revenues, Expenses, and Changes in Net Position*
- ❖ *Statements of Cash Flows*

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Statements of Net Position

September 30, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash	\$ 26,994,421	\$ 11,422,405
Investments	28,376,644	40,147,048
Receivables:		
Fees and services, net of allowance for uncollectible accounts of \$893,248 and \$1,021,346 in 2020 and 2019, respectively	28,285,803	27,929,949
Intergovernmental	411,421	411,421
Accrued interest receivable	301,682	870,547
Contract receivable	15,000,000	-
Fuel cost under-recovery	1,578,272	4,056,112
Inventories	6,243,580	8,517,277
Prepays	976,308	662,650
Total current assets	<u>108,168,131</u>	<u>94,017,409</u>
Current restricted assets:		
Cash	48,383	9,000
Investments	39,273,595	40,847,170
Total restricted current assets	<u>39,321,978</u>	<u>40,856,170</u>
Total current assets	<u>147,490,109</u>	<u>134,873,579</u>
Non-current assets:		
Cash	3,048,955	1,087,112
Investments	119,938,881	120,433,786
Prepays	-	2,250,000
Contract receivable	-	20,000,000
Capital assets, net of accumulated depreciation	587,613,737	616,997,331
Assets held for sale	22,746,859	-
Bond issue costs and other assets	2,420,578	2,026,118
Total non-current assets	<u>735,769,010</u>	<u>762,794,347</u>
Total assets	<u>883,259,119</u>	<u>897,667,926</u>
Deferred Outflows of Resources		
Deferred charge on refunding	23,945,549	17,711,381
Deferred outflows related to pension	4,365,075	11,921,190
Deferred outflows related to OPEB	3,136,530	3,431,497
Total deferred outflows of resources	<u>31,447,154</u>	<u>33,064,068</u>
Total assets plus deferred outflows of resources	<u>\$ 914,706,273</u>	<u>\$ 930,731,994</u>

- Continued

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Statements of Net Position - Continued

September 30, 2020 and 2019

Liabilities	2020	2019
Current liabilities:		
Accounts payable	\$ 22,496,556	\$ 20,334,034
Accrued vacation and sick leave	5,845,116	6,925,511
Due to primary government	3,994,072	4,310,490
Self insurance worker's compensation claims	118,877	335,374
Total unrestricted current liabilities	<u>32,454,621</u>	<u>31,905,409</u>
Current liabilities payable from restricted assets:		
Accrued interest	926,807	1,043,882
Customer deposits	4,913,015	4,788,307
Current portion of revenue bonds payable	18,355,000	15,980,000
Commercial paper	-	37,500,000
Total current liabilities payable from restricted assets	<u>24,194,822</u>	<u>59,312,189</u>
Total current liabilities	<u>56,649,443</u>	<u>91,217,598</u>
Non-current liabilities:		
Revenue bonds payable net of unamortized premium	316,423,606	279,325,462
Other post-employment benefits	23,461,920	27,443,626
Net pension liability	26,288,017	38,520,098
Self insurance worker's compensation claims	275,453	23,701
Total non-current liabilities	<u>366,448,996</u>	<u>345,312,887</u>
Total liabilities	<u>423,098,439</u>	<u>436,530,485</u>
Deferred Inflows of Resources		
Deferred inflows - other	-	22,250,000
Deferred inflows related to pension	6,020,188	1,260,951
Deferred inflows related to OPEB	5,462,731	866,931
Total deferred inflows of resources	<u>11,482,919</u>	<u>24,377,882</u>
Total liabilities plus deferred inflows of resources	<u>434,581,358</u>	<u>460,908,367</u>
Net position:		
Investment in capital assets	298,269,059	301,903,252
Restricted for:		
Debt service	17,302,070	16,767,220
Repair and replacement	104,187,325	102,944,548
Operating reserve	17,078,367	17,000,564
Fuel adjustment subaccount	10,975,000	13,375,000
Capital projects	3,756,691	3,788,793
Meter deposits	602,373	534,995
Unrestricted	27,954,030	13,509,255
Total net position	<u>480,124,915</u>	<u>469,823,627</u>
Total liabilities plus deferred inflows of resources plus net position	<u>\$ 914,706,273</u>	<u>\$ 930,731,994</u>

See accompanying notes to financial statements.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Statements of Revenues, Expenses, and Changes in Net Position

For the Fiscal Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Sales and service charges	\$ 223,461,644	\$ 232,301,197
Less Rate Stabilization	(20,400,000)	(21,500,000)
Less utilities service to the City of Brownsville, Texas	(4,570,832)	(4,488,098)
Total operating revenues	<u>198,490,812</u>	<u>206,313,099</u>
Operating expenses:		
Purchased power and fuel	54,922,676	62,712,666
Personnel services	42,600,179	45,043,072
Materials and supplies	7,548,777	7,582,722
Repairs and maintenance	3,949,001	3,782,604
Contractual and other services	32,785,887	28,735,424
Depreciation	46,971,872	48,889,835
Total operating expenses	<u>188,778,392</u>	<u>196,746,323</u>
Operating income	<u>9,712,420</u>	<u>9,566,776</u>
Nonoperating revenues (expenses):		
Investment and interest income	2,639,908	5,183,994
Interest expense	(11,969,522)	(12,779,726)
Gain on retirement of assets	17,250,000	-
Gain (loss) on disposition of capital assets	(103,937)	(927,013)
Other	(513,241)	2,069,896
Project abandonment	-	(9,341,284)
Other payments to the City of Brownsville	(2,250,000)	-
Payments to City of Brownsville	(11,170,348)	(11,878,222)
Net nonoperating revenues (expenses)	<u>(6,117,140)</u>	<u>(27,672,355)</u>
Income before capital contributions	3,595,280	(18,105,579)
Capital contributions	<u>6,706,008</u>	<u>4,399,709</u>
Change in net position	<u>10,301,288</u>	<u>(13,705,870)</u>
Net position, beginning of year	<u>469,823,627</u>	<u>483,529,497</u>
Net position, end of year	<u>\$ 480,124,915</u>	<u>\$ 469,823,627</u>

See accompanying notes to financial statements.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Statements of Cash Flows

For the Fiscal Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 200,883,946	\$ 204,002,921
Cash payments to suppliers for goods and services	(97,247,290)	(105,927,992)
Cash payments to employees for services	<u>(42,755,396)</u>	<u>(44,485,610)</u>
Net cash provided by operating activities	<u>60,881,260</u>	<u>53,589,319</u>
Cash flows from non-capital financing activities:		
Required payments to City of Brownsville	(11,486,766)	(10,843,750)
Additional payment to City of Brownsville	<u>-</u>	<u>(2,250,000)</u>
Net cash used in non-capital financing activities	<u>(11,486,766)</u>	<u>(13,093,750)</u>
Cash flows from capital and related financing activities:		
Commercial paper proceeds	12,500,000	17,500,000
Principal paid on capital debt - bond issues	(15,980,000)	(15,295,000)
Additional deposit to defease debt	(1,410,637)	-
Interest paid on capital debt	(10,675,960)	(12,821,952)
Capital contributions	1,974,441	1,822,926
Acquisition and construction of capital assets	<u>(35,276,753)</u>	<u>(26,223,277)</u>
Net cash used in capital and related financing activities	<u>(48,868,909)</u>	<u>(35,017,303)</u>
Cash flows from investing activities:		
Interest received	3,208,772	4,978,145
Purchases of investment securities	(469,760,138)	(545,707,641)
Proceeds from sales of investment securities	<u>523,045,471</u>	<u>539,150,902</u>
Net cash provided by (used in) investing activities	<u>56,494,105</u>	<u>(1,578,594)</u>
Net increase in cash and cash equivalents	57,019,690	3,899,672
Cash and cash equivalents, beginning of year	<u>79,957,826</u>	<u>76,058,154</u>
Cash and cash equivalents, end of year	\$ <u><u>136,977,516</u></u>	\$ <u><u>79,957,826</u></u>

- Continued

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Statements of Cash Flows - Continued

For the Fiscal Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,712,420	\$ 9,566,776
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	46,971,872	48,889,835
Non-operating expense	(1,688,726)	(8,917,391)
Provisions for uncollectible accounts	(128,098)	29,075
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	4,772,244	(22,187,893)
(Increase) decrease in inventory	1,015,217	1,304,168
(Increase) decrease in prepaids	(313,665)	86,595
Increase (decrease) in accounts payable and accrued liabilities	(13,188,047)	21,094,030
Increase (decrease) in unearned revenues	(228)	(1,917)
Increase (decrease) in accrued vacation and sick leave	(1,080,396)	(137,791)
Increase (decrease) in fuel cost recovery	2,477,840	(4,274,924)
Increase (decrease) in customer deposits liability	124,708	268,081
Changes in deferred inflows of resources	4,355,037	17,877,740
Changes in deferred outflows of resources	7,851,082	(10,007,065)
Net cash provided by operating activities	\$ <u>60,881,260</u>	\$ <u>53,589,319</u>
Non-cash investing, capital, and financing activities:		
Contribution in aid of construction	\$ 4,731,567	\$ 2,576,783
Bond proceeds to refund commercial paper	50,000,000	-
Bond proceeds deposited into escrow for refunding long-term debt	74,588,645	-
Amortization	1,175,485	778,223
Changes in fair value	(13,612)	431,356
Reconciliation of cash and cash equivalents per Statements of Cash Flows to the Statements of Net Position:		
Cash and cash equivalents:		
Cash	\$ 30,091,759	\$ 12,518,517
Short-Term Investments and Money Market Mutual Funds	<u>106,885,757</u>	<u>67,439,309</u>
Total Cash and Cash Equivalents	\$ <u>136,977,516</u>	\$ <u>79,957,826</u>

See accompanying notes to the financial statements.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements
September 30, 2020 and 2019

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PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements
September 30, 2020 and 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies employed in the preparation of these financial statements.

The Reporting Entity – The Public Utilities Board of the City of Brownsville, Texas (Public Utilities Board), a component unit of the City of Brownsville, Texas (City), was formed in 1960 to provide electric, water, and wastewater services to its customers in the Brownsville area. The financial statements of the Public Utilities Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Public Utilities Board is a component unit of the City of Brownsville, Texas, based upon the selection of the governing authority. It is a separate operating authority established by the City's charter. Its purpose is to own, operate, and maintain a combined utilities system which provides the City and certain adjacent unincorporated areas with electricity, water, and wastewater services. The specific elements of oversight responsibility of the Public Utilities Board is that the City Commission appoints six of the seven-member governing board and the Mayor of the City serves Ex-Officio as the seventh member. Each appointed board member serves a four-year term. The Public Utilities Board does not have the right to encumber, sell, or hypothecate the utilities system. The specific elements of accountability for fiscal matters are that the City Commission is vested with the right to set utility rates and approve the issuance of debt. The financial statements presented here are also included in the Comprehensive Annual Financial Report of the City of Brownsville, Texas.

Southmost Regional Water Authority

The reporting entity of the Public Utilities Board consists of the primary government (in this case, the Public Utilities Board) and a blended component unit, Southmost Regional Water Authority (the Authority). The Authority is a conservation and reclamation district created pursuant to Article XVI, Section 59, of the Texas Constitution and the Act of June 12, 1981, 67th Leg., Ch. 511, 1981 Tex. Gen. Laws 2196. The Authority is reported as a blended component unit because the Public Utilities Board manages the day-to-day operations and owns 92.91% of the Authority entitling it to 92.91% of the total water allocation.

The Authority provides treated water to various areas of Cameron County. The structure of the Authority includes five territories located in Brownsville and surrounding cities. Each participating entity is accorded a percentage of interest.

The members and their allocated portion is as follows:

Brownsville Public Utilities Board	92.91 %
Valley Municipal Utility District #2	2.51 %
City of Los Fresnos	2.28 %
Brownsville Navigation District	2.10 %
Town of Indian Lake	.20 %
	<u>100.00%</u>

Member contracts are from March 3, 2003 for a term of thirty years and thereafter until payment in full of the principal, premium, if any, and interest on all bonds issued during the initial term and all related fees to be paid pursuant to any bond resolution or indenture securing such bonds.

Essential disclosures related to the Authority are included in its complete financial statements. These statements may be obtained at P.O. Box 3270, Brownsville, Texas 78523-3270.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements

September 30, 2020 and 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The financial statements are presented in accordance with accounting standards generally accepted in the United States of America for proprietary funds of governmental entities. The Public Utilities Board complies with all applicable pronouncements of the GASB. The Public Utilities Board is accounted for as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is to recover the cost of operations through user charges. A proprietary fund is accounted for on the “economic resources” measurement focus using the accrual basis of accounting, under which revenues are recognized in the accounting period in which they are earned and the related expenses are recorded in the accounting period incurred, if measurable. All assets and deferred outflows of resources and liabilities and deferred inflows of resources are included on the statement of net position.

GASB Statement Implementations – In fiscal year 2019, the Public Utilities Board implemented the following GASB statements:

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placement* – The primary 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. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Enhanced note disclosures can be found in Note 7, Long-term Debt.

In fiscal year 2020, there were no significant GASB statements implements by the Public Utilities Board.

Budgets and Budgetary Accounting – The Public Utilities Board is not legally required to adopt a budget; therefore, comparative statements of actual expenses to budget expenses are not included within the financial statements.

Cash and Cash Equivalents – The Public Utilities Board’s cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts, and investments with original maturities of three months or less from the date of acquisition.

Investments – The Public Utilities Board invests funds in accordance with its policy, bond indentures, and the Texas Public Funds Investment Act. Investments consist primarily of United States Treasury obligations and government-backed securities. Statutes authorize the Public Utilities Board to invest in obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies; obligations of states, agencies, counties, cities and other political subdivisions of any state rated not less than A or its equivalent; certificates of deposit; certain commercial paper; certain mutual funds; and fully collateralized repurchase agreements.

The Public Utilities Board follows the provisions of GASB Cod. Sec. I50, Investments. In accordance with GASB Cod. Sec. I50, the Public Utilities Board’s general policy is to report short-term investments at amortized cost. All other investments are reported at fair value. The term “short-term” refers to investments that have a remaining term to maturity of one year or less at time of purchase. Fair value determinations of all securities are made on a quarterly basis.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements

September 30, 2020 and 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounts Receivable – Accounts receivable balances are subject to risk of non-payment. Allowances to the account for that risk have been calculated based on a three-year average of customer write-offs, except in certain cases, where amounts were recorded directly to bad debt expense and excluded from the three-year average. The allowance for doubtful accounts balance was \$0.9 million and \$1.0 at September 30, 2020 and 2019, respectively.

Also included in accounts receivable balances are the unbilled revenues. These are revenues earned but not yet billed as of September 30th each year. The amounts of unbilled revenues recorded at September 30, 2020 and 2019, were \$10.2 million and \$9.7 million, respectively.

Contract Receivable – The contract receivable balance on September 30, 2019, is related to a confidential agreement. Payment will be received in October 2020. Management believes this balance will be collected. Therefore, no allowance account related to this balance was established. See Note 3 – Contract Receivable for more information.

Inventories – Materials and supplies inventories are stated at cost. Fuel and coal inventories are valued at cost using the last-in first-out method.

Prepays – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

During fiscal year 2019, a transaction occurred establishing a long-term prepaid amount of \$2.25 million. This amount was expensed in fiscal year 2020. For more information on this transaction, see Note 3 – Contract Receivable. For fiscal year 2020, prepaid amounts relate primarily to insurance and other miscellaneous expenses. For fiscal year 2019, the prepaid account (current) relates primarily to insurance and other miscellaneous expenses.

Restricted Assets – Mandatory segregation of assets are presented as restricted assets. Such segregations are required by bond ordinance and other external parties. Current liabilities payable from these restricted assets are so classified.

Capital Assets – Utility plant-in-service is stated at cost which generally includes the cost of contracted services and certain materials and labor. Maintenance and repairs of property and items determined to be less than units of property are charged to operating and maintenance expenses; major plant replacements are capitalized.

Assets acquired through contributions, such as those from land developers, are capitalized at estimated fair value at the date contributed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

Capital assets are defined by the Public Utilities Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of eighteen months. Meter and line transformer inventory have been included in utility plant to conform to Federal Energy Regulatory Commission guidelines. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Assets Held for Sale – Due to the sale of the Oklaunion Power Station, the Public Utilities Board has classified some assets as held for sale as of September 30, 2020. Capital assets held for sale totaled \$21,488,378. Inventory parts totaled \$1,258,481. The total amount segregated on the Statement of Net Position related to the sale is \$22,746,859. See Note 4 and 5 for more information.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements

September 30, 2020 and 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The following estimated useful lives are used for depreciation purposes in 2020 and 2019:

Classification	Range of lives
Electric, Water & Wastewater plant-in-service	30 to 50 years
Buildings	30 to 50 years
Improvements other than buildings	25 to 50 years
Equipment	10 to 50 years
Vehicles	3 to 5 years

Regulatory Basis Assets – The Public Utilities Board elected to establish a regulatory asset for the debt issuance costs in accordance with regulated operations under GASB Cod. Sec. Re10, Regulated Operations. September 30, 2020 and 2019 amounts were \$2.4 million and \$2.0 million respectively.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

For refunding of debt, the difference between the reacquisition price and the net carrying amount of the old debt is recorded as unamortized reacquisition costs and reported as deferred outflows of resources. These amounts are amortized as components of interest expense over the shorter of the remaining life of the refunding or the refunded debt. At September 30, 2020 and 2019, reacquisition costs totaled \$23.9 million and \$17.7 million, respectively. Recognition of deferred outflows of resources related to pension and OPEB amounted to \$7.5 million as of September 30, 2020, and \$15.3 million as of September 30, 2019.

Recoverable Fuel Costs – Recoverable fuel costs represent fuel costs incurred by the Public Utilities Board which have not yet been billed to customers or which have been billed to customers based on estimated fuel costs and has not been incurred. The Public Utilities Board recovers these costs via the fuel adjustment charge assessed with the monthly utility bills. At September 30, 2020 and 2019, the Public Utilities Board had under-collected \$1.6 million and under-collected \$4.1 million, respectively, in current recoverable fuel costs. These monies are considered either a deferred inflow of resources or a receivable as the amounts deferred are expected to be offset by October fuel charges.

	Balance at 1-Oct	Recoverable Fuel Costs	Applied Fuel Adjustment	Balance at 30-Sep
2020	\$ 4,056,112	\$ 19,422,160	\$ (21,900,000)	\$ 1,578,272
2019	\$ (218,812)	\$ 25,774,924	\$ (21,500,000)	\$ 4,056,112

Accounts Payable – Accounts payable consists primarily of standard operating vendor accounts payable, including fuel and retainages payable. At September 30, 2020, this amount was \$15.8 million. Other amounts that comprise the remaining balance include \$2.4 million for the City garbage contract; \$2.0 million for employee-related accounts payable; \$0.1 million for related parties; and \$2.2 million of miscellaneous accounts payable and accrued liabilities.

At September 30, 2019, amounts related to standard operating vendor accounts payable, including fuel and retainages payable was \$15.9 million. Other amounts that comprise the remaining balance include \$2.1 million for the City garbage contract; \$1.7 million for employee-related accounts payable; \$0.1 million for related parties; and \$0.5 million for miscellaneous accounts payable and accrued liabilities.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements

September 30, 2020 and 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accrued Vacation and Sick Leave – The Public Utilities Board’s annual vacation and sick leave policies allow employees to accumulate and vest in annual vacation and sick leave benefits up to specified limits. Upon termination, employees are paid for any unused vacation and sick leave with certain options available. The Public Utilities Board records its obligations for these unused benefits as they are earned by the employees.

Due to Primary Government – Bond Ordinance requires the Public Utilities Board to make payments to the City of Brownsville (the “City”) City Transfer Fund each month after making other required payments required by the Bond Ordinance. The amount of the payment is equal to ten percent (10%) of the Gross Revenue. See also Note 12 – Transfers to the City.

Customer Deposits – The Public Utilities Board collects an advance deposit from new customers to secure payment of the customer’s final bill. The deposit is refundable once the customer has demonstrated an acceptable payment history of no more than two late payments within the first twelve-month period. The Public Utilities Board may collect an additional deposit for customers whose service has been turned off for non-payment and need to restore service.

Long-Term Debt – To support its long-term capital financing needs, the Public Utilities Board uses several types of debt instruments. As of September 30, 2020, and 2019, these included fixed-rate bonds as well as commercial paper. Amortization of debt discount and premium is computed using the effective yield method over the life of the related bond issues and is recorded as interest expense. Relative to the bond instruments, provisions may be included that allow for refunding after specified time periods during the bond term. See also Note 7 – Long-term Debt.

Refundings and Defeasance of Debt – Subject to applicable timing restrictions that may prevent early payoff, the Public Utilities Board also has the option to defease or extinguish debt. A defeasance occurs when funds are placed in an irrevocable trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt, which fully discharges the bond issuer’s obligation. At the time of an extinguishment, since the issuer no longer has the legal obligation, the defeased debt is removed from the Statements of Net Position and the gain or loss is immediately recognized.

Current refundings involve issuing new debt (refunding bonds) to redeem existing debt (refunded bonds) that can be called within 90 days of the call date of the refunded bonds. In these circumstances, the refunding bond proceeds are irrevocably escrowed with a third party. These proceeds, and income thereon, are used to pay the debt service on the refunded bonds until the refunded bonds can be called. Refunding bonds are generally issued to achieve debt service savings.

Other Post-employment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plans and additions to/from the OPEB fiduciary net position have been determined using the same basis as they are reported in the Public Utilities Board’s OPEB plans. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. See also Note 10 – Other Post-Employment Benefits.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements

September 30, 2020 and 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Pensions (continued) - Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See also Note 9 – Texas Municipal Retirement System.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial 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.

Recognition of deferred inflows of resources related to pension and OPEB amounted to \$11.5 million as of September 30, 2020, and \$2.1 million as of September 30, 2019. A deferred inflows of resources related to a long-term contract receivable totaled \$22.3 million at September 30, 2019.

Restricted Net Position – Restricted Net Position is all subject to restrictions externally imposed by creditors through bond covenants. In accordance with bond covenants related to the funds and accounts and flow of funds, the Public Utilities Board is required to retain in the Plant Fund a reserve amount to pay operating and maintenance expenses of not less than two months of budgeted operating and maintenance expenses for the current fiscal year. When both restricted and unrestricted resources are available for use, it is the policy of the Public Utilities Board to use restricted resources first, then unrestricted resources as they are needed.

Net position is restricted for the following purposes at September 30:

	2020	2019
Debt service	\$ 17,302,070	\$ 16,767,220
Repair and replacement	104,187,325	102,944,548
Operating reserve	17,078,367	17,000,564
Fuel adjustment subaccount	10,975,000	13,375,000
Capital projects	3,756,691	3,788,793
Meter deposits	602,373	534,995
Total restricted net position	\$ 153,901,826	\$ 154,411,120

Operating Revenues and Expenses – Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Public Utilities Board's principal ongoing operations. The principal operating revenues of the Public Utilities Board are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Operating revenue consists of cash receipts from quasi-external transactions with the City and other governments, and other cash receipts that do not result from transactions defined as capital and related financing, non-capital financing, or investment activities.

The Public Utilities Board did not use any revenue received from fees collected from a water supply or sewer service constructed in whole or in part from funds from the economically distressed areas program account for purposes other than utility purposes.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements

September 30, 2020 and 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Utility Service Revenue and Electric Purchased Power Expense – Electric, water, and wastewater revenues are recognized as billed on a cycle basis with recognition of unbilled revenues at September 30, 2020 and 2019, based upon the meter reading dates for the unbilled portion of each cycle. Unbilled revenue amounts at September 30, 2020 and 2019, were \$10.2 million and \$9.7, respectively. Electric rate schedules include power cost adjustment clauses that permit recovery of purchased power costs, not included in base rates, and in the month after such costs are incurred. The Public Utilities Board charges to expense the cost of purchased power in the period of purchase.

Other Accounts – Accounts not classified as operating revenues or expenses or relating to other non-operating categories presented on the Statement of Revenues, Expenses, and Changes in Net Position are presented as Other. Income accounts may include insurance proceeds, pole rental, billing and sales tax discounts, monies received from damaged property, and energy credits. Expenses may include investor service charges, amortization of regulatory asset, loss on refunding, and premium and discounts, and other miscellaneous expenses.

Project Abandonment – During fiscal year 2019, \$9.3 million of pre-development costs relating to the cancelled Tenaska Power Plant were written-off.

Grant Revenue – Revenue from state and federal grants is recognized as earned to the extent of incurred program expenses. Grant funds are considered to be earned when all eligibility requirements have been met. Accordingly, when such funds are received in advance, they are recorded as unearned revenue.

Capital Contributions – Cash and capital assets are contributed to the utility from customers, the municipality, or external parties. The value of property contributed to the utility is reported as revenue on the Statements of Revenues, Expenses, and Changes in Net Position.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data/Reclassifications – Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Public Utilities Board's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Deferred Compensation Plan – The Public Utilities Board offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Public Utilities Board employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997. The Public Utilities Board approved plan amendments such that plan assets are held in trust, with AXA Advisors as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets cannot be diverted to any other purpose. The Public Utilities Board does not have legal access to the resources of the deferred compensation plan; as such the plan is not reported in the Public Utilities Board's financial statements.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements

September 30, 2020 and 2019

(2) DEPOSITS AND INVESTMENTS

Basis of Investments – On September 16, 2019, the Public Utilities Board approved a revised Investment Policy which included an “Investment Strategy Statement” that addressed the understanding of investment suitability, the preservation and safety of principal, liquidity, marketability of the investment prior to maturity, diversification, and yield of the investment portfolio. In regards to the safety and risk of investments, the Public Utilities Board abided by the Investment Policy that requires all available funds to be invested in conformance with state and federal regulations, and applicable bond ordinance requirements. Each investment transaction shall seek to first and foremost ensure that capital losses are avoided, whether they are from securities’ defaults or erosion of fair value.

The Public Utilities Board’s investments are also subject to the rules and regulations of the Public Funds Investment Act (PFIA). The PFIA regulates what types of investments can be made, requires written investment policies, mandates training requirements of investment officers, requires internal management reports produced at least quarterly, and provides for the selection of authorized broker-dealers and investment managers.

The Public Utilities Board’s bank deposits and Certificates of Deposit investments were entirely covered by the Federal Deposit Insurance Corporation or by collateral held by a third-party safekeeping bank in the Public Utilities Board’s name.

As of September 30, the Public Utilities Board reported the following deposits:

	2020	2019
Cash and cash on hand	\$ 30,091,759	\$ 12,518,517
Certificates of Deposits (Non-negotiable)	7,860,000	5,847,000
	<u>\$ 37,951,759</u>	<u>\$ 18,365,517</u>

As of September 30, 2020, and 2019, the Public Utilities Board had the following investments:

September 30, 2020				
Investment Type	Amount	Weighted Avg Maturity (Days)	Allocation	Rating
Money Market Mutual Funds	\$ 196,401	48	0.1%	A1P1
U.S. Agencies	24,048,860	35	13.8%	AA+
U.S Treasury Note	28,794,503	14	16.5%	
Local Govt Investment Pools				
Texas TERM	20,000,000	35	8.6%	AAAf
TexasDaily	78,702,757	57	45.0%	AAAm
TexPool	24,924,111	38	14.3%	AAAm
TexSTAR	3,062,488	44	1.7%	AAAm
Total	<u>\$ 179,729,120</u>		<u>100.0%</u>	

September 30, 2019				
Investment Type	Amount	Weighted Avg Maturity (Days)	Allocation	Rating
Money Market Mutual Funds	\$ 235,286	38	0.1%	A1P1
U.S. Agencies	28,970,174	43	14.8%	AA+
U.S Treasury Note	48,421,522	34	24.8%	
Local Govt Investment Pools				
Texas TERM	50,750,000	51	25.9%	AAAf
TexasDaily	50,934,843	32	26.0%	AAAm
TexPool	10,844,907	34	5.5%	AAAm
TexSTAR	5,424,273	22	2.8%	AAAm
Total	<u>\$ 195,581,005</u>		<u>100.0%</u>	

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September 30, 2020 and 2019

(2) DEPOSITS AND INVESTMENTS – Continued

Interest rate risk – In accordance with the Public Utilities Board’s Investment Policy the weighted average to maturity for the Public Utilities Board’s portfolio limits the maximum allowable maturity to two years by not exceeding the anticipated cash flow requirements. As of September 30, 2020, and 2019, the investment portfolio had maturities that met anticipated cash flow requirements.

The Public Utilities Board’s invests in TexPool, TexasDAILY, and TexStar to provide its liquidity needs. These pools are structured somewhat like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. These pools are rated AAAM and must maintain a dollar weighted average maturity not to exceed a 60-day limit. At September 30, 2020, TexPool, TexasDAILY, and TexStar had a weighted average maturity of 38 days, 57 days, and 44 days, respectively. The Public Utilities Board invests in government investment pools with 100% overnight liquidity. The Public Utilities Board’s external investment pools meet the criteria described in GASB Cod. Sec. In5, *Investment Pools (External)*, and measure all of their investments at amortized cost; therefore in accordance with GASB Cod. Sec. 150, *Investments*, the Public Utilities Board has also measured their investments in these external investment pools at amortized cost for financial reporting purposes. In addition, the pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity or redemption gates.

Credit risk – The Public Utilities Board identifies and manages credit risks by following the Investment Policy. The Public Utilities Board implements its investment strategy, establishes and monitors compliance with investment policies and procedures, and consistently monitors prudent risk controls. The Public Utilities Board will seek to control the risk of loss by monitoring the ratings of portfolio positions to assure compliance with the rating requirements imposed by the Public Funds Investment Act. The Public Utilities Board also manages exposure to credit risk by limiting its investments to a rating of “A” or better. As of September 30, 2020, and 2019, the Public Utilities Board’s security agencies investments had a rating of AA+ or above.

Custodial credit risk – In accordance with the Public Utilities Board’s Investment Policy, the financial institution must collateralize all funds with a minimum of 102% of the fair value of the principal portion. The Public Utilities Board seeks to control the risk of loss due to the failure of a security issuer or grantor. Such risk shall be controlled by investing only in the safest types of securities as defined in the Investment Policy.

The Public Utilities Board signed an agreement with its financial institution pledging funds to 102% minimum of the fair value of the principal position. As of September 30, 2020, and 2019, the Public Utilities Board invested 14% and 15%, respectively, in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or Federal Farm Credit Bank), which hold high ratings by nationally recognized statistical rating organizations. Investments in U.S. Agencies are proven to be the safest investments with minimal risk of loss. All investments are insured, registered, or held by an agent in the Public Utilities Board’s name; therefore, the Public Utilities Board is not exposed to custodial credit risk.

Concentration of credit risk – In accordance with the Investment Policy, the Public Utilities Board manages its credit risk exposure through diversification, and limiting its investments in each government-sponsored security to 75%. At September 30, 2020, the Public Utilities Board had investments of 5% in FFCB securities and 8% of FHLB securities. At September 30, 2019, the Public Utilities Board had investments of 5% in FNMA and 7% in FHMC securities. As of September 30, 2020, and 2019, the portfolio was in compliance as noted above.

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(2) DEPOSITS AND INVESTMENTS – Continued

TexPool – The State of Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool, along with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and approves any fee increases. Finally, TexPool is rated AAAM by Standard & Poor's.

As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poor's as well as the office of the Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

TexSTAR – Texas Short Term Asset Reserve Program (TexSTAR) is a local government investment pool providing short-term liquidity requirements. JPMorgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators under an agreement with the TexSTAR Board of Directors to provide investment and participant services for this pool. JPMorgan Chase Bank or its subsidiary J.P. Morgan Investor Services Company provides the custodial, transfer agency, fund accounting, and depository services for this pool. At year end, TexSTAR was rated AAAM by Standard & Poor's. The Public Utilities Board reports its investment in TexSTAR at the fair value amount provided by TexSTAR, which is the same as the value of the pool share.

TexasTERM/TexasDaily – TexasTERM/TexasDaily is a local government investment pool. Administrative and investment services to the pool are provided by PFM Asset Management LLC, under an agreement with the TexasTERM Advisory Board and act on behalf of the pool participants. At year end, TexasTERM was rated AAAM by Standard & Poor's. The Public Utilities Board reports its investment in TexasTERM at the fair value amount provided by TexasTERM, which is the same as the value of the pool share.

TexasTERM CD Purchase Program – The TexasTERM CD Purchase Program offers investments in FDIC-insured CDs from banks throughout the United States. Investments are for a minimum of ninety days and a maximum of one year, with a minimum balance required. Each CD investment is held in the name of the participant. The TexasTERM CD Purchase Program has a weighted average maturity of 35 days, and is rated AAAs by Fitch and AAAs by Kroll.

Fair Value measurement – The Public Utilities Board records assets and liabilities in accordance with GASB Cod. Sec. 3100, *Fair Value Measurement*, which determines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement. The Public Utilities Board's fair value measurements are performed on a recurring basis.

As a basis for considering market participant assumptions in fair value measurements, GASB Cod. Sec. 3100 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as described below:

- Level 1 – inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Equity securities and U.S. Government Treasury securities are examples of Level 1 inputs.

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(2) DEPOSITS AND INVESTMENTS – Continued

- Level 2 – inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Government agency and mortgage-backed securities and certificates of deposit are examples of Level 2 inputs.
- Level 3 – inputs are unobservable inputs that reflect the Public Utilities Board’s own assumptions about factors that market participants would use in pricing the asset or liability (including risk assumptions).

The valuation technique the Public Utilities Board uses to measure fair value is the market approach. This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities, and is applied consistently.

The following table presents fair value balances and their levels within the fair value hierarchy as of September 30, 2020 and 2019. Investment balances presented exclude amounts related to money market mutual fund investments and external investment pools accounted for using amortized cost.

September 30, 2020				
	Level 1	Level 2	Level 3	Total
Fair Value Investments:				
U.S. Agencies				
Federal Farm Credit Bank	\$ -	\$ 8,996,436	\$ -	\$ 8,996,436
Federal Home Loan Bank	-	15,052,424	-	15,052,424
U.S. Treasury Note	28,794,503	-	-	28,794,503
Total fair value investments	<u>\$ 28,794,503</u>	<u>\$ 24,048,860</u>	<u>\$ -</u>	<u>\$ 52,843,363</u>

September 30, 2019				
	Level 1	Level 2	Level 3	Total
Fair Value Investments:				
U.S. Agencies				
Federal Nat'l Mortgage Assoc	\$ -	\$ 9,977,545	\$ -	\$ 9,977,545
Federal Home Loan Mortgage Corp	-	4,993,943	-	4,993,943
Federal Home Loan Bank	-	13,998,686	-	13,998,686
U.S. Treasury Note	48,421,522	-	-	48,421,522
Total fair value investments	<u>\$ 48,421,522</u>	<u>\$ 28,970,174</u>	<u>\$ -</u>	<u>\$ 77,391,696</u>

(3) CONTRACT RECEIVABLE

On September 18, 2018, the Public Utilities Board entered into a \$22.25 million contract with \$2.25 million receipted in January 2019 with the remaining to be received through monthly payments starting on October 2020 through December 2029. As a result, in fiscal year 2019 a receivable was recorded for \$20 million with a corresponding deferred inflow of \$22.25 million to be recognized over the life of the contract. The contract does not include any adjustment for time value of money.

On September 30, 2020, the original contract amount was amended to a total of \$17.25 million. The remaining \$15 million was received in fiscal year 2021 and was recorded as a gain on retirement of assets in fiscal year 2020.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
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(4) CAPITAL ASSETS

Changes in the Public Utilities Board's capital assets for the year ended September 30, 2020, were as follows:

	Beg. Balance 10/1/2019	Additions	Deletions	Reclassifications	Assets Held for Sale	End Balance 9/30/2020
Capital assets, non-depreciable:						
Land	\$ 30,561,843	\$ 1,979,449	\$ -	\$ 1,186,759	\$ (2,301,862)	\$ 31,426,189
Construction in progress	112,716,839	30,906,342	-	(13,724,086)		129,899,095
Total capital assets, non-depreciable	143,278,682	32,885,791	-	(12,537,327)	(2,301,862)	161,325,284
Capital assets, depreciable:						
Plant	765,361,778	3,064,783	(1,195,699)	11,738,737	(97,347,429)	681,622,170
Buildings and structures	94,910,393	-	-	138,841	(16,204,383)	78,844,851
Improvements other than buildings	48,073,035	-	(72,929)	994	-	48,001,100
Equipment	144,828,657	3,230,020	(336,788)	658,755	(8,353,933)	140,026,711
Total capital assets, depreciable	1,053,173,863	6,294,803	(1,605,416)	12,537,327	(121,905,745)	948,494,832
Less accumulated depreciation for:						
Plant	(435,035,066)	(29,020,274)	1,171,266	-	81,857,185	(381,026,889)
Buildings and structures	(44,424,887)	(6,397,638)	-	-	13,608,303	(37,214,222)
Improvements other than buildings	(28,108,346)	(1,129,762)	43,169	-	-	(29,194,939)
Equipment	(71,886,915)	(10,424,198)	287,044	-	7,253,740	(74,770,329)
Total accumulated depreciation	(579,455,214)	(46,971,872)	1,501,479	-	102,719,228	(522,206,379)
Capital assets, net	\$ 616,997,331	\$ (7,791,278)	\$ (103,937)	\$ -	\$ (21,488,379)	\$ 587,613,737

Changes in the Public Utilities Board's capital assets for the year ended September 30, 2019, were as follows:

	Beg. Balance 10/1/2018	Additions	Deletions	Reclassifications	End Balance 9/30/2019
Capital assets, non-depreciable:					
Land	\$ 30,159,146	\$ 37,541	\$ -	\$ 365,156	\$ 30,561,843
Construction in progress	107,568,044	24,552,458	-	(19,403,663)	112,716,839
Total capital assets, non-depreciable	137,727,190	24,589,999	-	(19,038,507)	143,278,682
Capital assets, depreciable:					
Plant	764,075,059	4,742,973	(8,442,901)	4,986,647	765,361,778
Buildings and structures	92,308,680	140,436	(317,893)	2,779,170	94,910,393
Improvements other than buildings	48,465,828	-	(366,387)	(26,406)	48,073,035
Equipment	134,044,809	3,169,611	(3,684,859)	11,299,096	144,828,657
Total capital assets, depreciable	1,038,894,376	8,053,020	(12,812,040)	19,038,507	1,053,173,863
Less accumulated depreciation for:					
Plant	(402,140,703)	(38,432,290)	5,537,927	-	(435,035,066)
Buildings and structures	(42,525,694)	(2,133,658)	234,465	-	(44,424,887)
Improvements other than buildings	(27,157,748)	(1,219,093)	268,495	-	(28,108,346)
Equipment	(67,710,315)	(7,104,794)	2,928,194	-	(71,886,915)
Total accumulated depreciation	(539,534,460)	(48,889,835)	8,969,081	-	(579,455,214)
Capital assets, net	\$ 637,087,106	\$ (16,246,816)	\$ (3,842,959)	\$ -	\$ 616,997,331

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

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(5) JOINT OPERATIONS

Oklaunion Project – In May 1986, the Public Utilities Board and Central Power & Light (CP&L), now known as AEP Texas Central Company (TCC), executed the Oklaunion Unit No. 1 Ownership Interest Assignment Agreement (Agreement). This Agreement allowed the Public Utilities Board to purchase an undivided 56.54% of TCC's undivided 17.97% ownership interest in the Oklaunion unit (10.16% of the project as a whole). This Agreement committed the Public Utilities Board to become a 10.16% participant in the Oklaunion unit and obligated the Public Utilities Board to contribute its 10.16% share of the Oklaunion unit's operating expenses. As a result of their participation, the Public Utilities Board is entitled to receive 10.16% of the total power generated by the plant.

On February 5, 2004, TCC notified the Public Utilities Board that it had contracted to sell its ownership interest in Oklaunion Unit No. 1 to Golden Spread Electric Cooperative, Inc. ("Golden Spread") for \$42,750,000, subject to the exercise by the Public Utilities Board of its right of first refusal to purchase TCC's ownership interest under the Oklaunion Unit No. 1 Construction, Ownership and Operating Agreement dated May 26, 1985. Both the Public Utilities Board and Oklahoma Municipal Power Authority ("OMPA") exercised their rights of first refusal for the entire TCC interest in May 2004 and each deposited in escrow \$42,750,000, respectively. The Public Utilities Board funded its obligation through the sale of Commercial Paper Notes. Golden Spread challenge the exercise of the first refusal rights in State District Court in Dallas County, Texas. In May 2006, the Dallas Court of Appeals issued an opinion upholding the City of Brownsville's right to acquire an additional interest in Oklaunion Unit No 1.

Golden Spread appealed to the Texas Supreme Court to overturn the Dallas Court of Appeals' ruling and allow it to buy Texas Central Company's interest instead of the City of Brownsville. On December 15, 2006, the Texas Supreme Court declined to review the ruling by the Dallas Court of Appeals in favor of the City of Brownsville and the Public Utilities Board. The Public Utilities Board also engaged in litigation with OMPA, contending that OMPA had not timely and properly exercised its right of first refusal. Settlement of that litigation resulted in the Public Utilities Board having the uncontested right to purchase the interest offered for sale. Subsequently on February 14, 2007, the Public Utilities Board completed its purchase of the additional 54 megawatts (7.8%) of the Oklaunion Power Station for \$51 million. Overall the Public Utilities Board then held an undivided 17.98% ownership interest.

The Operating Agreement between the Public Utilities Board and its three other owners terminated on April 26, 2020 but could continue beyond that date from year to year unless two owners owning in the aggregate 60% or more of the plant voted to terminate the Operating Agreement. On August 1, 2018, the Public Utilities Board engaged an independent and nationally recognized consulting and engineering firm to evaluate the impact on the Public Utilities Board's electric power system of a potential shutdown and decommissioning of the plant in 2020. On August 29, 2018, based upon the results of the report and in accordance with Bond Covenants, the Public Utilities Board adopted a resolution that recommended the City Commission approve and adopt findings as necessary to implement the Public Utilities Board's recommendation regarding disposition of Oklaunion. On September 4, 2018, the City Commission approved a resolution authorizing the Public Utilities Board's plan for disposition of the City's ownership in Oklaunion. On September 19, 2018, at an ownership meeting, a motion was passed, by the vote of two owners owning more than 60% of the plant, to cease operations permanently and dispose of the plant not later than October 1, 2020. As a result of the upcoming plant closure, the Public Utilities Board has accelerated depreciation of the Oklaunion plant. See Note 16 – Subsequent Events for more information.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

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Notes to the Financial Statements
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(5) JOINT OPERATIONS - Continued

Calpine/Hidalgo Project – On December 15, 1999, the Public Utilities Board purchased an undivided interest from Calpine Energy which entitles the Public Utilities Board to 105 MW of the 500 MW combined cycle plant located in Edinburg, Texas, approximately 56 miles from Brownsville, Texas. The unit consists of two gas turbines, a heat recovery steam generator and steam turbine.

(6) SHORT-TERM DEBT

Commercial paper balances and activity as of and for the year ended September 30, are as follows:

	2020	2019
Beginning Balance	\$ 37,500,000	\$ 20,000,000
Additions	12,500,000	17,500,000
Reductions	(50,000,000)	-
Ending Balance	\$ -	\$ 37,500,000

The Public Utilities Board issued \$12,500,000 of Commercial Paper during fiscal year 2020 and \$17,500,000 of Commercial Paper during fiscal year 2019.

On September 25, 2012, the Public Utilities Board issued \$20,690,000 in Utility System Revenue Refunding Bonds, Series 2012. The bonds had a closing date of October 18, 2012, and the proceeds plus \$5,275,000 in issuer contributions were used to defease \$24,450,000 of Commercial Paper Notes.

On April 20, 2004, the City Commission of the City of Brownsville, Texas, approved and authorized the issuance of short term obligations in an aggregate principal amount not to exceed \$50,000,000. A total of \$44,500,000 was issued in fiscal year 2004. The purpose of the Commercial Paper Program is to pay for additions, improvements, and extensions to the City's combined electric system, waterworks system and sewer system. The Commercial Paper was used to purchase an additional ownership interest in Oklaunion, an electric generating plant. The Reimbursement and Credit Agreement was executed between the City, acting through the Public Utilities Board, and State Street Bank and Trust Company, Credit and Liquidity Provider, for the Commercial Paper. In order to assure timely payment of the principal of and interest on the Commercial Paper Notes, a Letter of Credit was executed by the City and Deutsche Bank Trust, as beneficiary Issuing and Paying Agency. The stated amount of the Letter of Credit is \$50,000,000 (principal plus accrued interest cannot exceed \$50,000,000).

On September 17, 2013, the City Commission of the City of Brownsville adopted an Ordinance No. 2013-1582 authorizing the issuance of the City of Brownsville, Texas Utilities System Commercial Paper Notes, Series A in a maximum aggregate principal amount of \$100,000,000 outstanding at any time. Subsequently on September 20, 2016, the City Commission of the City of Brownsville adopted Ordinance No. 2016-1619 supplementing the Original Ordinance and authorizing the substitution of the Credit Facility. On November 1, 2016, the City of Brownsville and the Mitsubishi UFJ Financial Group (MUFG) entered into a Reimbursement Agreement related to the Commercial Paper Notes, Series A. The City of Brownsville requested that the Bank issue its Letter of Credit to secure certain payments to be made with respect to the Commercial Paper Notes in the amount of \$111,095,891, of which \$100,000,000 will be available to pay principal of the Commercial Paper Notes upon maturity thereof, and of which \$11,095,891 will be available to pay accrued interest on the Commercial Paper Notes at maturity.

In anticipation of the expiration of the MUFG Letter of Credit on November 1, 2019, the Public Utilities Board issued a Request for Proposal for a new provider. The Public Utilities Board entered into a three-year agreement with Bank of America, N.A. effective November 1, 2019, under the same terms as the previous Letter of Credit with MUFG.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
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(7) LONG-TERM DEBT

Revenue Bonds – Revenue bond information and balances for the years ended September 30, 2020, and 2019 are as follows:

		Original	Installment Amounts		Interest Rates	Final	Outstanding	Outstanding
		Borrowing	From	To	to Maturity	Maturity	at 9/30/20	at 9/30/19
<i>Brownsville Public Utilities Board:</i>								
2005	Utilities System Revenue Improvement and Refunding Bonds (Series A)	\$ 163,725,000	\$ 100,000	- \$ 100,000	3.5% - 5.0%	2031	\$ 100,000	\$ 100,000
2008	Utilities System Revenue Refunding Bonds	\$ 77,805,000	\$ 100,000	- \$ 100,000	4.0% - 5.0%	2033	\$ 100,000	\$ 100,000
2012	Utilities System Revenue Refunding Bonds	\$ 20,690,000	\$ 840,000	- \$ 1,210,000	2.0% - 4.0%	2037	\$ -	\$ 12,105,000
2012	Utilities System Junior Lien Revenue Bonds*	\$ 840,000	\$ 40,000	- \$ 60,000	0.27% - 3.49%	2032	\$ 575,000	\$ 615,000
2013	Utilities System Revenue Refunding Bonds (Series A)	\$ 118,185,000	\$ 7,445,000	- \$ 9,565,000	2.0% - 4.0%	2026	\$ 51,620,000	\$ 113,545,000
2015	Utilities System Revenue Refunding Bonds	\$ 94,770,000	\$ 675,000	- \$ 8,995,000	4.0% - 5.0%	2045	\$ 58,480,000	\$ 61,430,000
2016	Utilities System Revenue Refunding Bonds	\$ 39,410,000	\$ 1,515,000	- \$ 3,930,000	5.0%	2033	\$ 33,955,000	\$ 36,745,000
2018	Utilities System Revenue Refunding Bonds	\$ 14,000,000	\$ 310,000	- \$ 1,650,000	4.0% - 5.0%	2033	\$ 11,415,000	\$ 12,735,000
2020	Utilities System Revenue Refunding Bonds	\$ 53,590,000	\$ 270,000	- \$ 2,515,000	2.0% - 5.0%	2050	\$ 53,590,000	\$ -
2020A	Utilities System Revenue Refunding Bonds	\$ 62,320,000	\$ 840,000	- \$ 1,210,000	2.0% - 5.0%	2031	\$ 62,320,000	\$ -
							<u>\$ 272,155,000</u>	<u>\$ 237,375,000</u>
<i>Southmost Regional Water Authority:</i>								
2009	Revenue Bonds (Series A)*	\$ 9,295,000	\$ 305,000	- \$ 310,000	0.0%	2039	\$ 5,885,000	\$ 6,195,000
2009	Revenue Bonds (Series B)*	\$ 3,795,000	\$ 190,000	- \$ 270,000	0.1% - 4.25%	2029	\$ 2,080,000	\$ 2,270,000
2012	Water Supply Contract Revenue Refunding Bonds	\$ 13,530,000	\$ 935,000	- \$ 1,285,000	3.0% - 5.0%	2027	\$ 7,960,000	\$ 8,895,000
2017	Water Supply Contract Revenue Refunding Bonds	\$ 9,255,000	\$ 935,000	- \$ 1,795,000	4.125% - 5.5%	2032	\$ 8,320,000	\$ 8,320,000
							<u>\$ 24,245,000</u>	<u>\$ 25,680,000</u>
							<u>\$ 296,400,000</u>	<u>\$ 263,055,000</u>
* Direct Placement Bonds								

The following tables summarizes revenue bond transactions for the years ended September 30, 2020 and 2019:

	Beg. Balance 10/1/2019	Additions	Reductions/ Amortization	End Balance 9/30/2020	Due Within One Year
Revenue Bonds	\$ 253,975,000	\$ 115,910,000	\$ (82,025,000)	\$ 287,860,000	\$ 17,810,000
Direct Placement Bonds	9,080,000	-	(540,000)	8,540,000	545,000
Unamortized Premium	33,836,502	9,295,486	(2,923,098)	40,208,890	-
Unamortized Discount	(1,586,040)	(616,844)	372,600	(1,830,284)	-
Total Bonds Payable, Net	<u>\$ 295,305,462</u>	<u>\$ 124,588,642</u>	<u>\$ (85,115,498)</u>	<u>\$ 334,778,606</u>	<u>\$ 18,355,000</u>

	Beg. Balance 10/1/2018	Additions	Reductions/ Amortization	End Balance 9/30/2019	Due Within One Year
Revenue Bonds	\$ 268,745,000	\$ -	\$ (14,770,000)	\$ 253,975,000	\$ 15,440,000
Direct Placement Bonds	9,605,000	-	(525,000)	9,080,000	540,000
Unamortized Premium	36,219,040	-	(2,382,538)	33,836,502	-
Unamortized Discount	(1,688,721)	-	102,681	(1,586,040)	-
Total Bonds Payable, Net	<u>\$ 312,880,319</u>	<u>\$ -</u>	<u>\$ (17,574,857)</u>	<u>\$ 295,305,462</u>	<u>\$ 15,980,000</u>

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(7) LONG-TERM DEBT - Continued

Principal and interest amounts due for each of the next five years and thereafter to maturity are:

Year Ending September 30:	Revenue Bonds			Direct Placement Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 17,810,000	\$ 11,021,931	\$ 28,831,931	\$ 545,000	\$ 99,761	\$ 644,761
2022	18,590,000	10,243,462	28,833,462	555,000	92,156	647,156
2023	19,465,000	9,376,616	28,841,616	560,000	83,956	643,956
2024	18,675,000	8,464,745	27,139,745	575,000	75,212	650,212
2025	19,210,000	7,530,995	26,740,995	585,000	65,699	650,699
2026 to 2030	108,690,000	25,867,374	134,557,374	2,820,000	155,433	2,975,433
2031 to 2035	43,095,000	10,582,710	53,677,710	1,665,000	6,080	1,671,080
2036 to 2040	15,235,000	6,178,200	21,413,200	1,235,000	-	1,235,000
2041 to 2045	15,220,000	3,696,300	18,916,300	-	-	-
2046 to 2050	11,870,000	1,089,300	12,959,300	-	-	-
	<u>\$ 287,860,000</u>	<u>\$ 94,051,633</u>	<u>\$ 381,911,633</u>	<u>\$ 8,540,000</u>	<u>\$ 578,297</u>	<u>\$ 9,118,297</u>

The Public Utilities Board is required by various debt agreements to comply with various financial statements and other covenants including maintaining required debt service coverage ratios. No non-compliance with covenants was noted which constitutes an “event of default” under these agreements.

On December 7, 2009, the Authority issued \$9,295,000 in Water Supply Contract Revenue Bonds, Series 2009A and \$3,795,000 in Water Supply Contract Revenue Bonds, Series 2009B through the TWDB Drinking Water State Revolving Fund for the construction of a full scale Micro Filtration Pretreatment System. The Series 2009A bonds were issued at 0.0% interest with annual installments ranging from \$305,000 to \$310,000 through maturity in 2039. The Series 2009B bonds bear interest at a range from 0.10% to 4.25% with annual installments ranging from \$125,000 to \$270,000 through maturity in 2029.

On February 28, 2011, the Public Utilities Board issued \$12,305,000 in Utilities System Revenue Refunding Bonds, Series 2011. The refunding bonds provided proceeds to refund \$6,270,000 of Junior Lien Exchange Revenue Refunding Bonds, Series 2005A and \$5,980,000 of Junior Lien Exchange Revenue Refunding Bonds, Series 2005B.

On October 1, 2012, the Public Utilities Board issued \$840,000 in Utility System Junior Lien Revenue Bonds, Series 2012. Proceeds from the sale of the Obligations were used for the purpose of funding construction improvements to the wastewater system on the FM 511 – 802 Colonia Project.

On September 25, 2012, the Public Utilities Board issued \$20,690,000 in Utility System Revenue Refunding Bonds, Series 2012. The refunding bonds had a closing date of October 18, 2012 and the proceeds plus \$5,275,000 in issuer contributions were used to defease \$24,450,000 of Commercial Paper notes.

On September 26, 2012, the Authority issued \$13,530,000 in Water Supply Contract Revenue Refunding Bonds, Series 2012. The refunding bonds had a closing date of October 18, 2012, and the proceeds plus the bond premium were used to defease \$14,990,000 of the Series 2002 Revenue Bonds for the years 2013 through 2027.

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On May 1, 2013, the Public Utilities Board issued \$118,185,000 in Utilities System Revenue Refunding Bonds, Series 2013. The refunding bond proceeds plus a bond premium of \$16,723,650 were used to defease \$109,985,000 of the Series 2005A Utilities System Revenue Improvement and Refunding Bonds which are callable on September 1, 2015, and funded \$11,818,500 of Public Utilities Board Senior Lien Reserve Fund. On October 18, 2012, the Public Utilities Board issued \$20,690,000 in aggregate principal amount of Utilities System Revenue Refunding Bonds, Series 2012. The proceeds of the refunding bonds plus \$5,275,000 in issuer contributions were used for a current refunding of \$24,450,000 of Commercial Paper Notes. As a result, the refunded commercial paper notes are considered to be defeased and the liability was removed from long-term debt.

On July 15, 2015, the Public Utilities Board issued \$94,770,000 in Utilities System Revenue Refunding Bonds, Series 2015. The refunding bond proceeds plus a bond premium of \$8,945,752 were used to defease \$49,060,000 of the Series 2005A Utility System Revenue Improvement and Refunding Bonds; \$27,815,000 of the Series 2005B Utility System Revenue Refunding Bonds; \$5,480,000 of the Series 2011 Utility System Revenue Refunding Bonds; and \$20,000,000 of the Utilities System Commercial Paper Notes.

On May 15, 2016, the Public Utilities Board issued \$39,410,000 in Utilities System Revenue Refunding Bonds, Series 2016. The refunding bond proceeds plus a bond premium of \$7,705,681 were used to defease \$42,505,000 of the Series 2008 Utility System Revenue Refunding Bonds. As a result, the refunded debt is considered to be defeased and the liability was removed from long-term debt.

On April 18, 2017, the Authority issued \$9,255,000 in Water Supply Contract Revenue Refunding Bonds, Series 2017. The refunding bond proceeds plus the bond premium of \$725,245 were used to defease \$9,715,000 of the Series 2006 Water Supply Contract Revenue Refunding Bonds for the years 2019 through 2032.

On July 1, 2018, the Public Utilities Board issued \$14,000,000 in Utilities System Revenue Refunding Bonds, Series 2018. The bonds, plus a premium of \$1,404,015, provided proceeds to refund \$14,980,000 of the Series 2007 Jr. Lien Revenue Bonds, Series 2008 Revenue Refunding Bonds, and a portion of Series 2012 Sr. Lien Revenue Refunding Bonds.

During fiscal year 2020, the Public Utilities Board issued \$53,590,000 in aggregate principal amount of Utilities System Revenue Refunding Bonds, Series 2020, and \$62,320,000 in aggregate principal amount of Utilities System Revenue Refunding Bonds, Series 2020A (Taxable).

Current Refunding – For Series 2020, the refunding bonds were issued to provide resources to purchase State and Local Government purchases that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$12,105,000 of the Series 2012 Utilities System Senior Lien Revenue Refunding Bonds for the years 2026-2037, and \$50,000,000 of Commercial Paper Notes. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. The reacquisition price exceeded the net carrying amount of the old bonds by \$257,853. This amount is being netted against the new debt and amortized through the year 2050. The Public Utilities Board completed the refunding to reduce its total debt service payments over the next 30 years by \$2,024,748 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,758,201.

Advance Refunding – For Series 2020A, the refunding bonds were issued to provide resources to purchase open market purchases that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$54,480,000 of the Series 2013A Utilities System Revenue Refunding Bonds for the years 2027- 2031. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. The reacquisition price exceeded the net carrying amount of the old debt

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(7) LONG-TERM DEBT – Continued

by \$7,470,026. This amount together with \$4,806,674 unamortized deferred amount from the prior refunding is being netted against the new debt and amortized through the year 2031. The Public Utilities Board completed the refunding to reduce its total debt service payments over the next 10 years by \$5,399,381 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$4,975,869.

Direct Placement Bonds – As of September 30, 2020, direct placement bonds with the Texas Water Development Board (TWDB) consisted of Junior Lien Series 2015 for the Public Utilities Boards in an outstanding amount of \$575,000. Direct placement debt for the Authority consisted of Series 2009 A and Series 2009 B Revenue Bonds for the Authority in an outstanding amount of \$5,885,000 and \$2,080,000, respectively. Interest rates on the junior lien fixed rate bonds range from 0.27% to 3.49% for the Public Utilities Board. Interest rates on the junior lien fixed rate bonds for the Authority range from 0.0% for Series 2009A and 0.1% to 4.25% for Series 2009B.

As of September 30, 2019, direct placement bonds with the Texas Water Development Board (TWDB) consisted of Junior Lien Series 2015 for the Public Utilities Boards in an outstanding amount of \$615,000. Direct placement debt for the Authority consisted of Series 2009 A and Series 2009 B Revenue Bonds for the Authority in an outstanding amount of \$6,195,000 and \$2,270,000, respectively. Interest rates on the junior lien fixed rate bonds range from 0.27% to 3.49% for the Public Utilities Board. Interest rates on the junior lien fixed rate bonds for the Authority range from 0.0% for Series 2009A and 0.1% to 4.25% for Series 2009B.

Prior Year Defeasance of Debt – In prior years, the Public Utilities Board has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities and open market purchases that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or it matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from long-term debt. As of September 30, 2020, and 2019, the amount of defeased debt outstanding but removed from long-term debt amounted to \$54,480,000 and \$3,335,000, respectively.

(8) RISK MANAGEMENT

The Public Utilities Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the entity carries commercial insurance. The Public Utilities Board has established a limited risk management program for employee health and workers' compensation for which the Public Utilities Board retained risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically. The estimate of the claims liability also includes amounts for claim incremental adjustment expenses. Estimated recoveries from third parties are another component of claims expense. A General liability insurance policy covers individual claims in excess of \$25,000 each occurrence. An Auto liability insurance policy covers individual claims in excess of \$1,000.

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(8) RISK MANAGEMENT - Continued

Workers' compensation insurance covers individual claims in excess of \$350,000 (each Accident) / \$1,050,000 (Aggregate). A Directors & Officers and Employment Practices liability insurance policy covers individual claims in excess of a \$200,000 per claim retention. Property insurance and other ancillary lines of insurance coverage for crime, mobile equipment, cyber liability and pollution are also in force.

Workers' Compensation Program

The Public Utilities Board has a workers' compensation self-insurance plan for the purpose of providing medical and indemnity payments as required by law for on-the-job related injuries. The plan is administered by a service agent. The Public Utilities Board has an excess workers' compensation insurance contract with an insurance carrier coverage which provides Texas statutory limits for claims in excess of \$350,000 for any one accident or occurrence. The aggregate deductible under this policy is \$1,050,000. Management feels that the contributions made during the year for workers' compensation will offset any claims paid during the year. Therefore, the entire liability is estimated to be long term and recorded as such.

Health Insurance Program

The Public Utilities Board has a group health self-insurance plan for the purpose of providing health insurance for the employees and their dependents. The plan is administered by a service agreement. The Public Utilities Board has a stop loss contract with an insurance carrier covering individual health claims in excess of \$175,000 per individual. The Public Utilities Board also has aggregate limits, which fluctuate with enrollment but are currently at \$7,777,785 for the health insurance plan and \$374,326 for the dental insurance plan. This is the maximum liability for health and dental claim costs for the plan year ending December 31, 2020.

The following is a summary of changes in claims liability for the Workers' Compensation and Health Insurance programs, which is included in accounts payable and accrued liabilities payable from restricted assets, for the years ended September 30, 2020 and 2019:

	Beginning Balance 2019	Claims and Adjustments	Claims Payments	Ending Balance 2020	Amounts Due Within One Year
Workers' Compensation	\$ 359,075	\$ 468,740	\$ (433,485)	\$ 394,330	\$ 118,877
Health Insurance	\$ 290,753	\$ 7,714,639	\$ (7,752,407)	\$ 252,985	\$ 252,985
	Beginning Balance 2018	Claims and Adjustments	Claims Payments	Ending Balance 2019	Amounts Due Within One Year
Workers' Compensation	\$ 167,788	\$ 457,404	\$ (266,117)	\$ 359,075	\$ 335,374
Health Insurance	\$ 248,760	\$ 7,551,885	\$ (7,509,892)	\$ 290,753	\$ 290,753

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(9) TEXAS MUNICIPAL RETIREMENT SYSTEM

Plan Description – The Public Utilities Board participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

The plan provisions are adopted by the governing body of the Public Utilities Board, within the options available in the state statutes governing TMRS and within the actuarial constraints in the statutes. All eligible employees of the Public Utilities Board are required to participate in the TMRS.

Plan provisions for the Public Utilities Board for fiscal years 2020 and 2019 were as follows:

Employee deposit rate:	7%
Matching ratio (PUB to employee):	2 to 1
Years required for vesting:	5 years
Members can retire at certain ages, based on the years of service with the Public Utilities Board. The Service Retirement Eligibilities for the Public Utilities Board are:	5 years/age 60 20 years/any age
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating
Supplemental Death Benefit to Active Employees	Yes
Supplemental Death Benefit to Retirees	Yes

Benefits Provided – TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Public Utilities Board, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the Public Utilities Board-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

At the date the plan began, the Public Utilities Board granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percentage (100%, 150%, or 200%) of the employee’s accumulated contributions.

In addition, the Public Utilities Board can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee’s accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the Public Utilities Board matching percent had always been in existence and if the employee’s salary had always been the average of his salary in the last three years that are one year before the effective date.

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(9) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

At the December 31 valuation and measurement date, the following employees were covered by the benefit terms:

	December 31,	
	2019	2018
Active employees	579	585
Inactive employees or beneficiaries currently receiving benefits	283	261
Inactive employees entitled to but not yet receiving benefits	121	120
Total Plan Participants	<u>983</u>	<u>966</u>

Contributions – The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the Public Utilities Board matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the Public Utilities Board. Under the state law governing TMRS, the contribution rate for each entity is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the Public Utilities Board were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Public Utilities Board were 17.21% and 17.45% for calendar years 2020 and 2019, respectively. The Public Utilities Board's contributions to TMRS in the fiscal year ended September 30, 2020, were \$5,340,253, and \$5,274,313 for fiscal year ended September 30, 2019, and equaled the required contributions.

Net Pension Liability – The Public Utilities Board's net pension liability (NPL) was measured as of December 31, 2019 and 2018, and total pension liability (TPL) used to calculate the net pension liability was determined by actuarial valuations as of that date.

The Public Utilities Board's changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 186,129,503	\$ 147,609,405	\$ 38,520,098
Changes for the year:			
Service cost	5,125,439	-	5,125,439
Interest	12,500,119	-	12,500,119
Change of benefit terms	-	-	-
Difference between expected and actual experience	(70,448)	-	(70,448)
Changes in assumptions	213,516	-	213,516
Contributions - employer	-	5,205,992	(5,205,992)
Contributions - employee	-	2,088,363	(2,088,363)
Net investment income	-	22,839,170	(22,839,170)
Benefit payments, including refunds of employee contributions	(7,010,545)	(7,010,545)	-
Administrative expense	-	(128,944)	128,944
Other changes	-	(3,874)	3,874
Net changes	10,758,081	22,990,162	(12,232,081)
Balance at 12/31/2019	<u>\$ 196,887,584</u>	<u>\$ 170,599,567</u>	<u>\$ 26,288,017</u>

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(9) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2017	\$ 174,671,799	\$ 149,239,975	\$ 25,431,824
Changes for the year:			
Service cost	5,167,067	-	5,167,067
Interest	11,782,619	-	11,782,619
Change of benefit terms	-	-	-
Difference between expected and actual experience	(95,940)	-	(95,940)
Changes in assumptions	-	-	-
Contributions - employer	-	6,226,287	(6,226,287)
Contributions - employee	-	2,102,878	(2,102,878)
Net investment income	-	(4,472,781)	4,472,781
Benefit payments, including refunds of employee contributions	(5,396,042)	(5,396,042)	-
Administrative expense	-	(86,399)	86,399
Other changes	-	(4,513)	4,513
Net changes	11,457,704	(1,630,570)	13,088,274
Balance at 12/31/2018	\$ 186,129,503	\$ 147,609,405	\$ 38,520,098

The Public Utilities Board recognized \$5,363,010 in pension expense for the fiscal year ended September 30, 2020, and \$7,363,954 in pension expense for the fiscal year ended September 30, 2019.

Actuarial assumptions – The total pension liability in the December 31, 2019 and 2018, actuarial valuations were determined using the following actuarial assumptions:

	<u>12/31/2019</u>	<u>12/31/2018</u>	
Inflation	2.50%	2.50%	per year
Overall payroll growth	2.75%	3.00%	per year
Investment Rate of Return	6.75%	6.75%	net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. For 2019, Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. For 2018, mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109%

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(9) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

For 2019, the actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS. For 2018, the actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013, valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, actuaries focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	September 30, 2020		September 30, 2019	
	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	0.0%	0.00%	17.5%	4.30%
International Equity	0.0%	0.00%	17.5%	6.10%
Global Equity	35.0%	5.30%	-	-
Core Fixed Income	10.0%	1.25%	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.14%	20.0%	3.39%
Real Return	10.0%	3.85%	10.0%	3.78%
Real Estate	10.0%	4.00%	10.0%	4.44%
Absolute Return	10.0%	3.48%	10.0%	3.56%
Private Equity	<u>5.0%</u>	7.75%	<u>5.0%</u>	7.75%
Total	<u>100.0%</u>		<u>100.0%</u>	

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(9) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

Discount Rate – The discount rate used to measure the Total Pension Liability recorded as of September 30, 2020 and 2019, was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Public Utilities Board, calculated using the discount rate of 6.75%, as well as what the Public Utilities Board's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

Measurement Date	1% Decrease 5.75%	Current Single Rate 6.75%	1% Increase 7.75%
12/31/2019	\$ 54,650,401	\$ 26,288,017	\$ 2,958,403
12/31/2018	\$ 65,465,428	\$ 38,520,098	\$ 16,408,065

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2020 and 2019, the Public Utilities Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	September 30,	
	2020	2019
<u>Deferred outflows of resources</u>		
Changes in assumptions	\$ 209,324	\$ 47,896
Differences between expected and actual experience on pension assets	103,025	143,268
Differences between projected and actual earnings on pension assets (net)	-	7,751,048
Employer's contributions to the Plan subsequent to the measurement of total pension liability	4,052,726	3,978,978
Total deferred outflows of resources	<u>\$ 4,365,075</u>	<u>\$ 11,921,190</u>
<u>Deferred inflows of resources</u>		
Differences between expected and actual experience on pension assets	\$ (758,989)	\$ (1,260,951)
Differences between projected and actual earnings on pension assets (net)	(5,261,199)	-
Total deferred inflows of resources	<u>\$ (6,020,188)</u>	<u>\$ (1,260,951)</u>

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(9) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

The amount reported as deferred outflows of resources, \$4,052,726, related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Net deferred outflows(inflows) of resources:
2021	\$ (1,872,088)
2022	(1,593,196)
2023	319,484
2024	(2,585,324)
2025	17,779
Thereafter	5,506
Total	<u>\$ (5,707,839)</u>

(10) OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the Public Utilities Board provides post-retirement health care benefits and supplemental death benefits to its employees.

POST-RETIREMENT HEALTH CARE BENEFITS

Plan Description and Benefits Provided – The Public Utilities Board provides post-retirement health care benefits for employees retiring and receiving annuities from the Texas Municipal Retirement System, through a single-employer plan, who are (1) at least age 60 and have completed 10 consecutive years of active service with the Public Utilities Board immediately prior to retirement, (2) at least age 55 and have completed 25 consecutive years of active service with the Public Utilities Board immediately prior to retirement, or (3) at any age having completed 30 consecutive years of active service with the Public Utilities Board immediately prior to retirement. Prior to age 65, the Public Utilities Board will pay 100% of the cost of the Group Health Insurance Program for the retirees. Spouses and dependents are also eligible for coverage, but the retiree must pay the premiums. No coverage is available after the retiree reaches age 65, including coverage for spouses and dependents. The above eligibility and coverage requirements do not apply to retirees that retired under Retiree Package I (1999) and Retiree Package II (2005). The Retiree Package I plan results from a special offer made in fiscal year 1999 to all employees with 25 years or more of credited service or eligible for retirement under TMRS guidelines who elected to voluntarily resign or retire during the offer period. The plan provides coverage for the employees and the employees' dependent (spouse) under the Public Utilities Board's group medical plan until such time as the employee becomes 65 years of age, dies, or elects to receive coverage from another source. Under Retiree Package I, 34 retirees met these eligibility requirements. The Retiree Package II plan provides post-retirement benefits to all employees who retire from the Public Utilities Board after attaining 10 years of service and 60 years of age, 25 years of service and 55 years of age or 30 years of service regardless of age. Under the Retiree Package II plan, retirees may pay to provide spousal and dependent coverage.

Under Retiree Package II, 24 retirees met these eligibility requirements. The Public Utilities Board provides 100% of the cost of retirees to participate in this plan. Expenses for post-retirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported. Expenses related to provision of these post-employment benefits cannot be reasonably estimated.

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(10) OTHER POST-EMPLOYMENT BENEFITS – Continued

The following tables presents information about the participants covered by the benefit terms. Participants providing the basis of the actuarial valuations used to calculate the total OPEB liability, as of the measurement date for fiscal years ended September 30, 2020 and 2019, were:

	October 1,	
	2019	2018
Active participants	584	565
Retirees	48	44
Beneficiaries	0	0
Spouses of retirees	19	15
Total Participants	651	624

Contributions – The Public Utilities Board does not pre-fund benefits. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis, and there is not a trust for accumulating plan assets. There have been no changes to the demographic assumptions from the last valuation report with the exception of mortality.

Actuarial Methods and Assumptions

Valuation Timing – For fiscal year 2020, the valuation was performed October 1, 2019, with a measurement date at September 30, 2020. For fiscal year 2019, the valuation was performed October 1, 2017, with a measurement date at September 30, 2019.

Unless specifically noted in the categories below, all methods and assumptions were in effect as of September 30, 2020 and 2019.

Actuarial Cost Method – The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. Under this method a projected retirement benefit at assumed retirement age is computed for each participant using anticipated future pay increases. The normal cost for each participant is computed as the level percentage of pay which, if paid from each participant's date of employment by the employer or any predecessor employer (thus, entry age) to his assumed retirement date, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to fund his projected retirement benefit. The normal cost for the plan is the total of the individually computed normal costs for all participants including the costs for any death or disability benefits under the plan.

The accrued liability at any point in time for an active participant is the theoretical fund that would have been accumulated on his behalf from his normal cost payments and the earnings thereon for all prior years if the plan had always been in effect. For persons receiving benefits or entitled to a deferred vested retirement income, the accrued liability cost is equal to the present value of their future benefit payments. The accrued liability for the plan is the total of the individually computed accrued liability for all participants. The unfunded accrued liability for the plan is the excess of the accrued liability over the assets which have been accumulated for the plan. It should be noted that the accrued liability as of any date is not the actuarially computed present value of accrued or accumulated plan benefits as of that date. The accrued liability is the portion of the ultimate cost assigned to prior years by the cost method being used.

Inflation – Inflation is calculated as 2.20% per annum, compounded annually.

Salary Increases – Salary increases are calculated as 2.10% per annum, compounded annually.

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(10) OTHER POST-EMPLOYMENT BENEFITS – Continued

Discount Rate – The discount rate is based on the Bond Buyer’s 20-year General Obligation Index immediately prior to or coincident with the measurement date. At September 30, 2020, the discount rate was 2.21% per annum, compounded annually. As September 30, 2019, the discount rate was 2.66% per annum, compounded annually.

Administrative Expenses – Administrative expenses are included in claims cost.

Coverage Assumption – One hundred percent of members are assumed to elect coverage at retirement.

Mortality – The Mortality table used was the Pub-2010 Mortality (headcount weighted) for Employees, Healthy Annuitants, and Contingent Annuitants projected forward (fully generational) with MP-2020 as of September 30, 2020. The Mortality table used as of September 30, 2019, was the Sex Distinct RP-2014 Mortality Table adjusted to 2006 with Projection Scale MP-2018.

Spouses Coverage – For active participants it is assumed that husbands are three years older than their wives. Fifty percent of active employees are assumed to be married and elect spouse coverage.

Per Capita Medical Benefit Costs – The following tables show health costs for ages 45 to 65 at five year intervals. Claim costs are calculated using combined active and retiree premium equivalent rates. This was validated by reviewing the experience. Actual medical administrative expenses were not provided. Therefore, the assumption was made of a medical load of 10%. No stop-loss recoveries for retirees assumed.

9/30/2020	Retiree		Spouse		9/30/2019	Retiree		Spouse	
Age	Male	Female	Male	Female	Age	Male	Female	Male	Female
45	8,983.89	13,011.90	6,705.66	7,995.78	45	10,507.04	14,353.71	8,723.86	9,873.56
50	9,832.73	12,108.37	7,757.01	8,900.87	50	10,392.50	12,439.59	9,487.14	10,792.78
55	10,694.02	11,404.87	8,858.64	9,837.89	55	11,090.46	11,821.35	10,757.32	11,793.04
60	12,251.99	12,190.91	10,454.89	10,843.11	60	13,288.19	13,054.06	12,743.12	12,961.30
64	14,769.10	13,503.34	12,586.69	11,931.25	64	16,506.12	14,899.32	15,450.01	14,341.50
65+	0	0	0	0	65+	0	0	0	0

Per Capita Dental Benefit Costs – Dental benefits are available to retirees and their dependents, but are paid for entirely by the retiree.

Medical Inflation (Trend Assumption) – The trend assumptions for medical, pharmacy, and dental costs and retiree premiums are summarized in the following tables:

9/30/2020				9/30/2019			
Year	Trend	Year	Trend	Year	Trend	Year	Trend
2019	4.80%	2049-2050	4.70%	2017	5.20%	2047-2056	4.70%
2020	4.80%	2051-2057	4.60%	2018-2019	5.10%	2057-2063	4.60%
2021	4.80%	2058-2063	4.10%	2020-2021	5.00%	2064-2065	4.50%
2022-2024	4.80%	2064-2066	4.00%	2022-2023	4.90%	2066	4.40%
2025-2026	4.80%	2067	4.40%	2024-2030	4.80%	2067	4.30%
2027-2029	4.70%	2068-2069	4.30%	2031-2039	4.90%	2068-2069	4.20%
2030-2038	4.80%	2070	4.20%	2040-2041	5.00%	2070	4.10%
2039-2047	4.90%	2071-2072	4.10%	2042-2043	4.90%	2071-2072	4.00%
2048	5.00%	2073+	4.00%	2044-2046	4.80%	2073+	3.90%

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(10) OTHER POST-EMPLOYMENT BENEFITS – Continued

Retirement Rates – The following tables are from the December 31, 2019 TMRS report and the December 31, 2017 report, respectively.

12/31/2019			12/31/2017		
Ages	Male	Female	Ages	Male	Female
<50	5.0%	5.0%	40-44	6.0%	6.0%
50-51	7.0%	7.0%	45-49	6.0%	6.0%
52-54	8.0%	8.0%	50-53	8.0%	8.0%
55-59	13.0%	13.0%	54	8.0%	11.0%
60	16.0%	16.0%	55-59	14.0%	11.0%
61	17.0%	17.0%	60	20.0%	14.0%
62	25.0%	25.0%	61	25.0%	28.0%
63-64	20.0%	20.0%	62	32.0%	28.0%
65-74	30.0%	30.0%	63	32.0%	28.0%
75+	100.0%	100.0%	64	32.0%	28.0%
			65	32.0%	28.0%
			66-69	22.0%	22.0%
			70-74	20.0%	22.0%
			75+	100.0%	100.0%

Termination Rates – The following tables are from the December 31, 2019 TMRS report for September 30, 2020, and December 31, 2018 TMRS report for September 30, 2019, respectively. In the December 31, 2019 TMRS tables, for the first 10 years of service, the base table rates vary by gender, entry age, and length of service.

Sample rates for 5 years of service (12/31/2019 report):			Sample rates for 15 years of service (12/31/2019 report):			Sample rates for 5 years of service (12/31/2018 report):			Sample rates for 15 years of service (12/31/2018 report):		
Ages	Male	Female	Ages	Male	Female	Ages	Male	Female	Ages	Male	Female
25	14.29%	16.64%	25-40	4.83%	6.47%	25	13.55%	16.37%	25	4.56%	6.11%
30	10.82%	13.69%	45-50	4.09%	5.43%	30	10.26%	13.47%	30	4.56%	6.11%
35	8.52%	11.10%	55	3.06%	4.03%	35	8.08%	10.92%	35	4.56%	6.11%
40	8.49%	10.19%	60	1.57%	2.02%	40	8.05%	10.03%	40	4.56%	6.11%
45	8.05%	9.03%				45	7.64%	8.89%	45	3.86%	5.12%
50	7.91%	8.38%				50	7.50%	8.24%	50	3.86%	5.12%
55	7.57%	7.26%				55	7.18%	7.14%	55	2.89%	3.80%
60	7.38%	6.63%				60	7.00%	6.53%	60	1.48%	1.90%

Disability Rates – The following table is from the December 31, 2019, and December 31, 2018 TMRS report, respectively:

12/31/2020			12/31/2019		
Ages	Male	Female	Ages	Male	Female
35	0.0194%	0.0194%	35	0.0259%	0.0259%
40	0.0371%	0.0371%	40	0.0494%	0.0494%
45	0.0603%	0.0603%	45	0.0804%	0.0804%
50	0.0891%	0.0891%	50	0.1188%	0.1188%
55	0.1235%	0.1235%	55	0.1647%	0.1647%
60	0.1635%	0.1635%	60	0.2180%	0.2180%

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(10) OTHER POST-EMPLOYMENT BENEFITS – Continued

Total OPEB Liability – The Public Utilities Board’s total OPEB liability at September 30, 2020, was determined by an actuarial valuation as of October 1, 2019. The Public Utilities Board’s total OPEB liability at September 30, 2019, was determined by an actuarial valuation as of October 1, 2017. It was calculated based on the discount rate below and actuarial assumptions described previously in Note 10, and was then projected forward to the measurement date of September 30, 2020 and September 30, 2019, respectively. Any significant changes during this period have been reflected as prescribed by GASB 75.

The following presents a summary of the changes in total OPEB liability:

	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Total OPEB Liability - beginning of year	\$ 25,845,278	\$ 20,736,160
Changes for the year:		
Service Cost	1,025,733	969,822
Interest on total OPEB Liability	706,142	893,577
Effect of assumptions changes or inputs	(871,449)	3,909,580
Effect of economic/demographic gains or losses	(4,442,918)	-
Benefit payments	(652,891)	(663,861)
Net changes	<u>(4,235,383)</u>	<u>5,109,118</u>
Total OPEB Liability - end of year	<u>\$ 21,609,895</u>	<u>\$ 25,845,278</u>

The Public Utilities Board recorded \$1,433,360 in OPEB expense for the year ended September 30, 2020 and \$2,273,466 for the year ended September 30, 2019.

Sensitivity Analysis – The following presents the total OPEB liability of the Public Utilities Board, calculated using the discount rate of 2.21% as of September 30, 2020, as well as what the Public Utilities Board’s total liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

Measurement Date	1% Decrease 1.21%	Discount Rate 2.21%	1% Increase 3.21%
9/30/2020	\$ 23,854,580	\$ 21,609,895	\$ 19,580,796

The following presents the total OPEB liability of the Public Utilities Board, calculated using the discount rate of 2.66% as of September 30, 2019, as well as what the Public Utilities Board’s total liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

Measurement Date	1% Decrease 1.66%	Discount Rate 2.66%	1% Increase 3.66%
9/30/2019	\$ 28,423,507	\$ 25,845,278	\$ 23,515,249

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(10) OTHER POST-EMPLOYMENT BENEFITS – Continued

The following presents the total OPEB liability of the Public Utilities Board, calculated using the current healthcare cost trend rates, as well as what the Public Utilities Board's total liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates.

Measurement Date	1% Decrease	Current Trend Rate	1% Increase
9/30/2020	\$ 18,872,116	\$ 21,609,895	\$ 24,907,084
9/30/2019	\$ 22,494,495	\$ 25,845,278	\$ 29,880,392

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for the Public Utilities Board as of September 30, 2020 and 2019:

	September 30,	
	2020	2019
<u>Deferred outflows of resources</u>		
Changes in assumptions	\$ 2,852,936	\$ 3,381,258
Total deferred outflows of resources	<u>\$ 2,852,936</u>	<u>\$ 3,381,258</u>
<u>Deferred inflows of resources</u>		
Differences in expected and actual experience	\$ (3,850,529)	\$ -
Changes in assumptions	<u>(1,500,263)</u>	<u>(863,262)</u>
Total deferred inflows of resources	<u>\$ (5,350,792)</u>	<u>\$ (863,262)</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended September 30,	Net deferred outflows(inflows) of resources:
2021	\$ (298,515)
2022	(298,515)
2023	(298,515)
2024	(298,515)
2025	(298,515)
Thereafter	<u>(1,005,281)</u>
Total	<u>\$ (2,497,856)</u>

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(10) OTHER POST-EMPLOYMENT BENEFITS – Continued

SUPPLEMENTAL DEATH BENEFIT PLAN

Plan Description – The Public Utilities Board also participates in a single-employer, defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the TMRS. This is a voluntary program in which the Public Utilities Board elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Public Utilities Board may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employees' annual salary (calculated based on the employees' actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other post-employment benefit," or OPEB, and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

At the December 31 valuation and measurement date, the following employees were covered by the benefit terms:

	December 31,	
	2019	2018
Active employees	579	585
Inactive employees or beneficiaries currently receiving benefits	230	210
Inactive employees entitled to but not yet receiving benefits	57	55
Total Plan Participants	866	850

Contributions – The Public Utilities Board contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Schedule of Contribution Rates (RETIREE-only portion of the rate)

Plan/ Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of Contribution (Rate)	Percentage of ARC Contributed
2020	0.21%	0.05%	100%
2019	0.20%	0.05%	100%

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(10) OTHER POST-EMPLOYMENT BENEFITS – Continued

Actuarial Cost Method and Assumptions – Actuarial information under this plan is as follows:

Valuation date	12/31/2019 and 12/31/2018
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation (2019) and 3.50% to 10.50%, including inflation (2018)
Discount rate	2.75%* and 3.71%**
Retirees; share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	(12/31/19) - 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. (12/31/18) - RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disables retirees	(12/31/19) - 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disables for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. (12/31/18) - RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

** The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period of December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period of December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Methods and Assumptions

The methods and assumptions described below were in effect as of September 30, 2020 and 2019.

Valuation of Assets – For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

Actuarial Cost Method – The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of

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(10) OTHER POST-EMPLOYMENT BENEFITS – Continued

anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

Supplemental Death Benefit – The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Benefit Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost. Beginning January 2021, the SDB rate for retirees will be based on the full term cost.

Total OPEB Liability – The Public Utilities Board's total OPEB liability as of September 30, 2020 was determined by actuarial valuation and measurement date as of December 31, 2019. The Public Utilities Board's total OPEB liability as of September 30, 2019 was determined by actuarial valuation and measurement date as of December 31, 2018.

The following presents a summary of the changes in total OPEB liability:

	September 30, 2020	September 30, 2019
Total OPEB Liability - beginning of year	\$ 1,598,348	\$ 1,569,336
Changes for the year:		
Service Cost	53,701	60,082
Interest on total OPEB Liability	60,018	52,641
Differences between expected and actual experience	(130,320)	42,721
Changes in assumptions or other inputs	285,195	(108,407)
Benefit payments*	(14,917)	(18,025)
Net changes	253,677	29,012
Total OPEB Liability - end of year	\$ 1,852,025	\$ 1,598,348

* Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

The Public Utilities Board recorded \$143,720 in OPEB expense for the year ended September 30, 2020, and an expense of \$120,880 for the year ended September 30, 2019.

Sensitivity of the total OPEB liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Public Utilities Board Supplemental Death Benefit Fund, calculated using the applicable discount rate of 2.75% as of September 30, 2020, as well as what the Public Utilities Board's liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Discount Rate	1% Increase
Date	1.75%	2.75%	3.75%
9/30/2020	\$ 2,228,864	\$ 1,852,025	\$ 1,555,795

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(10) OTHER POST-EMPLOYMENT BENEFITS – Continued

The following presents the total OPEB liability of the Public Utilities Board Supplemental Death Benefit Fund, calculated using the applicable discount rate of 3.71% as of September 30, 2019, as well as what the Public Utilities Board's liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Date	1% Decrease 2.71%	Discount Rate 3.71%	1% Increase 4.71%
9/30/2019	\$ 1,891,208	\$ 1,598,348	\$ 1,368,952

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for the Public Utilities Board:

	September 30,	
	2020	2019
<u>Deferred outflows of resources</u>		
Difference in expected and actual earnings	\$ 30,821	\$ 36,771
Changes in assumptions	239,094	-
Employer's contributions to the Plan subsequent to the measurement date	13,679	13,468
Total deferred outflows of resources	<u>\$ 283,594</u>	<u>\$ 50,239</u>
<u>Deferred inflows of resources</u>		
Difference in expected and actual earnings	\$ (111,939)	\$ -
Changes in assumptions	-	(3,669)
Total deferred outflows of resources	<u>\$ (111,939)</u>	<u>\$ (3,669)</u>

The following table presents the future amortization of OPEB-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the Supplemental Death Benefit Fund in the current fiscal year and subsequent to the total OPEB liability measurement date. The deferred outflows of resources balance for such contribution amounts at the end of a fiscal period are recognized fully as adjustments to the total OPEB liability in the subsequent year.

Year ended	Net deferred outflows(inflows) of resources:
2021	\$ 30,001
2022	30,001
2023	30,001
2024	30,001
2025	15,811
Thereafter	22,161
Total	<u>\$ 157,976</u>

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements

September 30, 2020 and 2019

(10) OTHER POST-EMPLOYMENT BENEFITS – Continued

The following is a summary of certain OPEB account balances as of September 30, 2020 and 2019:

	9/30/2020			9/30/2019		
	Healthcare	Supplemental	Total	Healthcare	Supplemental	Total
OPEB Liability	\$21,609,895	\$ 1,852,025	\$23,461,920	\$25,845,278	\$ 1,598,348	\$27,443,626
Deferred Outflows of Resources	2,852,936	283,594	3,136,530	3,381,258	50,239	3,431,497
Deferred Inflows of Resources	5,350,792	111,939	5,462,731	863,262	3,669	866,931
OPEB Expense	1,433,360	143,720	1,577,080	2,273,466	120,880	2,394,346

(11) RELATED PARTY TRANSACTION

The Public Utilities Board supplies electric, water, and wastewater services to the City in compliance with the provisions of the City's Revenue Bond Ordinance. These services are accounted for in accordance with the Public Utilities Board's municipal rate schedules. Utilities service provided to the City for the years ended September 30, 2020 and 2019 were \$4,570,832 and \$4,488,098, respectively.

The Public Utilities Board also bills and collects the City's fees for garbage collection services, garbage tax, EPA fees, and maintenance services, and receives a 3% administrative fee for these services except garbage tax. The Public Utilities Board charged \$852,524 and \$834,544 to the City for these collection services in 2020 and 2019, respectively.

(12) TRANSFERS TO THE CITY

The issuance of the 2005A and 2005B refunding bonds modified certain existing covenants which included the calculation of the transfers to the City. Beginning fiscal year 2006 the transfers to the City are being made on a quarterly basis calculated at ten percent (10%) of the gross revenues received for the preceding fiscal year quarter, as adjusted in accordance with the following: (1) prior to applying the percentage set forth above to determine the amount to be transferred to the City, the amount of gross revenues for a fiscal year quarter shall be reduced by an amount equal to all costs for the purchase of power and fuel paid or incurred by the Public Utilities Board during such fiscal year quarter as well as funding requirements for the Southmost Regional Water Authority; and (2) the amount of funds to be transferred to the City shall be reduced by any amounts owed by the City to the Public Utilities Board for utility services. Prior to fiscal year 2006 Article VI of the Charter provided for the transfer to the City's general fund by the Public Utilities Board from "Surplus Funds" available at the close of each fiscal year (after retaining in the Plant Fund an amount deemed by the Public Utilities Board to be sufficient to pay system operation and maintenance expenses for the next 60 days), to the extent available, the greater of \$400,000 or 50% of such surplus funds. Surplus funds, as defined in the Charter, are amounts remaining in the Plant Fund at the close of each fiscal year after all Charter requirements and after all payments have been fully and timely made into funds created by ordinances authorizing outstanding bonds secured by a pledge of the system's net revenues.

Required payments to the City for the years ended September 30, 2020 and 2019, totaled \$11,170,348 and \$11,878,222, respectively, of which \$3,994,072 and \$4,310,490 respectively, was payable at September 30, 2020 and 2019.

In fiscal year 2019, the Public Utilities Board transferred \$2.25 million in other payments to the City related to the transaction of the Oklaunion Power Station closing. This expense was recognized in fiscal year 2020 upon an amended contract agreement.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements
September 30, 2020 and 2019

(13) COMMITMENTS AND CONTINGENCIES

The Public Utilities Board is currently involved in various claims and litigation. It is the opinion of management and counsel that potential claims against the Public Utilities Board not covered by insurance resulting from litigation would not materially affect the financial position or operations of the Public Utilities Board.

At September 30, 2020, the Public Utilities Board had committed approximately \$23,848,868 for utility plant expansion and improvements. Funding of these amounts will come from available revenues of the Public Utilities Board, restricted funds, and short-term debt.

The Public Utilities Board has entered into Purchase Power Agreements with a third party for 50 megawatts that begin in October 2020 and January 2022 and will both terminate in 2029. All costs related to the Purchase Power Agreements will be subject to recovery through the Public Utilities Board's Fuel and Purchased Energy Charge (FPEC) on a monthly basis from electric customers.

(14) RATE STABILIZATION

The Public Utilities Board analyzes and adjusts the fuel and purchased energy charge (FPEC) on a monthly basis. Beginning in April 2016, the Public Utilities Board implemented a bill reduction plan which set the FPEC at a rate that maintains an average residential electric bill at \$102.00 based on 1,000 kWh of electric consumption. The plan was implemented to maintain a competitive alignment with other local providers. The Public Utilities Board utilized rate stabilization funds of \$20,400,000 and \$21,500,000 in fiscal years ending September 30, 2020 and 2019 respectively, to supplement actual FPEC collections.

(15) PENDING GASBs

As of September 30, 2020, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Public Utilities Board. Management is evaluating these pending GASB statements to determine what, if any, impact will be to the Public Utilities Board. The statements are as follows:

- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 87, *Leases*;
- GASB Statement No. 89, *Accounting for Interest Costs Incurred before the end of a Construction Period*;
- GASB Statement No. 90, *Majority Equity Interests*
- GASB Statement No. 91, *Conduit Debt Obligations*
- GASB Statement No. 92, *Omnibus 2020*
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*

The statements listed above through Statement No 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87, which was postponed by one and a half years.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Notes to the Financial Statements
September 30, 2020 and 2019

(16) SUBSEQUENT EVENT

On October 14, 2020, the Oklaunion Power Station was sold by all four of its Owners to a third party who agreed to perform the decommissioning and demolition of unusable facilities of the plant and assume any and all liabilities with respect to, associated with, arising under or resulting from: (a) the acquired assets and any assets that are or should be the subject of decommissioning; (b) any and all liabilities and obligations associated with the decommissioning activities; and (c) any and all environmental liabilities arising from the sellers' ownership; or operation of the Oklaunion Power Station. The remaining sales agreement provisions, schedules, attachments, et cetera, are confidential.

The assets related to the Oklaunion Power Station are segregated on the Statement of Net Position and classified as assets held for sale at September 30, 2020. The Public Utilities Board's portion of sale proceeds when net with the proportionate decommissioning costs are deemed to be immaterial. Any further decommissioning costs due from the Public Utilities Board are unknown and cannot be estimated at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

- ❖ *Texas Municipal Retirement System – Schedule of Changes in Net Pension Liability and Related Ratios*
- ❖ *Texas Municipal Retirement System – Schedule of Contributions*
- ❖ *Post-Retirement Health Care Benefit Plan Other Post-Employment Benefits (OPEB) – Schedule of Changes in Total OPEB Liability and Related Ratios*
- ❖ *Supplemental Death Benefit Plan Other Post-Employment Benefits (OPEB) – Schedule of Changes in Total OPEB Liability and Related Ratios*

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Texas Municipal Retirement System

Schedule of Changes in Net Pension Liability and Related Ratios (Unaudited) ⁽¹⁾

	2020 ⁽²⁾	2019 ⁽²⁾	2018 ⁽²⁾	2017 ⁽²⁾	2016 ⁽²⁾	2015 ⁽²⁾
Total Pension Liability						
Service Cost	\$ 5,125,439	\$ 5,167,067	\$ 5,012,363	\$ 4,650,032	\$ 3,748,945	\$ 3,426,900
Interest (on the Total Pension Liability)	12,500,119	11,782,619	11,071,786	10,390,015	10,202,003	8,988,969
Changes of benefit terms	-	-	-	-	12,418,650	-
Difference between expected and actual experience	(70,448)	(95,940)	(288,240)	263,997	(976,625)	(2,363,903)
Changes of assumption	213,516	-	-	-	119,380	-
Benefit payments, including refunds of employee contributions	(7,010,545)	(5,396,042)	(5,288,768)	(5,481,024)	(5,240,997)	(5,364,164)
Net change in Total Pension Liability	10,758,081	11,457,704	10,507,141	9,823,020	20,271,356	4,687,802
Total Pension Liability - Beginning	\$ 186,129,503	\$ 174,671,799	\$ 164,164,658	154,341,638	134,070,282	129,382,480
Total Pension Liability - Ending (a)	<u>\$ 196,887,584</u>	<u>186,129,503</u>	<u>174,671,799</u>	<u>\$ 164,164,658</u>	<u>\$ 154,341,638</u>	<u>\$ 134,070,282</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 5,205,992	\$ 6,226,287	\$ 5,100,618	\$ 4,685,031	\$ 3,483,411	\$ 3,597,481
Contributions - Employee	2,088,363	2,102,878	2,035,182	1,884,784	1,840,296	1,798,743
Net investment income/(loss)	22,839,170	(4,472,781)	17,958,987	8,139,141	177,458	6,509,426
Benefit payments, including refunds of employee contributions	(7,010,545)	(5,396,042)	(5,288,768)	(5,481,024)	(5,240,997)	(5,364,164)
Administrative expense	(128,944)	(86,399)	(93,038)	(91,896)	(108,080)	(67,960)
Other	(3,874)	(4,513)	(4,715)	(4,951)	(5,338)	(5,587)
Net change in Plan Fiduciary Net Position	22,990,162	(1,630,570)	19,708,266	9,131,085	146,750	6,467,939
Plan Fiduciary Net Position - Beginning	147,609,405	149,239,975	129,531,709	120,400,624	120,253,874	113,785,935
Plan Fiduciary Net Position - Ending (b)	<u>\$ 170,599,567</u>	<u>\$ 147,609,405</u>	<u>\$ 149,239,975</u>	<u>\$ 129,531,709</u>	<u>\$ 120,400,624</u>	<u>\$ 120,253,874</u>
Net Pension Liability - Ending (a) - (b)	\$ 26,288,017	\$ 38,520,098	\$ 25,431,824	\$ 34,632,949	\$ 33,941,014	\$ 13,816,408
Plan Fiduciary Net Position as a Percentage of						
Total Pension Liability	86.65%	79.30%	85.44%	78.90%	78.01%	89.69%
Covered Payroll	\$ 29,833,757	\$ 30,041,089	\$ 29,074,029	\$ 26,925,490	\$ 26,289,939	\$ 25,696,323
Net Pension Liability as a Percentage of						
Covered Payroll	88.12%	128.22%	87.47%	128.63%	129.10%	53.77%

Notes to Schedule:

(1) Schedule is intended to show 10 years. Additional years will be presented as the information becomes available.

(2) Annual numbers reflect calendar year numbers from TMRS and are reported per the Public Utilities Board's fiscal year in effect at the December 31st reporting period.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Texas Municipal Retirement System Schedule of Contributions (Unaudited)

Last Ten Fiscal Years

Year Ended September 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2011	3,828,971	3,828,971	-	22,827,689	16.77%
2012	3,332,195	3,332,195	-	24,493,130	13.60%
2013	3,352,889	3,352,889	-	22,850,044	14.67%
2014	3,672,318	3,672,318	-	26,079,664	14.08%
2015	3,534,419	3,534,419	-	26,333,524	13.42%
2016	4,399,028	4,399,028	-	26,450,688	16.63%
2017	5,074,953	5,074,953	-	28,681,837	17.69%
2018	5,352,822	6,252,822	(900,000)	29,930,515	20.89%
2019	5,274,313	5,274,313	-	29,772,203	17.72%
2020	5,340,253	5,340,253	-	30,563,032	17.47%

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Public Utilities Board's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

- Notes to Schedule
- (1) Increased municipal matching ratio from 1.5-1 to 2-1 in FY 2016.
 - (2) There were no benefit changes during this year.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS*(A Component Unit of the City of Brownsville, Texas)*

Post-Retirement Health Care Benefit Plan

Other Post-Employment Benefits (OPEB)

Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 1,025,733	\$ 969,822	\$ 1,039,213
Interest (on the Total OPEB Liability)	706,142	893,577	773,872
Effect of assumption changes or inputs	(871,449)	3,909,580	(1,099,772)
Effect of economic/demographic gains/(losses)	(4,442,918)	-	-
Benefit payments	(652,891)	(663,861)	(392,840)
Net change in Total OPEB Liability	(4,235,383)	5,109,118	320,473
Total OPEB Liability - Beginning	25,845,278	20,736,160	20,415,687
Total OPEB Liability - Ending	<u>\$ 21,609,895</u>	<u>\$ 25,845,278</u>	<u>\$ 20,736,160</u>
 Covered Employee Payroll	 \$ 27,846,102	 \$ 28,898,143	 \$ 28,303,764
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 77.60%	 89.44%	 73.26%

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirements to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported. Additional years will be presented as information becomes available.
- (2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
- (3) A discount rate of 2.21% was used to determine the beginning Total OPEB liability compared to a discount rate of 4.18% used in the October 1, 2017, actuarial valuation date.

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS

(A Component Unit of the City of Brownsville, Texas)

Supplemental Death Benefit Plan
Other Post-Employment Benefits (OPEB)

Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 53,701	\$ 60,082	\$ 49,426
Interest (on the Total OPEB Liability)	60,018	52,641	52,052
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(130,320)	42,721	-
Changes of assumption	285,195	(108,407)	124,250
Benefit payments	(14,917)	(18,025)	(17,444)
Net change in Total OPEB Liability	253,677	29,012	208,284
Total OPEB Liability - Beginning	1,598,348	1,569,336	1,361,052
Total OPEB Liability - Ending	<u>\$ 1,852,025</u>	<u>\$ 1,598,348</u>	<u>\$ 1,569,336</u>
 Covered Employee Payroll	 \$ 29,833,757	 \$ 30,041,089	 \$ 29,074,029
Total OPEB Liability as a Percentage of Covered Employee Payroll	6.21%	5.32%	5.40%

Notes to Schedule:

- (1) Schedule is intended to show 10 years. Additional years will be presented as the information becomes available.
- (2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
- (3) Due to the SDBF being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contribution for retirees.
- (4) Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.).
- (5) A discount rate of 2.75% was used to determine the beginning Total OPEB liability compared to a discount rate of 3.71% used in the December 31, 2018, actuarial valuation date.

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Statistical Section

This part of the Public Utilities Board's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosure, and required supplementary information says about the Public Utilities Board's overall financial health.

Contents	Page
Financial Trends	66-67
These schedules contain trend information to help the reader understand how the Public Utilities Board's financial performance and well being has changed over time.	
Revenue Capacity	69-74
These schedules contain information to help the reader assess the Public Utilities Board's local revenue source.	
Debt Capacity	76-78
These schedules present information to help the reader assess the Public Utilities Board's debt burden and its ability to issue additional debt in the future.	
Demographic and Economic Information	80-81
This schedule offers demographic and economic indicators to help the reader understand the environment in which the Public Utilities Board's financial activities take place.	
Operating Information	83-98
These schedules contain service and infrastructure data to help the reader understand how the information in the Public Utilities Board's financial report relates to the services Public Utilities Board provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules was obtained from the basic financial statements for the relevant years. Public Utilities Board implemented GASB Statement 34 in 2002.

FINANCIAL TRENDS

- *Net Position by Component*
- *Statements of Revenues, Expenses, and Changes in Net Position*

FINANCIAL TRENDS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Dollars In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net position:										
Net investment in capital assets	\$298,269	\$301,903	\$323,271	\$311,667	\$310,655	\$308,012	\$297,472	\$271,662	\$244,561	\$221,978
Restricted	153,902	154,411	149,429	149,407	143,796	117,120	103,988	101,291	111,401	102,698
Unrestricted	<u>27,954</u>	<u>13,509</u>	<u>10,830</u>	<u>15,189</u>	<u>28,810</u>	<u>50,967</u>	<u>56,130</u>	<u>59,163</u>	<u>54,463</u>	<u>59,245</u>
Total net position	<u>\$480,125</u>	<u>\$469,824</u>	<u>\$483,530</u>	<u>\$476,263</u>	<u>\$483,261</u>	<u>\$476,099</u>	<u>\$457,590</u>	<u>\$432,116</u>	<u>\$410,425</u>	<u>\$383,921</u>

FINANCIAL TRENDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Dollars In Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating revenues:										
Sales and services charges	\$223,462	\$232,301	\$224,167	\$220,878	\$207,550	\$207,767	\$192,061	\$170,446	\$169,799	\$172,361
Less rate stabilization	(20,400)	(21,500)	(25,900)	(24,200)	(10,525)					
Less utilities service to the City of Brownsville, Texas	(4,571)	(4,488)	(4,549)	(4,629)	(4,804)	(4,810)	(4,840)	(4,274)	(4,228)	(4,278)
Total operating revenues	198,491	206,313	193,720	192,048	192,221	202,957	187,221	166,172	165,571	168,083
Operating expenses:										
Purchased power and fuel	54,923	62,713	63,091	62,733	55,452	65,221	66,942	53,915	48,039	52,503
Personnel services	42,600	45,043	41,105	40,868	49,077	33,303	32,822	30,616	27,962	27,388
Materials and supplies	7,549	7,583	8,278	7,791	6,961	7,347	7,376	7,433	7,276	7,161
Repairs and maintenance	3,949	3,783	4,540	2,269	2,666	2,983	3,688	2,030	2,794	3,235
Contractual and other services	32,786	28,735	26,132	23,753	24,443	21,522	19,153	19,319	18,972	18,166
Depreciation	46,972	48,890	30,786	30,194	29,064	29,507	28,409	27,366	23,602	28,270
Total operating expenses	188,778	196,747	173,932	167,608	167,663	159,883	158,390	140,679	128,645	136,723
Operating income	9,712	9,566	19,788	24,440	24,558	43,074	28,831	25,493	36,926	31,360
Nonoperating revenues (expenses):										
Investment and interest income	2,640	5,184	3,329	1,703	1,202	841	533	564	672	629
Interest expense	(11,970)	(12,780)	(13,260)	(13,812)	(14,743)	(14,509)	(15,109)	(15,654)	(15,580)	(16,131)
Gain on retirement of assets	17,250	-	-	-	-	-	-	-	-	-
Gain (Loss) on disposition of capital assets	(104)	(927)	282	(3,357)	(1,019)	(3,578)	(1,028)	(116)	(1,417)	(359)
Other	(513)	2,070	1,252	65	457	1,599	1,213	(1,484)	(582)	(2,157)
Project Abandonment	-	(9,341)	-	-	-	-	-	-	-	-
Other payments to the City of Brownsville	(2,250)	-	-	-	-	-	-	-	-	-
Payments to City of Brownsville	(11,170)	(11,878)	(11,090)	(10,666)	(9,823)	(9,040)	(7,614)	(7,189)	(7,738)	(7,488)
Net nonoperating revenues (expenses)	(6,117)	(27,672)	(19,487)	(26,067)	(23,926)	(24,687)	(22,006)	(23,879)	(24,645)	(25,506)
Income (Loss) before capital contributions	3,595	(18,106)	301	(1,627)	632	18,387	6,826	1,614	12,280	5,854
Capital contributions	6,706	4,400	6,968	6,885	6,528	12,965	18,648	20,077	14,224	20,806
Change in net position	10,301	(13,706)	7,269	5,258	7,160	31,352	25,474	21,691	26,504	26,660
Net position, beginning of year	469,824	483,530	476,263	483,261	476,099	457,590	432,116	410,425	383,921	357,261
Prior Period Adjustment	-	-	-	(12,257)	-	(12,843)	-	-	-	-
Net position, beginning of year as restated	469,824	483,530	476,263	471,004	476,099	444,747	432,116	410,425	383,921	357,261
Net position, end of year	\$480,125	\$469,824	\$483,532	\$476,262	\$483,261	\$476,099	\$457,590	\$432,116	\$410,425	\$383,921

Note: The negative change in net position for FY20 is primarily attributable to accelerated depreciation of the Okaunion Power Station of \$19.5 million. The negative change in net position for FY19 is attributable to the write off of pre-development costs for Tenaska of \$9.3 million and the accelerated depreciation of the Okaunion Power Station of \$17.1 million.

REVENUE CAPACITY

- *Average Number of Services Billed by Utility*
- *Revenues by Utility*
- *Unit Sales by Utility*
- *Ten Year Rate Analysis – Residential Rates*
- *System Rate Increases*
- *Total Average Residential Monthly Charges*

AVERAGE NUMBER OF SERVICES BILLED BY UTILITY¹
LAST TEN YEARS

FY	ELECTRIC	% CHANGE	WATER	% CHANGE	WASTEWATER	% CHANGE
2020	51,406	2.38%	52,331	1.73%	53,075	1.80%
2019	50,209	1.52%	51,441	1.32%	52,137	1.50%
2018	49,455	1.50%	50,771	1.23%	51,366	2.06%
2017	48,726	1.10%	50,153	1.12%	50,329	1.28%
2016	48,196	1.10%	49,598	1.23%	49,693	1.33%
2015	47,671	0.91%	48,997	1.00%	49,041	1.06%
2014	47,242	1.10%	48,510	1.11%	48,528	1.16%
2013	46,730	1.36%	47,976	1.05%	47,972	1.09%
2012	46,102	1.32%	47,477	1.76%	47,456	1.83%
2011	45,500	1.19%	46,656	1.51%	46,605	1.79%

¹Municipal customers not included in average number of services billed

**REVENUE CAPACITY
REVENUES BY UTILITY - LAST TEN YEARS**

	2020	FY 2019	FY 2018	FY 2017	FY 2016
ELECTRIC					
Residential	\$ 70,894,750	\$ 72,375,771	\$ 73,026,444	\$ 71,288,035	\$ 63,681,205
Commercial	68,041,652	74,732,579	74,781,316	74,770,246	68,559,278
Municipal	3,418,381	3,527,745	3,579,766	3,630,779	3,846,235
Wholesale sales	16,110,955	22,575,496	11,067,351	9,348,488	16,397,987
Other	14,369,813	9,392,170	11,222,724	11,593,857	7,458,124
<i>Total Electric Operating Revenues</i>	<u>\$ 172,835,551</u>	<u>\$ 182,603,761</u>	<u>\$ 173,677,601</u>	<u>\$ 170,631,405</u>	<u>\$ 159,942,829</u>
WATER					
Inside city	\$ 24,086,514	\$ 23,472,024	\$ 24,048,925	\$ 23,879,301	\$ 21,796,229
Outside city	909,574	872,649	848,947	873,877	811,938
Municipal	734,648	632,528	643,536	668,247	624,615
Other	653,579	1,019,821	998,603	1,029,823	1,111,918
Southmost Regional Water Authority	489,168	489,743	490,392	480,808	466,928
<i>Total Water Operating Revenues</i>	<u>\$ 26,873,483</u>	<u>\$ 26,486,765</u>	<u>\$ 27,030,403</u>	<u>\$ 26,932,056</u>	<u>\$ 24,811,628</u>
WASTEWATER					
Residential	\$ 14,378,518	\$ 13,616,485	\$ 14,033,891	\$ 14,021,992	\$ 13,728,898
Commercial	7,065,343	7,236,716	7,129,594	7,141,687	6,949,099
Municipal	417,803	327,825	325,425	330,087	333,262
Outside city	1,558,927	1,501,463	1,416,201	1,258,935	1,208,890
Other	332,019	528,182	554,186	561,340	575,617
<i>Total Wastewater Operating Revenues</i>	<u>\$ 23,752,610</u>	<u>\$ 23,210,671</u>	<u>\$ 23,459,297</u>	<u>\$ 23,314,041</u>	<u>\$ 22,795,766</u>
TOTAL SALES AND SERVICE CHARGES	<u><u>\$ 223,461,644</u></u>	<u><u>\$ 232,301,197</u></u>	<u><u>\$ 224,167,301</u></u>	<u><u>\$ 220,877,502</u></u>	<u><u>\$ 207,550,223</u></u>

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
ELECTRIC					
Residential	\$ 64,980,210	\$ 63,035,376	\$ 51,861,710	\$ 48,562,146	\$ 50,187,194
Commercial	71,696,062	68,505,305	59,576,916	54,952,907	55,235,857
Municipal	4,035,358	3,916,022	3,336,413	3,157,165	3,454,302
Wholesale sales	12,182,728	921,782	237,173	605,125	3,124,675
Other	9,325,630	9,792,100	8,925,031	16,626,285	15,491,119
<i>Total Electric Operating Revenues</i>	<u>\$ 162,219,988</u>	<u>\$ 146,170,585</u>	<u>\$ 123,937,243</u>	<u>\$ 123,903,628</u>	<u>\$ 127,493,147</u>
WATER					
Inside city	\$ 20,340,255	\$ 20,594,551	\$ 20,333,223	\$ 20,389,340	\$ 19,901,457
Outside city	777,023	766,496	735,224	699,401	675,821
Municipal	514,875	618,616	617,202	686,274	587,860
Other	1,342,068	1,162,867	1,054,328	1,032,247	1,140,972
Southmost Regional Water Authority	447,797	488,079	1,023,081	428,572	367,143
<i>Total Water Operating Revenues</i>	<u>\$ 23,422,018</u>	<u>\$ 23,630,609</u>	<u>\$ 23,763,058</u>	<u>\$ 23,235,834</u>	<u>\$ 22,673,253</u>
WASTEWATER					
Residential	\$ 13,251,741	\$ 13,578,070	\$ 14,135,642	\$ 14,128,726	\$ 13,858,701
Commercial	6,841,017	6,712,829	6,734,506	6,713,307	6,565,949
Municipal	259,508	304,992	320,569	384,562	236,123
Outside city	1,181,106	1,087,237	1,050,009	984,754	1,042,823
Other	592,120	577,059	505,472	448,444	490,847
<i>Total Wastewater Operating Revenues</i>	<u>\$ 22,125,492</u>	<u>\$ 22,260,187</u>	<u>\$ 22,746,198</u>	<u>\$ 22,659,793</u>	<u>\$ 22,194,443</u>
TOTAL SALES AND SERVICES CHARGES	<u><u>\$ 207,767,498</u></u>	<u><u>\$ 192,061,381</u></u>	<u><u>\$ 170,446,499</u></u>	<u><u>\$ 169,799,255</u></u>	<u><u>\$ 172,360,843</u></u>

REVENUE CAPACITY
UNIT SALES BY UTILITY - LAST TEN YEARS ¹

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
ELECTRIC SERVICE (kWh)					
Residential	602,596,573	574,129,413	588,862,015	578,938,532	564,931,382
Commercial Non-Demand	133,567,871	136,405,829	136,319,294	139,381,802	135,844,893
Municipal	37,050,431	38,460,445	39,237,875	39,785,043	39,500,507
Commercial Demand	514,989,472	538,476,727	552,028,532	560,113,317	557,349,627
Other	2,251,157	2,266,542	2,390,778	2,478,672	2,403,423
<i>Total Electric Unit Sales</i>	1,290,455,504	1,289,738,956	1,318,838,494	1,320,697,366	1,300,029,832
WATER SERVICE - 1,000 GALLONS					
Inside City	5,730,053	5,435,140	5,743,114	5,832,446	5,560,741
Outside City	162,528	151,259	158,189	157,297	155,104
Municipal	197,883	157,429	162,477	167,724	158,741
Other	569,787	552,631	588,476	525,154	465,077
<i>Total Water Unit Sales</i>	6,660,251	6,296,459	6,652,256	6,682,621	6,339,663
WASTEWATER SERVICE - 1,000 GALLONS					
Residential	2,807,846	2,592,457	2,745,874	2,804,793	2,709,033
Commercial	1,642,002	1,656,999	1,649,892	1,662,288	1,601,296
Municipal	101,107	76,897	76,447	77,545	78,448
Outside City	116,852	107,474	111,471	123,065	111,277
Other	-	-	-	-	-
<i>Total Wastewater Unit Sales</i>	4,667,807	4,433,827	4,583,684	4,667,691	4,500,054
	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
ELECTRIC SERVICE					
Residential	551,304,652	567,334,136	533,303,461	550,169,186	550,421,195
Commercial Non-Demand	128,892,385	132,918,707	134,939,048	136,833,986	136,117,506
Municipal	38,995,522	39,371,016	38,895,227	38,876,114	39,038,235
Commercial Demand	554,994,514	558,708,943	570,125,749	577,866,685	552,274,846
Other	2,227,059	2,226,006	2,232,972	2,234,448	2,188,674
<i>Total Electric Unit Sales</i>	1,276,414,132	1,300,558,808	1,279,496,457	1,305,980,419	1,280,040,456
WATER SERVICE					
Inside City	5,281,931	5,753,783	6,294,433	6,269,037	6,431,432
Outside City	148,956	155,398	161,450	150,957	159,187
Municipal	122,006	176,477	189,804	223,176	190,732
Other	461,178	506,676	555,452	582,502	576,616
<i>Total Water Unit Sales</i>	6,014,071	6,592,334	7,201,139	7,225,672	7,357,967
WASTEWATER SERVICE					
Residential	2,554,154	2,795,399	3,036,404	3,024,487	3,102,690
Commercial	1,560,177	1,604,591	1,677,306	1,659,010	1,703,770
Municipal	58,998	74,464	80,169	98,579	60,720
Outside City	106,175	118,228	122,924	118,546	125,817
Other	-	-	3,671	6,197	6,861
<i>Total Wastewater Unit Sales</i>	4,279,504	4,592,682	4,920,474	4,906,819	4,999,858

¹ Excludes Public Utilities Board's usage

**REVENUE CAPACITY
TEN YEAR RATE ANALYSIS
RESIDENTIAL RATES**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
ELECTRIC ¹										
Customer Service Charge	\$ 6.94	\$ 6.94	\$ 6.94	\$ 6.94	\$ 6.49	\$ 6.01	\$ 5.62	\$ 5.25	\$ 3.53	\$ 3.53
Energy Charge										
First 500 kWh	0.05420	0.05420	0.05420	0.05420	0.05241	0.05022	0.04862	0.04708	0.04708	0.04708
Over 500 kWh	0.07688	0.07688	0.07688	0.07688	0.07058	0.06458	0.05964	0.05479	0.05152	0.04708
Fuel & Purchased Power	0.02952	0.02952	0.02952	0.02952	0.03401	0.04500	0.05096	0.04000	0.03200	0.04200
WATER (Inside City) ²										
0-3,000 gallons	1.98	1.98	1.98	1.98	1.87	1.80	1.73	1.63	1.63	1.55
4,000-9,000 gallons	2.19	2.19	2.19	2.19	2.07	1.99	1.91	1.80	1.80	1.71
10,000 to 16,000 gallons	2.70	2.70	2.70	2.70	2.55	2.45	2.36	2.23	2.23	2.12
Over 16,000 gallons	4.08	4.08	4.08	4.08	3.85	3.70	3.56	3.36	3.36	3.20
Customer Service Charge										
5/8 x 3/4 Water Meter Size	12.06	12.06	12.06	12.06	11.38	10.94	10.52	9.93	9.93	9.47
WATER (Outside City) ²										
0-3,000 gallons	2.97	2.97	2.97	2.97	2.81	2.70	2.68	2.65	2.65	2.52
4,000-9,000 gallons	3.29	3.29	3.29	3.29	3.11	2.98	2.95	2.93	2.93	2.79
10,000 to 16,000 gallons	4.05	4.05	4.05	4.05	3.83	3.68	3.10	3.05	3.05	2.90
Over 16,000 gallons	6.12	6.12	6.12	6.12	5.78	5.55	4.60	4.56	4.56	4.34
Customer Service Charge										
5/8 x 3/4 Water Meter Size	18.12	18.12	18.12	18.12	17.09	16.43	15.8	14.90	14.90	14.21
SEWER (Inside City) ³										
0-7,000 gallons	3.43	3.43	3.43	3.43	3.43	3.43	3.30	3.29	3.29	3.13
over 7,000 gallons	3.76	3.76	3.76	3.76	3.76	3.76	3.62	3.57	3.57	3.40
Customer Service Charge										
5/8 x 3/4 Water Meter Size	7.48	7.48	7.48	7.48	7.48	7.48	7.19	7.17	7.17	6.84
SEWER (Outside City)										
Rate per 1,000 gallons	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.65	\$ 5.43	\$ 5.36	\$ 5.36	\$ 5.10
Customer Service Charge										
5/8 x 3/4 Water Meter Size	11.22	11.22	11.22	11.22	11.22	11.22	10.79	10.75	10.75	10.26

¹ Electric rates were tiered effective fiscal year 2012.

² Water rates were tiered effective fiscal year 2006.

³ Wastewater rates were tiered effective March 2007.

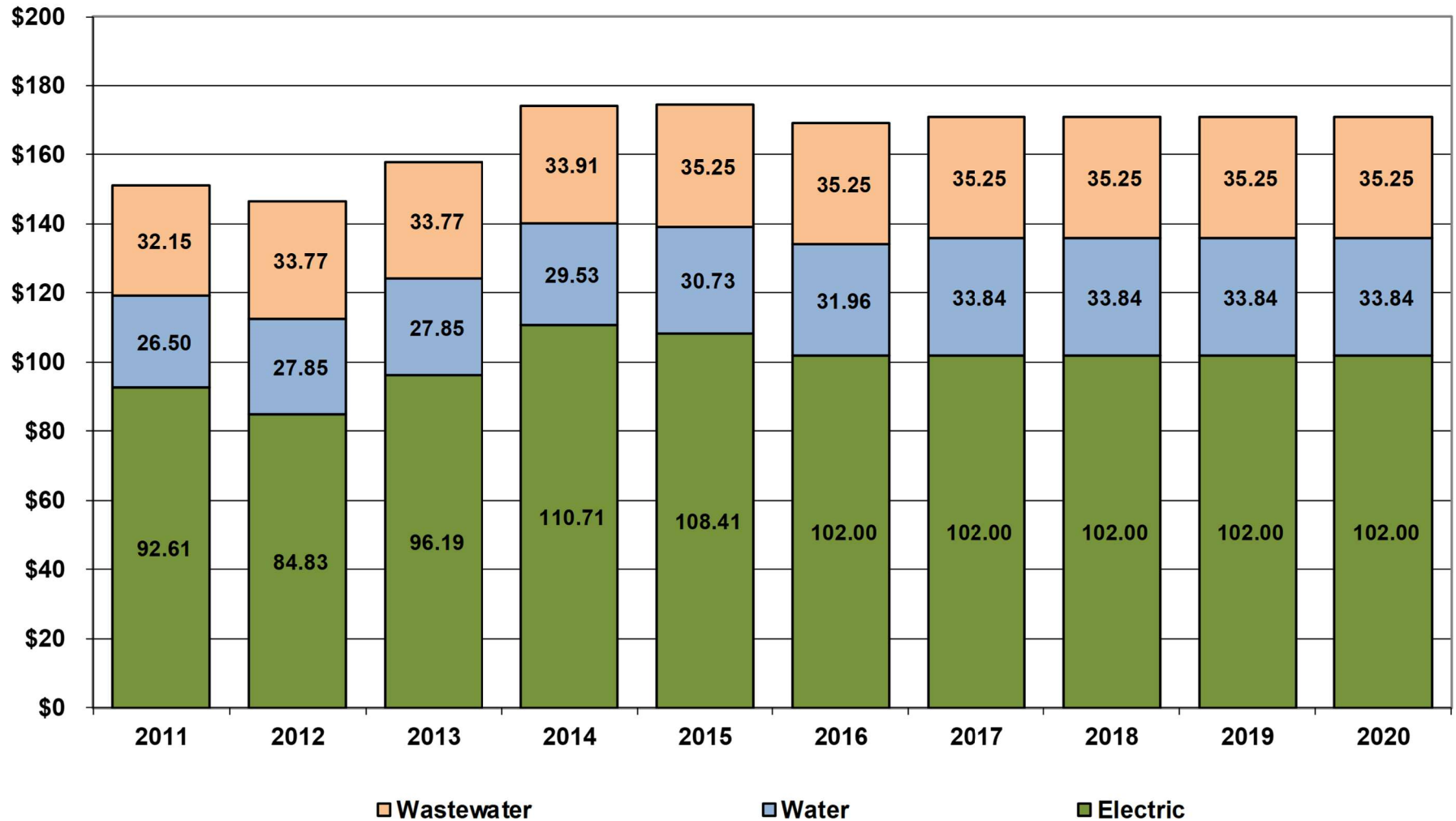
Note: The City Commission of the City of Brownsville, Texas is vested with the right to set utility rates.

**REVENUE CAPACITY
SYSTEM RATE INCREASES - LAST TEN YEARS**

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>
2020	-	-	-
2019	-	-	-
2018	-	-	-
2017	7.0%	6.0%	-
2016	8.0%	4.0%	-
2015	7.0%	4.0%	4.0%
2014	7.0%	6.0%	2.0%
2013	7.0%	-	-
2012	5.0%	5.0%	5.0%
2011	-	-	-



REVENUE CAPACITY
Total Average Residential Monthly Charges
For the Month Ending September 30
Based on 1,000 kWh of electric, 10,000 gallons of water,
and 8,000 gallons of wastewater consumption
(Inside City Limits)



DEBT CAPACITY

- *Computation of Debt Service Coverage*
- *Principal Payments Payable on All Debt Issues Through FY 2045*
- *Ratios of Outstanding Debt by Type*

**DEBT CAPACITY
PRINCIPAL PAYMENTS PAYABLE ON ALL DEBT ISSUES
THROUGH FY 2050**

Year End Sep 30,	Pub Revenue Improvement Refunding Bonds 2005A	Pub Revenue Refunding Bonds 2008	Pub Revenue Refunding Bonds 2012 SR	Pub Revenue Refunding Bonds 2013A	Pub Revenue Refunding Bonds 2015	Pub Revenue Refunding Bonds 2016	Pub Revenue Refunding Bonds 2018	Pub Revenue Refunding Bonds 2020	Pub Revenue Refunding Bonds 2020A	Pub Revenue Refunding Bonds 2012	SRWA Water Supply Contract Refunding Bonds 2009A	SRWA Water Supply Contract Refunding Bonds 2009B	SRWA Water Supply Contract Refunding Bonds 2012	SRWA Water Supply Contract Refunding Bonds 2017	Total
2021	\$ -	\$ -	\$ -	\$ 7,750,000	\$ 3,075,000	\$ 2,935,000	\$ 1,370,000	\$ 270,000	\$ 1,430,000	\$ 40,000	\$ 310,000	\$ 195,000	\$ 980,000	\$ -	\$ 18,355,000
2022	-	-	-	8,020,000	3,215,000	3,085,000	1,420,000	370,000	1,450,000	40,000	310,000	205,000	1,030,000	-	19,145,000
2023	-	-	-	8,380,000	3,355,000	3,230,000	1,500,000	455,000	1,460,000	40,000	310,000	210,000	1,085,000	-	20,025,000
2024	-	-	-	8,755,000	3,500,000	3,395,000	1,570,000	320,000	-	45,000	310,000	220,000	1,135,000	-	19,250,000
2025	-	-	-	9,150,000	3,655,000	3,565,000	1,650,000	-	-	45,000	310,000	230,000	1,190,000	-	19,795,000
2026	-	-	-	9,565,000	3,765,000	3,745,000	890,000	965,000	-	45,000	310,000	240,000	1,255,000	-	20,780,000
2027	-	-	-	-	3,970,000	3,930,000	885,000	785,000	10,105,000	50,000	310,000	250,000	1,285,000	-	21,570,000
2028	-	-	-	-	5,045,000	1,515,000	335,000	1,385,000	12,025,000	50,000	310,000	260,000	-	1,540,000	22,465,000
2029	-	-	-	-	5,280,000	1,580,000	350,000	1,895,000	11,800,000	50,000	310,000	270,000	-	1,600,000	23,135,000
2030	-	-	-	-	5,520,000	1,645,000	360,000	2,065,000	11,945,000	55,000	310,000	-	-	1,660,000	23,560,000
2031	100,000	-	-	-	5,675,000	1,705,000	380,000	2,245,000	12,105,000	55,000	310,000	-	-	1,725,000	24,300,000
2032	-	-	-	-	675,000	1,775,000	395,000	2,340,000	-	60,000	310,000	-	-	1,795,000	7,350,000
2033	-	100,000	-	-	705,000	1,850,000	310,000	2,460,000	-	-	310,000	-	-	-	5,735,000
2034	-	-	-	-	730,000	-	-	2,585,000	-	-	310,000	-	-	-	3,625,000
2035	-	-	-	-	760,000	-	-	2,680,000	-	-	310,000	-	-	-	3,750,000
2036	-	-	-	-	790,000	-	-	2,790,000	-	-	310,000	-	-	-	3,890,000
2037	-	-	-	-	825,000	-	-	2,880,000	-	-	310,000	-	-	-	4,015,000
2038	-	-	-	-	855,000	-	-	1,715,000	-	-	310,000	-	-	-	2,880,000
2039	-	-	-	-	890,000	-	-	1,765,000	-	-	305,000	-	-	-	2,960,000
2040	-	-	-	-	930,000	-	-	1,795,000	-	-	-	-	-	-	2,725,000
2041	-	-	-	-	965,000	-	-	1,840,000	-	-	-	-	-	-	2,805,000
2042	-	-	-	-	1,010,000	-	-	1,910,000	-	-	-	-	-	-	2,920,000
2043	-	-	-	-	1,050,000	-	-	1,990,000	-	-	-	-	-	-	3,040,000
2044	-	-	-	-	1,095,000	-	-	2,065,000	-	-	-	-	-	-	3,160,000
2045	-	-	-	-	1,145,000	-	-	2,150,000	-	-	-	-	-	-	3,295,000
2046	-	-	-	-	-	-	-	2,235,000	-	-	-	-	-	-	2,235,000
2047	-	-	-	-	-	-	-	2,305,000	-	-	-	-	-	-	2,305,000
2048	-	-	-	-	-	-	-	2,370,000	-	-	-	-	-	-	2,370,000
2049	-	-	-	-	-	-	-	2,445,000	-	-	-	-	-	-	2,445,000
2050	-	-	-	-	-	-	-	2,515,000	-	-	-	-	-	-	2,515,000
	\$ 100,000	\$ 100,000	\$ -	\$ 51,620,000	\$ 58,480,000	\$ 33,955,000	\$ 11,415,000	\$ 53,590,000	\$ 62,320,000	\$ 575,000	\$ 5,885,000	\$ 2,080,000	\$ 7,960,000	\$ 8,320,000	\$ 296,400,000

Debt Allocation By Utility

Electric	\$ 180,425,887
Water	62,118,580
Wastewater	53,855,533
Total Debt Capacity	<u>\$ 296,400,000</u>

Debt per Rate Payor

Electric	\$ 3,578
Water	\$ 1,206
Wastewater	\$ 1,037

DEBT CAPACITY
COMPUTATION OF DEBT SERVICE COVERAGE - LAST TEN YEARS ^{1,2}

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
OPERATING INCOME	\$28,434,506	\$29,644,124	\$44,488,073	\$46,967,688	\$33,093,794
ADD:					
Depreciation Expense	45,684,434	47,613,572	29,536,134	28,949,302	28,132,537
Investment & Other Income	2,525,819	4,954,356	3,194,311	1,639,117	1,163,964
LESS:					
Interest on Construction Funds	(432,928)	(857,976)	(404,545)	(178,972)	(193,527)
NET AVAILABLE INCOME	<u>\$76,211,831</u>	<u>\$81,354,076</u>	<u>\$76,813,973</u>	<u>\$77,377,135</u>	<u>\$62,196,768</u>
DEBT SERVICE:					
Revenue Bonds Payable Current	\$14,545,000	\$13,870,000	\$13,456,000	\$12,914,000	\$12,173,000
Total Interest Expense	10,947,307	11,453,972	12,171,696	12,808,172	13,747,956
Operating Reserve	-	-	-	-	-
Commercial Paper Interest Expense	451,484	442,758	167,579	55,636	17,902
Capital Improvement Charges	-	-	-	-	-
NET CASH DEBT SERVICE	<u>\$25,943,791</u>	<u>\$25,766,730</u>	<u>\$25,795,275</u>	<u>\$25,777,808</u>	<u>\$25,938,858</u>
DEBT SERVICE COVERAGE (TIMES)	2.94	3.16	2.98	3.00	2.40
	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
OPERATING INCOME	\$41,883,847	\$27,256,483	\$21,947,648	\$32,747,013	\$27,225,798
ADD:					
Depreciation Expense	28,642,402	27,544,181	26,503,185	22,739,173	27,407,627
Investment & Other Income	815,942	504,537	546,098	654,057	611,866
LESS:					
Interest on Construction Funds	(128,019)	(94,376)	(8,823)	(13,501)	(41,141)
NET AVAILABLE INCOME	<u>\$71,214,172</u>	<u>\$55,210,825</u>	<u>\$48,988,108</u>	<u>\$56,126,742</u>	<u>\$55,204,150</u>
DEBT SERVICE:					
Revenue Bonds Payable Current	\$12,066,000	\$10,100,000	\$8,649,000	\$8,277,000	\$7,856,000
Total Interest Expense	13,538,613	14,275,285	15,310,103	14,399,174	14,829,065
Operating Reserve	-	-	-	-	-
Commercial Paper Interest Expense	13,671	5,929	14,359	39,891	36,668
Capital Improvement Charges	-	-	-	-	-
NET CASH DEBT SERVICE	<u>\$25,618,284</u>	<u>\$24,381,214</u>	<u>\$23,973,462</u>	<u>\$22,716,065</u>	<u>\$22,721,733</u>
DEBT SERVICE COVERAGE (TIMES)	2.78	2.26	2.04	2.47	2.43

¹ Excludes Southmost Regional Water Authority and fuel supplement paid from restricted fuel adjustment subaccount.

² For purposes of debt service coverage calculation, operating income does not include an offset of the rate stabilization funds.

**DEBT CAPACITY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Revenue Bonds (1)	Capital Leases	Total Outstanding Debt	Percentage of Per Capita Income (2)	Population (3)	Debt Per Capita
2020	\$ 334,778,606	\$ -	\$ 334,778,606	10.73%	188,517	\$ 1,776
2019	\$ 295,305,462	\$ -	\$ 295,305,462	10.16%	187,579	\$ 1,574
2018	\$ 312,880,319	\$ -	\$ 312,880,319	11.15%	186,646	\$ 1,676
2017	\$ 329,418,871	\$ -	\$ 329,418,871	12.10%	185,349	\$ 1,777
2016	\$ 345,587,392	\$ -	\$ 345,587,392	12.90%	184,865	\$ 1,869
2015	\$ 356,249,806	\$ -	\$ 356,249,806	13.78%	183,046	\$ 1,946
2014	\$ 349,829,002	\$ -	\$ 349,829,002	13.58%	181,860	\$ 1,924
2013	\$ 362,485,617	\$ -	\$ 362,485,617	14.85%	180,097	\$ 2,013
2012	\$ 327,549,164	\$ -	\$ 327,549,164	14.51%	175,023	\$ 1,871
2011	\$ 337,425,844	\$ -	\$ 337,425,844	14.93%	175,023	\$ 1,928

(1) Presented net of original issuance discounts and premiums

(2) Personal income is disclosed on page 80

(3) Population estimates based on U.S. Census Bureau historical trends

DEMOGRAPHIC AND ECONOMIC INFORMATION

- *Demographic Statistics*
- *Principal Employers*

**DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population*	Per Capita Income	(Thousand's of Dollars) Personal Income	Median Age	Education Level in Years of Formal Schooling	Public School Enrollment	Unemployment Rate
2020	188,517	\$ 16,551	\$ 3,120,145	31.1	65.4%-High School 18.9%-Bachelor's Degree	44,356	10.90%
2019	187,579	\$ 15,495	\$ 2,906,537	30.3	64.3%-High School 18.9%-Bachelor's Degree	44,452	5.20%
2018	186,646	\$ 15,030	\$ 2,805,289	30.3	64.1%-High School 18.8%-Bachelor's Degree	45,578	5.20%
2017	185,349	\$ 14,683	\$ 2,721,479	30.7	63.8%-High School 18.0%-Bachelor's Degree	46,880	5.80%
2016	184,865	\$ 14,489	\$ 2,678,509	30.6	64.1%-High School 17.5%-Bachelor's Degree	47,749	6.60%
2015	183,046	\$ 14,124	\$ 2,585,342	29.8	63.1%-High School 17.2%-Bachelor's Degree	47,717	6.50%
2014	181,860	\$ 14,167	\$ 2,576,411	29.3	64.3%-High School 18.4%-Bachelor's Degree	48,248	8.10%
2013	180,097	\$ 13,556	\$ 2,441,395	29.5	61.8%-High School 15.7%-Bachelor's Degree	49,247	10.30%
2012	175,023	\$ 12,900	\$ 2,257,797	29.5	60.3%-High School 15.0%-Bachelor's Degree	49,271	10.50%
2011	175,023	\$ 12,917	\$ 2,260,772	29.5	60.2%-High School 15.6%-Bachelor's Degree	49,587	12.40%

*Population Estimates based on historical U.S. Census Bureau data

SOURCES:

Brownsville Independent School District
U.S. Census Bureau
U.S. Bureau of Labor Statistics

City of Brownsville, Texas
Principal Employers,
Current Year and Last Nine Years

Employer	2020			2019			2018			2017		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Brownsville I.S.D. ¹	6,553	1	3.93%	6,553	1	3.98%	6,652	1	4.06%	7,214	1	4.35%
Keppel Amfels	-	-	0.00%	-	-	0.00%	-	-	0.00%	1,650	4	1.00%
University of Texas RGV ¹	1,830	2	1.10%	1,830	2	1.11%	1,240	3	0.76%	1,734	3	1.05%
Cameron County	1,775	3	1.06%	1,780	3	1.08%	1,940	2	1.18%	1,950	2	1.18%
Wal-Mart ²	801	9	0.48%	818	9	0.50%	850	8	0.52%	1,413	5	0.85%
City of Brownsville	1,147	5	0.69%	1,215	4	0.74%	1,237	4	0.75%	1,230	7	0.74%
Convergys Corp.	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	-
H.E.B. Food Stores ³	1,113	6	0.67%	1,113	7	0.68%	1,113	7	0.68%	975	9	0.59%
Valley Regional Medical Center	700	10	0.42%	750	10	0.46%	750	10	0.46%	-	-	-
Caring For You Home Health	1,300	4	0.78%	1,120	6	0.68%	1,120	6	0.68%	1,200	8	0.72%
Abundant Life Home Health	1,011	7	0.61%	1,200	5	0.73%	1,200	5	0.73%	1,300	6	0.78%
Maximus	-	-	0.00%	-	-	0.00%	-	-	0.00%	950	10	0.57%
Valley Baptist Medical Center ¹	841	8	0.50%	841	8	0.51%	783	9	0.48%	-	-	-
Total	17,071		10.24%	17,220		10.47%	16,885		10.30%	19,616		11.83%

Sources:

City of Brownsville.

Greater Brownsville Incentives Corporation

¹ FY 2020 numbers were not available from BISD, UTRGV, and Valley Baptist, numbers are based on 2019 totals.

² FY 2020 and 2019 estimate based on Texas average number of employees per store.

³ FY 2020 and 2019 HEB corporate office unwilling to disclose employee count.

Employer	2016			2015			2014			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Brownsville I.S.D.	7,670	1	4.57%	7,200	1	4.33%	7,708	1	4.64%	7,708	1	4.82%
Keppel Amfels	1,650	4	0.98%	1,200	6	0.72%	2,900	2	1.75%	2,900	2	1.81%
University of Texas RGV	1,734	3	1.03%	-	-	-	2,343	4	1.41%	2,343	4	1.46%
Cameron County	1,950	2	1.16%	1,952	2	1.17%	2,040	5	1.23%	2,040	5	1.28%
Wal-Mart	1,413	5	0.84%	1,413	3	0.85%	1,055	8	0.63%	1,055	8	0.66%
City of Brownsville	1,227	7	0.73%	1,230	5	0.74%	1,200	6	0.72%	1,200	6	0.75%
Convergys Corp.	-	-	-	-	-	-	-	-	-	-	-	-
H.E.B. Food Stores	975	9	0.58%	970	8	0.58%	975	9	0.59%	975	9	0.61%
Valley Regional Medical Center	-	-	-	923	9	0.56%	786	10	0.47%	786	10	0.49%
Caring For You Home Health	1,200	8	0.71%	1,150	7	0.69%	2,635	3	1.59%	2,635	3	1.65%
Abundant Life Home Health	1,300	6	0.77%	1,300	4	0.78%	1,200	7	0.72%	1,200	7	0.75%
Maximus	950	10	0.57%	-	-	-	-	-	-	-	-	-
Valley Baptist Medical Center	-	-	-	850	10	0.51%	-	-	-	-	-	-
Total	20,069		11.95%	18,188		10.95%	22,842		13.75%	22,842		14.28%

Sources:

City of Brownsville.

Greater Brownsville Incentives Corporation

Employer	2012			2011		
	Rank	Percentage of Total City Employment		Employees	Rank	Percentage of Total City Employment
Brownsville I.S.D.	7,708	1	5.14%	7,708	1	6.25%
Keppel Amfels	2,900	2	1.93%	1,600	4	1.30%
University of Texas RGV	2,343	4	1.56%	2,343	2	1.90%
Cameron County	2,040	5	1.36%	2,040	3	1.65%
Wal-Mart	1,055	8	0.70%	1,174	6	0.95%
City of Brownsville	1,200	6	0.80%	1,200	5	0.97%
Convergys Corp.	-	-	-	623	7	0.51%
H.E.B. Food Stores	975	9	0.65%	975	8	0.79%
Valley Regional Medical Center	786	10	0.52%	786	9	0.64%
Caring For You Home Health	2,635	3	1.76%	-	-	-
Abundant Life Home Health	1,200	7	0.80%	-	-	-
Maximus	-	-	-	-	-	-
Valley Baptist Medical Center	-	-	-	738	10	0.60%
Total	22,842		15.23%	19,187		15.56%

Source:

City of Brownsville.

Greater Brownsville Incentives Corporation

DEBT CAPACITY
COMPUTATION OF DEBT SERVICE COVERAGE - LAST TEN YEARS ^{1,2}

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
OPERATING INCOME	\$28,434,506	\$29,644,124	\$44,488,073	\$46,967,688	\$33,093,794
ADD:					
Depreciation Expense	45,684,434	47,613,572	29,536,134	28,949,302	28,132,537
Investment & Other Income	2,525,819	4,954,356	3,194,311	1,639,117	1,163,964
LESS:					
Interest on Construction Funds	(432,928)	(857,976)	(404,545)	(178,972)	(193,527)
NET AVAILABLE INCOME	<u>\$76,211,831</u>	<u>\$81,354,076</u>	<u>\$76,813,973</u>	<u>\$77,377,135</u>	<u>\$62,196,768</u>
DEBT SERVICE:					
Revenue Bonds Payable Current	\$14,545,000	\$13,870,000	\$13,456,000	\$12,914,000	\$12,173,000
Total Interest Expense	10,947,307	11,453,972	12,171,696	12,808,172	13,747,956
Operating Reserve	-	-	-	-	-
Commercial Paper Interest Expense	451,484	442,758	167,579	55,636	17,902
Capital Improvement Charges	-	-	-	-	-
NET CASH DEBT SERVICE	<u>\$25,943,791</u>	<u>\$25,766,730</u>	<u>\$25,795,275</u>	<u>\$25,777,808</u>	<u>\$25,938,858</u>
DEBT SERVICE COVERAGE (TIMES)	2.94	3.16	2.98	3.00	2.40

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
OPERATING INCOME	\$41,883,847	\$27,256,483	\$21,947,648	\$32,747,013	\$27,225,798
ADD:					
Depreciation Expense	28,642,402	27,544,181	26,503,185	22,739,173	27,407,627
Investment & Other Income	815,942	504,537	546,098	654,057	611,866
LESS:					
Interest on Construction Funds	(128,019)	(94,376)	(8,823)	(13,501)	(41,141)
NET AVAILABLE INCOME	<u>\$71,214,172</u>	<u>\$55,210,825</u>	<u>\$48,988,108</u>	<u>\$56,126,742</u>	<u>\$55,204,150</u>
DEBT SERVICE:					
Revenue Bonds Payable Current	\$12,066,000	\$10,100,000	\$8,649,000	\$8,277,000	\$7,856,000
Total Interest Expense	13,538,613	14,275,285	15,310,103	14,399,174	14,829,065
Operating Reserve	-	-	-	-	-
Commercial Paper Interest Expense	13,671	5,929	14,359	39,891	36,668
Capital Improvement Charges	-	-	-	-	-
NET CASH DEBT SERVICE	<u>\$25,618,284</u>	<u>\$24,381,214</u>	<u>\$23,973,462</u>	<u>\$22,716,065</u>	<u>\$22,721,733</u>
DEBT SERVICE COVERAGE (TIMES)	2.78	2.26	2.04	2.47	2.43

¹ Excludes Southmost Regional Water Authority and fuel supplement paid from restricted fuel adjustment subaccount.

² For purposes of debt service coverage calculation, operating income does not include an offset of the rate stabilization funds.

OPERATING INFORMATION

- *Expenses by Utility*
- *Electric Energy Sources,
Water and Wastewater
Statistics*
- *Authorized Full Time
Positions by Department and
Utility*
- *Ten Largest Customers*
- *Capital Assets Statistics by
Utility*

OPERATING INFORMATION
EXPENSES BY UTILITY - LAST TEN YEARS

	FY 2020	FY 2019 Restated	FY 2018 Restated	FY 2017 Restated	FY 2016 Restated
ELECTRIC					
Generation and Purchases for Resale	\$ 69,918,239	\$ 74,796,747	\$ 74,337,732	\$ 70,496,415	\$ 63,120,545
Transmission and Distribution	8,376,963	7,382,752	7,130,981	6,965,840	6,912,082
Administrative and General	32,736,695	32,546,901	28,859,842	29,431,623	34,583,521
Depreciation	30,072,347	33,556,217	15,978,408	15,986,715	15,069,917
Total Electric Operating Expenses	<u>\$ 141,104,244</u>	<u>\$ 148,282,617</u>	<u>\$ 126,306,963</u>	<u>\$ 122,880,593</u>	<u>\$ 119,686,065</u>
WATER					
Plant Operations	\$ 5,311,778	\$ 5,222,708	\$ 5,781,746	\$ 4,427,577	\$ 5,129,025
Transmission and Distribution	3,559,242	3,324,018	3,416,818	3,260,832	3,082,104
Administrative and General	5,817,008	6,507,019	6,411,935	6,126,023	7,250,855
Depreciation	5,922,981	5,111,179	5,039,447	4,894,699	5,116,669
Total Water Operating Expenses	<u>\$ 20,611,009</u>	<u>\$ 20,164,924</u>	<u>\$ 20,649,946</u>	<u>\$ 18,709,131</u>	<u>\$ 20,578,653</u>
WASTEWATER					
Plant Operations	\$ 6,551,461	\$ 7,210,932	\$ 6,774,909	\$ 6,530,394	\$ 6,526,539
Transmission and Distribution	741,446	830,075	808,444	772,747	837,287
Administrative and General	5,440,147	6,594,912	6,049,418	6,051,881	7,667,223
Depreciation	9,689,106	8,946,176	8,518,279	8,067,888	7,945,949
Total Wastewater Operating Expenses	<u>\$ 22,422,160</u>	<u>\$ 23,582,095</u>	<u>\$ 22,151,050</u>	<u>\$ 21,422,910</u>	<u>\$ 22,976,998</u>
SOUTHMOST REGIONAL WATER AUTHORITY					
Administration and General	\$ 3,353,539	\$ 3,440,425	\$ 3,572,989	\$ 3,351,035	\$ 3,489,520
Depreciation	1,287,437	1,276,262	1,250,362	1,244,517	931,124
Total SRWA Operating Expenses	<u>\$ 4,640,976</u>	<u>\$ 4,716,687</u>	<u>\$ 4,823,351</u>	<u>\$ 4,595,552</u>	<u>\$ 4,420,644</u>
TOTAL OPERATING EXPENSES	<u>\$ 188,778,389</u>	<u>\$ 196,746,323</u>	<u>\$ 173,931,310</u>	<u>\$ 167,608,186</u>	<u>\$ 167,662,360</u>
OTHER NONOPERATING REVENUES (EXPENSES)¹	<u>\$ (9,946,792)</u>	<u>\$ (15,794,133)</u>	<u>\$ (8,397,086)</u>	<u>\$ (15,400,823)</u>	<u>\$ (14,102,923)</u>

¹ Excludes payments to City of Brownsville

OPERATING INFORMATION
EXPENSES BY UTILITY - LAST TEN YEARS

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
ELECTRIC					
Generation and Purchases for Resale	\$ 72,523,667	\$ 73,010,092	\$ 58,343,217	\$ 54,353,235	\$ 60,519,100
Transmission and Distribution	6,499,004	6,284,873	6,305,706	6,347,120	5,464,375
Administrative and General	21,524,432	20,437,763	20,656,916	18,697,201	16,918,463
Depreciation	14,887,881	14,768,870	14,793,412	13,373,507	16,331,733
Total Electric Operating Expenses	<u>\$ 115,434,984</u>	<u>\$ 114,501,598</u>	<u>\$ 100,099,251</u>	<u>\$ 92,771,063</u>	<u>\$ 99,233,671</u>
WATER					
Plant Operations	\$ 5,581,020	\$ 6,397,130	\$ 5,649,170	\$ 4,993,739	\$ 4,707,258
Transmission and Distribution	2,901,226	2,743,060	2,565,614	2,514,676	2,655,300
Administrative and General	5,141,431	5,325,225	4,748,131	4,081,484	3,961,827
Depreciation	5,622,967	5,543,534	5,345,962	3,766,336	3,941,128
Total Water Operating Expenses	<u>\$ 19,246,644</u>	<u>\$ 20,008,949</u>	<u>\$ 18,308,877</u>	<u>\$ 15,356,235</u>	<u>\$ 15,265,513</u>
WASTEWATER					
Plant Operations	\$ 6,417,406	\$ 6,656,181	\$ 6,138,037	\$ 5,967,684	\$ 6,117,905
Transmission and Distribution	1,160,632	920,364	764,006	804,846	967,001
Administrative and General	5,502,973	5,431,148	5,171,407	4,696,229	4,703,383
Depreciation	8,131,553	7,231,777	6,363,811	5,599,330	7,134,766
Total Wastewater Operating Expenses	<u>\$ 21,212,564</u>	<u>\$ 20,239,470</u>	<u>\$ 18,437,261</u>	<u>\$ 17,068,089</u>	<u>\$ 18,923,055</u>
SOUTHMOST REGIONAL WATER AUTHORITY					
Administration and General	\$ 3,123,518	\$ 2,775,244	\$ 2,970,231	\$ 2,587,656	\$ 2,437,963
Depreciation	864,865	864,865	862,860	862,649	862,355
Total SRWA Operating Expenses	<u>\$ 3,988,383</u>	<u>\$ 3,640,109</u>	<u>\$ 3,833,091</u>	<u>\$ 3,450,305</u>	<u>\$ 3,300,318</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 159,882,575</u></u>	<u><u>\$ 158,390,126</u></u>	<u><u>\$ 140,678,480</u></u>	<u><u>\$ 128,645,692</u></u>	<u><u>\$ 136,722,557</u></u>
OTHER NONOPERATING REVENUES (EXPENSES)¹	<u><u>\$ (15,646,848)</u></u>	<u><u>\$ (14,391,847)</u></u>	<u><u>\$ (16,689,611)</u></u>	<u><u>\$ (16,906,771)</u></u>	<u><u>\$ (18,019,030)</u></u>

¹ Excludes payments to City of Brownsville

OPERATING INFORMATION
ELECTRIC ENERGY SOURCES, WATER AND WASTEWATER STATISTICS
LAST TEN YEARS

	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
SOURCES OF ENERGY (kWh)					
Total Net Energy Generated	1,231,824,938	1,350,866,264	1,224,415,215	1,202,079,235	1,231,840,523
Total Energy Purchased	336,912,190	186,542,500	295,731,900	328,964,400	428,953,100
TOTAL SOURCES OF ENERGY	1,568,737,128	1,537,408,764	1,520,147,115	1,531,043,635	1,660,793,623
Less: System Losses and Inadvertent Energy (kWh)	(29,241,337)	(25,542,731)	(27,039,952)	(24,589,310)	(22,449,897)
Net Available for Sale (kWh)	1,539,495,791	1,511,866,033	1,493,107,163	1,506,454,325	1,638,343,726
Sales for Resale (kWh)	(264,564,600)	(204,155,127)	(159,885,557)	(177,000,430)	(316,499,025)
NET ENERGY FOR LOAD	1,274,931,191	1,307,710,906	1,333,221,606	1,329,453,895	1,321,844,701
WATER STATISTICS					
Water Production - 1,000 Gallons					
Raw Water Treated	5,298,583	5,318,507	5,874,579	5,579,560	5,301,156
Raw Water Used in Plant	(244,219)	(265,051)	(207,020)	(119,670)	(160,738)
Surface Water Treated	5,054,364	5,053,456	5,667,559	5,459,890	5,140,418
SRWA (Purchased Water)*	2,537,831	2,482,556	2,495,123	2,440,611	2,317,634
Water Pumped to City	7,592,195	7,536,012	8,162,682	7,900,501	7,458,052
Water Sales	6,757,580	6,334,790	6,695,462	6,732,120	6,392,340
Other Unmetered Usage	114,398	255,969	165,736	155,286	130,685
Losses and Unaccounted for Gallonage	717,460	945,253	1,301,484	1,013,095	935,027
Thousand Gallons to System	7,589,438	7,536,012	8,162,682	7,900,501	7,458,052
Unaccounted For	9.45%	12.54%	15.94%	12.82%	12.54%
Average Daily Consumption	20,725	20,627	22,341	18,444	17,465
Peak Maximum Demand (MG)	27	27	30	34	29
Date	7/20/2020	8/21/2019	8/20/2018	5/23/2017	8/10/2016
WASTEWATER STATISTICS					
Annual Demand (1,000 Gals.)	5,240,443	5,269,519	5,300,889	5,370,043	5,580,261
Maximum Day (MG)	36.5	29.8	34.8	21.2	32.6

* FY 2011 through FY 2020 Water Production includes Southmost Regional Water Authority Production.

OPERATING INFORMATION
ELECTRIC ENERGY SOURCES, WATER AND WASTEWATER STATISTICS
LAST TEN YEARS

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
SOURCES OF ENERGY (kWh)					
Total Net Energy Generated	806,397,153	921,011,194	924,212,443	830,108,370	1,353,750,565
Total Energy Purchased	690,167,500	578,306,000	508,341,700	704,742,700	429,383,640
TOTAL SOURCES OF ENERGY	1,496,564,653	1,499,317,194	1,432,554,143	1,534,851,070	1,783,134,205
Less: System Losses and Inadvertent Energy (kWh)	(25,996,837)	(27,903,614)	(27,070,226)	-	-
Net Available for Sale (kWh)	1,470,567,816	1,471,413,580	1,405,483,917	1,534,851,070	1,783,134,205
Sales for Resale (kWh)	(70,155,740)	(12,239,700)	(5,915,000)	(48,313,210)	(245,366,425)
NET ENERGY FOR LOAD	1,400,412,076	1,459,173,880	1,399,568,917	1,486,537,860	1,537,767,779
WATER STATISTICS					
Water Production - 1,000 Gallons					
Raw Water Treated	5,216,966	5,888,490	6,611,306	6,742,810	7,502,790
Raw Water Used in Plant	(235,716)	(54,450)	(398,363)	(515,470)	(791,199)
Surface Water Treated	4,981,250	5,834,040	6,212,943	6,227,340	6,711,591
SRWA (Purchased Water)*	2,092,497	1,816,125	1,963,421	2,025,507	1,929,481
Water Pumped to City	7,073,747	7,650,165	8,176,364	8,252,847	8,641,072
Water Sales	6,055,349	6,636,736	7,251,194	7,259,778	7,417,175
Other Unmetered Usage	89,772	208,500	227,400	98,519	68,577
Losses and Unaccounted for Gallonage	928,626	804,929	697,770	894,550	1,155,320
Thousand Gallons to System	7,073,747	7,650,165	8,176,364	8,252,847	8,641,072
Unaccounted For	13.13%	10.52%	8.53%	10.84%	13.37%
Average Daily Consumption	22,253	21,078	22,334	22,541	23,674
Peak Maximum Demand (MG)	27	29	30	29	30
Date	8/11/2015	8/21/2014	7/3/2013	6/18/2012	6/17/2011
WASTEWATER STATISTICS					
Annual Demand (1,000 Gals.)	5,916,884	5,047,953	4,799,312	4,885,625	4,992,236
Maximum Day (MG)	36.2	32.2	29.1	25.9	32.6

* FY 2011 through FY 2020 Water Production includes Southmost Regional Water Authority Production.

OPERATING INFORMATION
AUTHORIZED FULL TIME POSITIONS BY DEPARTMENT AND UTILITY
LAST TEN YEARS

DEPARTMENT		Budget FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
1110	General Manager	3	3	3	3	3	3	3	5	4	5	4
1120	Internal Audit	3	3	3	3	3	3	3	3	3	3	3
1125	Key Account Marketing	4	4	4	4	5	5	6	6	3	3	3
1130	Communications & Adm. Services	2	2	2	2	2	2	2	2	2	4	3
1135	Communications & Public Relations	3	4	4	4	4	4	4	4	3	3	2
1140	Organizational Development	2	3	3	3	3	3	3	3	3	3	3
1145	Electrical Systems	0	0	0	0	0	0	2	2	1	1	1
1150	Board of Directors	0	0	0	0	0	0	0	0	0	0	0
1165	Records Management	3	3	3	3	2	2	2	2	2	0	0
1170	Digital Information Platforms ¹	1	0	0	0	0	0	0	0	0	0	0
1410	Environmental Services	6	6	6	5	5	4	4	4	3	3	6
1440	Health & Safety	4	4	6	6	6	6	6	6	6	5	4
4105	Operations	3	3	3	2	2	2	0	0	0	0	0
4310	Operational Support Services	0	0	3	2	2	2	0	0	0	0	0
5110	Finance	4	3	8	7	7	8	6	6	7	6	6
5120	Accounting	9	9	18	16	16	15	14	14	12	12	11
5130	Purchasing	17	17	7	7	7	7	6	6	6	6	6
5140	Revenue Recovery	7	7	3	3	3	3	3	3	3	3	2
6105	Customer & Information Services	3	3	3	3	3	3	3	3	3	3	4
6110	Customer Service	3	3	14	13	14	14	11	11	10	11	10
6115	Collections	14	14	4	4	4	4	4	4	4	4	4
6120	Billing	4	4	9	8	7	8	7	7	7	7	6
6125	Call Center	9	9	12	12	11	11	10	10	11	10	8
6130	Meter Services	12	12	9	10	10	9	9	9	9	9	9
6135	CIS Support	9	9	3	3	3	3	3	3	3	3	3
6145	Energy Efficiency & Conservation	3	3	1	1	1	1	1	1	1	1	1
6150	Meter Reading	14	14	14	14	15	15	15	15	15	15	15
6160	Cashiers	8	8	8	9	9	9	9	9	7	8	8
7110	Administrative Services	0	0	0	0	0	0	1	1	0	0	0
7120	Risk/Insurance Management	3	3	2	2	2	2	2	2	2	2	1
7130	Information Services	17	17	17	18	17	17	18	18	16	16	16
7135	GIS	10	10	10	10	11	11	13	13	12	11	8
7140	Human Resources	3	3	3	2	2	6	9	9	8	7	5
7145	Talent Acquisition & Staffing	3	3	3	4	3	3	0	0	0	0	0
7150	Fleet Management	10	10	10	10	10	10	10	10	9	9	8
7155	Compensation & Benefits	5	4	4	4	4	0	0	0	0	0	0
7160	Facility Maintenance	4	4	4	4	4	4	4	4	4	4	4
7165	Security Operations	2	2	0	0	0	0	0	0	0	0	0
7170	Warehouse	5	5	5	6	6	6	6	6	6	6	6
7175	Facility Maintenance-FM511 Svc Yard	4	4	0	0	0	0	0	0	0	0	0
9110	Company-wide Expenses	0	0	0	0	0	0	3	3	0	0	0
TOTAL ADMINISTRATIVE		216	215	211	207	206	205	202	204	185	183	170
1145	Electrical Systems	4	3	3	3	3	3	0	0	0	0	0
1420	Environmental Compliance	5	6	6	6	6	6	6	6	6	6	3
2110	Electrical Trans & Dist Support Sves	0	0	0	0	0	0	1	1	0	0	0
2120	Substations & Relaying	23	23	23	24	24	24	12	12	11	9	9
2130	Elec Trans & Dist New Const	50	50	50	28	28	28	31	31	29	30	29
2140	Elec Trans & Dist Maintenance	0	0	0	22	22	22	31	31	28	28	27
2150	Energy Control Center Operations	15	15	15	15	15	15	14	14	13	13	13
2210	SCADA & Electrical Support Svc.	23	23	23	22	19	19	17	17	23	23	20
2220	Power Production	27	27	27	27	27	27	28	28	25	25	23
2310	Electric Meter Shop	8	8	8	8	8	8	8	8	7	7	7
2410	Electric Engineering	12	13	13	14	14	14	14	14	13	15	16
4105	Operations ¹	0	0	0	0	0	0	3	3	0	0	0
4110	Energy Risk Management	1	1	1	1	1	1	1	1	0	0	0
4210	NERC Compliance	5	5	5	5	5	5	3	3	0	0	0
4220	Fuel & Purchased Energy Supply	2	2	2	2	2	2	2	2	0	0	0
4230	Natural Gas Utility Management	0	0	0	0	0	0	0	0	0	0	0
4310	Operational Support Services	1	1	0	0	0	0	1	1	0	0	0
TOTAL ELECTRIC		176	177	176	177	174	174	172	172	155	156	147
1422	Analytical Lab	16	16	16	16	16	16	16	16	13	14	12
1430	Pre-treatment	8	7	7	8	11	12	10	10	9	9	9
1435	Cross Connection Control	3	3	3	3	0	0	0	0	0	0	0
3110	W & WW Eng. Planning & Operations	3	3	2	2	2	2	2	2	4	4	4
3120	Water Plant I	9	10	10	10	10	10	9	9	8	9	8
3130	Water Plant II	8	8	8	8	8	8	9	9	9	8	8
3135	Resaca Maintenance	9	9	9	9	17	17	20	20	11	1	0
3140	Raw Water Supply	4	4	4	4	4	4	3	3	3	3	2
3145	W/WW Plant Maintenance	12	12	12	13	13	13	13	13	13	15	12
3150	W/WW Operations & Construction	45	70	68	67	67	67	68	68	63	64	58
3155	W/WW Operations & Maintenance	34	0	0	0	0	0	0	0	0	0	0
3160	Potable Water Transport Services	3	0	0	0	0	0	0	0	0	0	0
3210	South WW Treat Plant	8	9	9	8	10	10	9	9	9	9	11
3220	Robindale WW Treat Plant	11	10	10	11	11	11	12	12	12	13	8
3225	W/WW Sludge Management	8	8	8	8	0	0	0	0	0	0	0
3230	Wastewater Lift Stations	20	32	34	34	35	35	35	35	30	28	23
3310	Water & WW Engineering	17	17	16	16	16	16	21	21	23	22	22
4310	Operational Support Services	1	1	1	2	2	2	1	1	0	0	0
9110	Company-wide Expenses	0	0	0	1	2	0	0	0	0	0	0
TOTAL WATER/WASTEWATER		219	219	217	220	224	223	228	228	207	199	177
OVERALL TOTAL NO. OF POSITIONS		611	611	604	604	604	602	602	604	547	538	494

Note

¹ Denotes new department for 2021.

**OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS**

		FY 2020	
Electric Services			
Customer Name	Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	67,008,231	\$ 6,430,336	5.26%
2. Trico Technologies Corp.	23,133,083	1,706,079	1.40%
3. Amfels Inc	12,196,684	1,239,964	1.01%
4. Cameron County	14,086,347	1,177,932	0.96%
5. H E B Stores	16,843,656	1,153,202	0.94%
6. Rich Product Corp.	16,692,000	1,127,056	0.92%
7. 7 Eleven Inc.	11,774,940	966,433	0.79%
8. Valley Baptist Medical Center	13,181,038	894,173	0.73%
9. Valley Regional Medical Center	12,462,724	801,458	0.66%
10. Southmost Regional Water Authority	9,837,592	713,657	0.58%
TOTAL	197,216,295	\$ 16,210,290	13.25%

Water Services			
Customer Name	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. El Jardin Water Supply Corp.	313,592	\$ 846,698	3.40%
2. Brownsville I S D	160,695	612,191	2.46%
3. Brownsville Navigation District	163,323	390,805	1.57%
4. Cameron County	66,613	198,460	0.80%
5. Texas Southmost College	56,432	191,887	0.77%
6. University of Texas Rio Grande Valley	50,985	181,254	0.73%
7. Military Highway Water Supply Corp.	60,791	148,627	0.60%
8. Rich Products Corp.	50,307	136,142	0.55%
9. Valley Regional Medical Center	37,787	106,769	0.43%
10. Valley Baptist Medical Center	28,648	80,331	0.32%
TOTAL	989,173	\$ 2,893,164	11.63%

Wastewater Services			
Customer Name	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	126,129	\$ 568,981	2.49%
2. Cameron County	58,947	233,276	1.02%
3. Rich Products Corp.	38,736	200,041	0.87%
4. University of Texas Rio Grande Valley	33,873	151,504	0.66%
5. Texas Southmost College	34,086	148,444	0.65%
6. Valley Regional Medical Center	30,169	116,293	0.51%
7. Brownsville Housing Authority Corp.	24,627	94,764	0.41%
8. Valley Baptist Medical Center	23,989	92,694	0.41%
9. 101 S Twin Creek LLC	23,206	90,917	0.40%
10. Raybec Posada LLC	25,111	83,459	0.36%
TOTAL	418,873	\$ 1,780,373	7.78%

Continued

**OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS**

Electric Services		FY 2019	
Customer Name	Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	75,058,099	\$ 7,106,223	5.85%
2. Texas Southmost College	27,246,947	1,793,393	1.48%
3. Trico Technologies Corp.	23,778,763	1,621,971	1.33%
4. H E B Stores	18,409,561	1,357,209	1.12%
5. University of Texas Rio Grande Valley	15,818,165	1,192,733	0.98%
6. Cameron County	13,983,052	1,150,902	0.95%
7. Rich Product Corp.	16,250,400	1,117,641	0.92%
8. 7 Eleven Inc.	12,122,407	993,692	0.82%
9. Valley Baptist Medical Center	13,172,114	941,813	0.77%
10. Brownsville Sunrise Development	9,778,026	847,252	0.70%
TOTAL	225,617,534	\$ 18,122,829	14.92%
Water Services			
Customer Name	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. El Jardin Water Supply Corp.	326,133	\$ 880,559	3.65%
2. Brownsville I S D	174,701	661,119	2.74%
3. Brownsville Navigation District	174,289	417,237	1.73%
4. Texas Southmost College	60,712	207,981	0.86%
5. Cameron County	67,474	194,853	0.81%
6. Military Highway Water Supply Corp.	72,925	176,778	0.73%
7. Rich Products Corp.	61,519	167,564	0.69%
8. University of Texas Rio Grande Valley	43,643	163,954	0.68%
9. Raybec LLC	42,914	118,984	0.49%
10. Valley Regional Medical Center	36,365	104,311	0.43%
TOTAL	1,060,675	\$ 3,093,340	12.81%
Wastewater Services			
Customer Name	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	137,344	\$ 610,607	2.75%
2. Cameron County	54,522	213,201	0.96%
3. Texas Southmost College	38,889	166,111	0.75%
4. Rich Products Corp.	38,442	144,542	0.65%
5. University of Texas Rio Grande Valley	31,710	142,396	0.64%
6. Raybec LLC	33,687	123,612	0.56%
7. Southwest Key Program Inc	28,915	112,015	0.50%
8. Valley Regional Medical Center	28,749	110,954	0.50%
9. Valley Baptist Medical Center	24,737	95,506	0.43%
10. 7 Eleven Inc.	17,330	74,212	0.33%
TOTAL	434,325	\$ 1,793,156	8.07%

Continued

**OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued**

Electric Services		FY 2018	
		Annual	Percent of
Customer Name	Consumption (kWh)	Sales Revenue	Annual Sales Revenue
1. Brownsville I S D	80,934,108	\$ 7,602,321	6.14%
2. Texas Southmost College	27,072,986	1,797,409	1.45%
3. Trico Technologies Corp.	25,033,901	1,704,852	1.38%
4. H E B Stores	17,967,508	1,327,521	1.07%
5. Cameron County	13,418,405	1,117,609	0.90%
6. Rich Product Corp.	16,456,800	1,108,714	0.90%
7. University of Texas Rio Grande Valley	14,496,114	1,107,559	0.89%
8. Valley Baptist Medical Center	13,339,179	947,568	0.77%
9. Brownsville Sunrise Development	10,462,943	885,572	0.72%
10. Valley Regional Medical Center	12,505,025	806,351	0.65%
TOTAL	231,686,969	\$ 18,405,476	14.87%
Water Services			
		Annual	Percent of
Customer Name	Consumption (1,000 Gallons)	Sales Revenue	Annual Sales Revenue
1. El Jardin Water Supply Corp.	367,092	\$ 991,148	3.97%
2. Brownsville I S D	209,461	750,460	3.01%
3. Brownsville Navigation District	171,895	410,692	1.65%
4. Texas Southmost College	75,222	245,495	0.98%
5. University of Texas Rio Grande Valley	45,943	165,721	0.66%
6. Cameron County	52,663	153,910	0.62%
7. Rich Products Corp.	45,840	125,242	0.50%
8. Military Highway Water Supply Corp.	49,489	120,683	0.48%
9. Posada D L P LLC	44,206	118,609	0.48%
10. Valley Regional Medical Center	39,776	113,076	0.45%
TOTAL	1,101,587	\$ 3,195,036	12.80%
Wastewater Services			
		Annual	Percent of
Customer Name	Consumption (1,000 Gallons)	Sales Revenue	Annual Sales Revenue
1. Brownsville I S D	160,853	\$ 698,808	3.09%
2. Cameron County	36,682	144,855	0.64%
3. University of Texas Rio Grande Valley	31,504	138,864	0.61%
4. Texas Southmost College	31,331	137,483	0.61%
5. Rich Products Corp.	33,361	130,652	0.58%
6. Valley Regional Medical Center	32,657	125,648	0.56%
7. Posada D L P LLC	29,492	93,503	0.41%
8. Valley Baptist Medical Center	22,856	88,436	0.39%
9. Paseo Plaza Apartments	17,708	72,523	0.32%
10. Trico Technologies Corp.	15,546	61,408	0.27%
TOTAL	411,990	\$ 1,692,180	7.48%

Continued

**OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued**

		FY 2017	
Electric Services			
Customer Name	Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	82,869,447	\$ 7,685,118	6.22%
2. Texas Southmost College	29,326,056	1,970,682	1.59%
3. Trico Technologies Corp.	25,325,540	1,754,972	1.42%
4. H E B Stores	18,646,601	1,377,868	1.12%
5. Rich Product Corp	16,468,800	1,118,128	0.90%
6. Valley Baptist Medical Center	14,924,070	1,070,339	0.87%
7. Cameron County	13,098,169	1,066,846	0.86%
8. University of Texas at Brownsville	14,841,611	1,058,388	0.86%
9. Stripes Stores	11,963,289	975,566	0.79%
10. Brownsville Sunrise Development	11,046,188	927,299	0.75%
TOTAL	238,509,771	\$ 19,005,206	15.38%
Water Services			
Customer Name	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. El Jardin Water Supply Corp.	366,180	\$ 988,686	3.97%
2. Brownsville I S D	216,341	768,937	3.08%
3. Brownsville Navigation District	182,173	436,519	1.75%
4. Texas Southmost College	76,321	249,166	1.00%
5. Cameron County	75,639	212,899	0.85%
6. University of Texas Rio Grande Valley	41,834	151,562	0.61%
7. Rich Products Corp.	47,820	130,410	0.52%
8. Valley Regional Medical Center	43,914	123,876	0.50%
9. Posada D L P LLC	38,580	103,925	0.42%
10. Valley Baptist Medical Center	35,065	102,122	0.41%
TOTAL	1,123,867	\$ 3,268,103	13.11%
Wastewater Services			
Customer Name	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	153,415	\$ 671,359	2.97%
2. Cameron County	58,639	227,249	1.01%
3. Texas Southmost College	43,689	184,038	0.81%
4. Valley Regional Medical Center	35,831	137,582	0.61%
5. Valley Baptist Medical Center	34,158	132,993	0.59%
6. Rich Products Corp.	33,125	125,523	0.56%
7. University of Texas Rio Grande Valley	27,802	123,091	0.54%
8. Posada D L P LLC	29,947	94,661	0.42%
9. Brownsville TX East Price Big 22 LLC	21,939	83,765	0.37%
10. Trico Technologies Corp.	19,643	76,779	0.34%
TOTAL	458,188	\$ 1,857,042	8.22%

Continued

**OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued**

Electric Services	FY 2016		
	Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
Customer Name			
1. Brownsville I S D	82,930,679	\$ 8,074,400	6.34%
2. Texas Southmost College	29,685,682	2,243,917	1.76%
3. Trico Technologies Corp.	26,339,400	1,987,780	1.56%
4. H E B Stores	18,545,047	1,499,772	1.18%
5. Amfels Inc.	10,550,400	1,174,572	0.92%
6. Rich Product Corp	14,882,400	1,155,770	0.91%
7. Valley Baptist Medical Center	14,595,274	1,152,813	0.90%
8. Stripes Stores	12,643,537	1,097,611	0.86%
9. Cameron County	12,530,913	1,097,204	0.86%
10. University of Texas at Brownsville	14,055,966	1,078,717	0.85%
TOTAL	236,759,298	\$ 20,562,556	16.14%

Water Services	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
Customer Name			
1. El Jardin Water Supply Corp.	324,858	\$ 828,388	3.67%
2. Brownsville I S D	192,589	665,860	2.95%
3. Brownsville Navigation District	170,012	385,419	1.71%
4. Texas Southmost College	71,190	222,688	0.99%
5. Cameron County	71,303	190,391	0.84%
6. Rich Products Corp.	52,502	135,318	0.60%
7. University of Texas Rio Grande Valley	36,629	130,460	0.58%
8. Valley Baptist Medical Center	39,080	105,642	0.47%
9. Valley Regional Medical Center	37,229	100,320	0.44%
10. Trico Technologies Corp.	25,897	72,011	0.32%
TOTAL	1,021,289	\$ 2,836,497	12.57%

Wastewater Services	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
Customer Name			
1. Brownsville I S D	143,912	\$ 635,825	2.90%
2. Cameron County	56,619	219,711	1.00%
3. Texas Southmost College	35,284	152,573	0.70%
4. Valley Baptist Medical Center	38,162	147,839	0.67%
5. Rich Products Corp.	31,135	132,865	0.61%
6. Valley Regional Medical Center	30,399	117,158	0.53%
7. University of Texas Rio Grande Valley	25,232	113,631	0.52%
8. Trico Technologies Corp.	24,869	96,703	0.44%
9. Brownsville TX East Price Big 22 LLC	20,875	79,739	0.36%
10. Stripes Stores	17,793	73,838	0.34%
TOTAL	424,280	\$ 1,769,882	8.07%

Continued

**OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued**

Electric Services	FY 2015		
	Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
Customer Name			
1. Brownsville I S D	79,800,779	\$ 8,228,510	6.26%
2. Texas Southmost College	28,612,106	2,341,473	1.78%
3. Trico Technologies Corp.	26,987,335	2,214,664	1.68%
4. Amfels Inc.	16,940,352	1,671,712	1.27%
5. H E B Stores	17,993,346	1,534,814	1.17%
6. Rich Product Corp	15,367,200	1,278,590	0.97%
7. Valley Baptist Medical Center	14,314,379	1,211,397	0.92%
8. University of Texas at Brownsville	14,053,305	1,206,786	0.92%
9. Cameron County	12,558,665	1,160,804	0.88%
10. Stripes Stores	12,390,231	1,158,672	0.88%
TOTAL	239,017,698	\$ 22,007,422	16.73%
Water Services	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
Customer Name			
1. El Jardin Water Supply Corp.	308,395	\$ 755,567	3.61%
2. Brownsville I S D	183,543	618,630	2.95%
3. Brownsville Navigation District	154,754	337,321	1.61%
4. Texas Southmost College	85,917	249,331	1.19%
5. Cameron County	66,011	169,046	0.81%
6. Rich Products Corp.	47,415	117,453	0.56%
7. Valley Baptist Medical Center	35,889	94,196	0.45%
8. Valley Regional Medical Center	31,089	82,082	0.39%
9. Trico Technologies Corp.	23,245	62,580	0.30%
10. Stripes Stores	18,416	60,127	0.29%
TOTAL	954,674	\$ 2,546,333	12.16%
Wastewater Services	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
Customer Name			
1. Brownsville I S D	137,202	\$ 610,011	2.89%
2. Cameron County	56,252	217,681	1.03%
3. Rich Products Corp.	36,347	137,635	0.65%
4. Valley Baptist Medical Center	35,273	136,981	0.65%
5. Texas Southmost College	24,651	112,574	0.53%
6. Valley Regional Medical Center	25,962	100,475	0.48%
7. Trico Technologies Corp.	22,679	88,193	0.42%
8. Brownsville Housing Authority	17,780	72,258	0.34%
9. Brownsville TX East Price Big 22 LLC	18,300	70,084	0.33%
10. Stripes Stores	16,079	69,692	0.33%
TOTAL	390,525	\$ 1,615,584	7.65%

Continued

**OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued**

FY 2014			
Electric Services	Annual	Annual	Percent of
Customer Name	Consumption	Sales	Annual Sales
	(kWh)	Revenue	Revenue
1. Brownsville I S D	81,394,677	\$ 7,982,880	6.18%
2. Texas Southmost College	29,757,202	2,364,225	1.83%
3. Trico Technologies Corp.	26,076,882	2,042,632	1.58%
4. Amfels Inc.	14,654,796	1,456,034	1.13%
5. H E B Stores	17,981,768	1,445,433	1.12%
6. Rich Product Corp	16,072,800	1,262,227	0.98%
7. Stripes Stores	13,051,210	1,174,860	0.91%
8. Cameron County	12,889,301	1,152,045	0.89%
9. Valley Baptist Medical Center	14,100,834	1,135,557	0.88%
10. University of Texas at Brownsville	12,710,117	1,083,818	0.84%
TOTAL	238,689,587	\$ 21,099,711	16.34%
Water Services			
Customer Name	Annual	Annual	Percent of
	Consumption	Revenue	Annual Sales
			Revenue
1. El Jardin Water Supply Corp.	343,059	\$ 809,619	3.81%
2. Brownsville I S D	215,999	668,450	3.15%
3. Brownsville Navigation District	163,617	342,517	1.61%
4. Texas Southmost College	75,695	218,096	1.03%
5. Cameron County	72,941	178,458	0.84%
6. Rich Products Corp.	52,280	124,082	0.58%
7. University of Texas at Brownsville	37,468	126,380	0.60%
8. Brownsville Housing Authority	34,667	96,588	0.45%
9. Valley Baptist Medical Center	37,303	93,379	0.44%
10. Valley Regional Medical Center	35,392	89,149	0.42%
TOTAL	1,068,421	\$ 2,746,718	12.93%
Wastewater Services			
Customer Name	Annual	Annual	Percent of
	Consumption	Revenue	Annual Sales
			Revenue
1. Brownsville I S D	143,655	\$ 610,610	2.87%
2. Cameron County	64,848	246,499	1.16%
3. Rich Products Corp.	40,161	146,318	0.69%
4. Valley Baptist Medical Center	36,864	137,433	0.65%
5. Brownsville Housing Authority	28,230	112,858	0.53%
6. University of Texas at Brownsville	24,501	108,638	0.51%
7. Valley Regional Medical Center	26,892	100,326	0.47%
8. Texas Southmost College	21,672	98,314	0.46%
9. Stripes Stores	18,529	75,777	0.36%
10. T L G La Residencia LLC	18,689	68,892	0.32%
TOTAL	424,041	\$ 1,705,666	8.02%

Continued

**OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued**

		FY 2013	
Electric Services			
Customer Name	Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	83,302,903	\$ 6,919,824	6.30%
2. UTB/TSC	43,208,401	2,914,118	2.65%
3. Amfels	22,049,568	1,720,293	1.57%
4. Trico	24,558,061	1,631,879	1.49%
5. H E B Stores	18,892,417	1,282,293	1.17%
6. Stripes Stores	14,315,711	1,095,914	1.00%
7. Rich Products Corp.	16,252,800	1,078,502	0.98%
8. Cameron County	12,842,582	978,448	0.89%
9. Valley Baptist Medical Center	14,294,152	975,292	0.89%
10. Sunrise Mall	12,281,459	933,284	0.85%
TOTAL	261,998,054	\$ 19,529,847	17.79%
Water Services			
Customer Name	Annual Consumption	Annual Revenue	Percent of Annual Sales Revenue
1. El Jardin Water Supply Corp.	350,432	\$ 704,368	3.33%
2. Brownsville I S D	219,760	625,415	2.96%
3. UTB/TSC	144,053	376,537	1.78%
4. Brownsville Navigation District	156,639	311,286	1.47%
5. Cameron County	60,746	140,713	0.66%
6. Rich Sea Pak Corp.	48,173	107,795	0.51%
7. Brownsville Housing Authority	36,650	93,905	0.44%
8. Buena Vista Burial Park	36,412	82,016	0.39%
9. Valley Regional Medical Center	33,946	79,969	0.38%
10. Valley Baptist Medical Center	26,656	64,512	0.30%
TOTAL	1,113,467	\$ 2,586,516	12.22%
Wastewater Services			
Customer Name	Annual Consumption	Annual Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	134,666	\$ 560,837	2.54%
2. UTB/TSC	64,993	263,633	1.19%
3. Rich Sea Pak Corp.	40,782	259,183	1.17%
4. Cameron County	54,089	198,761	0.90%
5. Brownsville Housing Authority	30,654	118,962	0.54%
6. Valley Baptist Medical Center	26,205	96,934	0.44%
7. Valley Regional Medical Center	25,919	95,006	0.43%
8. Stripes Stores	18,139	72,265	0.33%
9. Paseo Plaza	17,925	69,661	0.32%
10. T L G La Residencia LLC	16,513	60,167	0.27%
TOTAL	429,885	\$ 1,795,409	8.13%

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		FY 2012	
Electric Services			
Customer Name	Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	84,437,519	\$ 6,412,786	6.14%
2. UTB/TSC	42,911,014	2,731,048	2.62%
3. Amfels	25,044,732	1,729,705	1.66%
4. Trico	22,499,526	1,395,598	1.34%
5. H E B Stores	18,144,373	1,171,458	1.12%
6. Stripes Stores	14,276,015	1,018,981	0.98%
7. Rich Products Corp.	16,137,600	1,005,032	0.96%
8. Cameron County	13,965,074	973,977	0.93%
9. Valley Baptist Medical Center	14,147,915	910,455	0.87%
10. Sunrise Mall	12,225,321	856,978	0.82%
TOTAL	263,789,089	\$ 18,206,018	17.44%

Water Services			
Customer Name	Annual Consumption	Annual Revenue	Percent of Annual Sales Revenue
1. El Jardin Water Supply Corp.	407,024	\$ 818,118	3.88%
2. Brownsville I S D	248,038	690,560	3.27%
3. Brownsville Navigation District	203,932	405,008	1.92%
4. UTB/TSC	151,023	397,108	1.88%
5. Cameron County	68,298	157,869	0.75%
6. Rich Products Corp.	51,542	115,807	0.55%
7. Valley Regional Medical Center	40,653	95,024	0.45%
8. Brownsville Housing Authority	35,050	90,882	0.43%
9. Valley Baptist Medical Center	32,077	77,689	0.37%
10. Stripes Stores	24,235	66,747	0.32%
TOTAL	1,261,872	\$ 2,914,812	13.82%

Wastewater Services			
Customer Name	Annual Consumption	Annual Revenue	Percent of Annual Sales Revenue
1. Brownsville I S D	157,256	\$ 644,602	2.96%
2. UTB/TSC	67,283	274,534	1.26%
3. Cameron County	61,182	224,599	1.03%
4. Rich Products Corp.	35,938	202,831	0.93%
5. Valley Baptist Medical Center	31,103	115,102	0.53%
6. Brownsville Housing Authority	29,537	114,780	0.53%
7. Valley Regional Medical Center	29,067	106,470	0.49%
8. Stripes Stores	18,960	75,490	0.35%
9. T L G La Residencia LLC	19,266	69,993	0.32%
10. Paseo Plaza	16,213	63,294	0.29%
TOTAL	465,804	\$ 1,891,695	8.69%

Continued

**OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued**

		FY 2011	
Electric Services			
	Annual	Annual	Percent of
	Consumption	Sales	Annual Sales
<u>Customer Name</u>	<u>(kWh)</u>	<u>Revenue</u>	<u>Revenue</u>
1. Brownsville I S D	90,352,681	\$ 7,339,653	6.77%
2. UTB/TSC	46,307,157	3,105,266	2.86%
3. Trico	21,754,007	1,496,666	1.38%
4. H E B Stores	17,883,919	1,238,615	1.14%
5. Amfels	13,031,820	1,154,460	1.06%
6. Stripes Stores	14,178,707	1,084,417	1.00%
7. Rich Product Corp	15,801,600	1,069,155	0.99%
8. Cameron County	14,129,270	1,063,077	0.98%
9. Valley Baptist Medical Center	14,120,585	980,478	0.90%
10. Sunrise Mall	12,088,615	920,866	0.85%
TOTAL	259,648,361	\$ 19,452,653	17.93%
Water Services			
	Annual	Annual	Percent of
	Consumption	Revenue	Annual Sales
<u>Customer Name</u>			<u>Revenue</u>
1. El Jardin Water Supply Corp.	413,737	\$ 789,665	3.87%
2. Brownsville I S D	297,748	766,040	3.76%
3. Brownsville Navigation Distri	168,179	318,771	1.56%
4. UTB/TSC	123,436	315,195	1.55%
5. Cameron County	65,095	143,949	0.71%
6. Rich Sea Pak Corp.	58,572	125,927	0.62%
7. Brownsville Housing Authority	50,898	120,336	0.59%
8. Valley Regional Medical Cente	40,055	89,370	0.44%
9. Posada De Las Palmas	39,693	83,902	0.41%
10. Brownsville Housing Authority	32,772	77,555	0.38%
TOTAL	1,290,185	\$ 2,830,710	13.89%
Wastewater Services			
	Annual	Annual	Percent of
	Consumption	Revenue	Annual Sales
<u>Customer Name</u>			<u>Revenue</u>
1. Brownsville I S D	180,764	\$ 708,349	3.32%
2. UTB/TSC	69,409	265,606	1.25%
3. Cameron County	58,586	205,084	0.96%
4. Brownsville Housing Authority	42,710	151,217	0.71%
5. Rich Sea Pak Corp.	37,105	127,038	0.60%
6. Posada De Las Palmas	35,939	77,844	0.37%
7. T L G La Residencia LLC	20,208	68,865	0.32%
8. Valley Regional Medical Cente	18,473	66,329	0.31%
9. Trico Technologies	16,494	58,612	0.27%
10. Rancho Del Cielo Townhomes	16,677	57,474	0.27%
TOTAL	496,365	\$ 1,786,418	8.38%

OPERATING INFORMATION
CAPITAL ASSETS STATISTICS BY UTILITY
LAST TEN FISCAL YEARS

	FISCAL YEAR									
Electric	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of Power Plants	3	3	3	3	3	3	3	3	3	3
Vehicles	161	158	147	144	128	117	127	125	128	115
Transmission Miles	329	329	329	329	329	328	336	336	328	328
Distribution Miles	4,118	3,956	3,917	3,844	3,815	3,592	3,555	3,518	3,484	3,408
Poles	101,696	101,457	113,459	113,126	113,039	112,690	112,664	112,528	112,298	112,001
Transformers	35,529	35,236	35,106	34,924	34,792	34,843	36,448	36,413	36,348	36,186
Substations	15	14	14	14	14	17	15	15	15	15
Meters	59,654	58,299	57,219	54,970	55,992	59,939	57,525	56,538	55,853	54,978
Water										
Vehicles	104	98	96	96	92	98	86	83	76	74
Water Treatment Plants	3	3	3	3	3	3	3	3	3	3
Miles of water mains	2,884	2,881	2,878	2,873	2,866	2,863	2,843	2,842	2,840	2,834
Meters	72,244	71,384	70,742	70,134	74,031	72,737	69,542	60,040	60,235	49,944
Fire Hydrants	4,547	4,525	4,494	4,453	4,394	4,363	36,195	36,159	37,695	37,664
Wastewater										
Vehicles	130	126	120	98	91	84	80	75	76	61
Wastewater Treatment Plants	2	2	2	2	2	2	2	2	2	2
Lift Stations	177	178	178	173	174	183	172	158	158	168
Miles of wastewater mains	865	859	857	855	852	825	830	827	802	799
General										
Vehicles	79	74	69	68	68	66	70	66	67	62

Compliance

Section

- ❖ *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Board of Directors
Brownsville Public Utilities Board
Brownsville, Texas

We have audited, 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, the financial statements of the Brownsville Public Utilities Board as of and for the year ended September 30, 2020, and have issued our report thereon dated February 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Brownsville Public Utilities Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Brownsville Public Utilities Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Brownsville Public Utilities Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Brownsville Public Utilities Board are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Austin, Texas
February 1, 2021