COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended September 30, 2012 and 2011

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

On the cover from left to right, top to bottom:

Photo 1: *Prior to the adoption of the new logo, a PUB water tower located in the south part of Brownsville.*

Photo 2: *A snapshot of coal-fired steam electric generation located at the Oklaunion Power Station.*

Photo 3: *The Calpine/Hidalgo combined cycle Power Plant in which the Public Utilities Board has an ownership interest. Courtesy of Calpine Corporation.*

Photo 4: *The beautiful spring landscape located outside the Public Utilities Board Administration Building.*

BROWNSVILLE
PUBLIC UTILITIES BOARD

Comprehensive Annual Financial Report

Public Utilities Board of the City of Brownsville, Texas

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

For the Fiscal Years Ended September 30, 2012 and 2011

Brownsville
All-America City
2001

Prepared by:
Finance Division

Leandro G. García, CPA
Chief Financial Officer
lgarcia@brownsville-pub.com

(This page intentionally left blank.)

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

Table of Contents

Page

INTRODUCTORY SECTION

Transmittal Letter v
GFOA Certificate of Achievement xiv
Principal Officials xv
Organizational Chart xvi

FINANCIAL SECTION

Independent Auditors' Report 3
Management's Discussion & Analysis 5
Financial Statements:
Balance Sheets 14
Statements of Revenues, Expenses, and Changes in Net Assets 16
Statements of Cash Flows 17
Notes to Financial Statements 19
Required Supplementary Information:
Texas Municipal Retirement System Schedule of Funding Progress 51
Post-Retirement Health Care Benefits Schedule of Funding Progress 52

STATISTICAL SECTION

Statistical Section Contents 53
Financial Trends:
Balance Sheets 55
Statements of Revenues, Expenses, and Changes in Net Assets – Fiscal Years 2012-2003 57
Revenue Capacity:
Average Number of Services Billed by Utility – Last Ten Years 59
Revenues by Utility – Last Ten Years 60
Unit Sales by Utility – Last Ten Years 61
Ten Year Rate Analysis – Residential Rates 62
Total Average Residential Monthly Charges 63
System Rate Increases – Last Ten Years 64
Debt Capacity:
Computation of Debt Service Coverage – Last Ten Years 66
Principal Payments Payable on All Debt Issues Through FY 2039 67
Demographic and Economic Information:
Demographic Statistics - Last Ten Fiscal Years 69
Principal Employers - Current Year and Last Nine Years 70
Operating Information:
Expenses by Utility – Last Ten Years 74
Electric Energy Sources, Water and Wastewater Statistics – Last Ten Years 76
Authorized Full Time Positions by Department and Utility – Last Ten Years 78
Ten Largest Customers – Last Ten Years 80
Capital Assets Statistics by Utility –Last Eight Fiscal Years 90

Continued

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

Table of Contents - continued

Page

SINGLE AUDIT SECTION

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* 93
Independent Auditor's Report on Compliance with Requirements that could have a Direct And Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 95
Schedule of Findings and Questioned Costs 97
Schedule of Prior Audit Year Findings 98
Corrective Action Plan 99
Schedule of Expenditures of Federal and State Awards 100
Notes to Schedule of Expenditures of Federal and State Awards 101

Introductory Section

(This page is intentionally left blank.)

BROWNSVILLE
PUBLIC UTILITIES BOARD

February 26, 2013

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, 2012. 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 Pattillo, Brown & Hill, L.L.P.

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 Pattillo, Brown & Hill, L.L.P., is to provide reasonable assurance that the financial statements of the Public Utilities Board for the fiscal year ended September 30, 2012, 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. Pattillo, Brown & Hill, L.L.P., concluded, based upon the audit; there is a reasonable basis for rendering an unqualified opinion. The Public Utilities Board's financial statements for the fiscal year ended September 30, 2012, 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 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 Statement No. 14, the Financial Reporting Entity, 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 electrical, 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. The electric system serves a growing base of about 46,102 customers and serves a peak load of 294 MW. Current resources, mainly owned by the Public Utilities Board, are sufficient to cover peak demand.

The Public Utilities Board meets its power supply obligations through a combination of resources: (i) the operation of the Oklaunion Power Station, a coal-fired steam electric generating unit jointly owned and operated by Public Service Company of Oklahoma, AEP Texas North Company, AEP Texas Central Company, Oklahoma Municipal Power Authority (OMPA), and the Public Utilities Board entitling the Public Utilities Board to 124 MW of capacity, (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 and oil fired capability of 114 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) economy energy purchases through an economy power interchange arrangement, (v) distributed generation of 7.5 MW.

Fuel and transportation contracts with a variety of suppliers 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 216 million gallons total capacity, and a raw water transport system. Surface water treatment is achieved by two water treatment plants providing 40 million gallons of total capacity; 20 MGD treatment capacity each. Two clear wells provide 6.84 million gallons storage capacity, and four elevated storage tanks provide 6 million gallons of elevated storage capacity. Water is pumped by three high-service pumping stations into the distribution system which consists of 636 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 two other water distribution companies that amount to approximately 5.03% of sales. The Public Utilities Board partnered with the

Southmost Regional Water Authority and built a 7.5 million gallon reverse osmosis water treatment plant of which the Public Utilities Board has 92.91% ownership. This plant includes a 7.5 million gallon storage tank and a 0.75 million gallon clear well.

The Public Utilities Board has an annual allocation of municipal priority water rights from the Texas Commission of Environmental Quality (TCEQ) in the amount of 29,285.111 acre-feet of water which is dependent upon inflow to the Falcon and Amistad Reservoirs, which provides an estimated annual yield of 891 acre-feet. 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 presently has a "Superior" water system as determined in accordance with current TCEQ regulations.

The **Wastewater System**, consisting of collection and treatment facilities, includes gravity wastewater collection lines, 178 lift stations and two treatment plants. Wastewater is transported by lift stations and associated force mains to one of two wastewater treatment plants – the Robindale Plant or the South Plant. The Robindale Plant has a design capacity of 10 MGD with provision for modular expansion of an additional 10 MGD of capacity. The Robindale Plant provides secondary waste treatment including contact stabilization activated sludge, secondary settling, aerobic digestion, sludge thickening, and land disposal of sludge. The South Plant was originally designed as a trickling filter plant with a treatment capacity of 5 MGD. In 1971, it was expanded to a capacity of 7.8 MGD and was further modified in 1978. The South Plant's expansion from 7.8 MGD to 12.8 MGD is complete and in operation. The treatment process was changed to activated sludge and the anaerobic digesters were converted to use the aerobic process. Sludge thickeners were installed and sludge is disposed of by land application.

Mission Statement

By 2013 the Public Utilities Board will be a premier community-owned utility offering exceptional service through innovation and responsiveness.

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.

According to the U.S. Census Bureau Brownsville's population for 2000 and 2010 were 139,722 and 175,023, respectively for an increase of 25.27 percent. Brownsville's population increased approximately 2.5 percent each year since 2000. The City is the sixteenth largest city in the state of Texas. The demographics of Brownsville's population can be summed up as young and fast growing. The median age is 29.5 years versus a national average of 37.2 years. 34% of all persons in the City are younger than 18 years of age. Only 9.9% are older than 65 years.

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). 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

Farm to Market (FM) 511-802 Colonias Project

The Public Utilities Board and the Texas Water Development Board ("TWDB") are working together to finalize the Design on the FM 511 and 802 Wastewater Improvement. The project cost for the Design portion was $1.3 million. TWDB funded $1.08 million, and the Public Utilities Board funded $291,000. The Design of this project was completed in March 2012. Meanwhile, the Public Utilities Board successfully submitted a grant application for the Construction Phase and was awarded on April 19, 2012 a grant of $24,505,000 and a loan of $840,000 from the Economically Distressed Areas Program. TWDB performed an Environmental Review of the FM511 and 802 Wastewater Improvement project proposed by the Public Utilities Board, pursuant to environmental assessment requirements of Sections 363.14 and 363.13 of the Texas Water Development Board Rules. The Wastewater system improvement project proposed by the Public Utilities Board will construct seven lift stations, upgrade three existing lift stations, 91,900 linear feet of 8, 10, and 12-inch gravity sewer lines, 43,500 linear feet of 4, 6 and 8-inch force mains and 874 service connections. The estimated completion date is April 2015.

Brownsville Seawater Desalination Pilot Plant Study

The seawater desalination pilot plant study was completed in 2008. Because of urgent water needs and strong regional support, the Brownsville project was the only one of three feasibility studies tapped to proceed to a pilot phase. In 2006, the TWDB awarded the project $1.34 million in state funding; the Public Utilities Board contributed $1,466,000 in cash plus $384,000 in in-kind assistance. The Port of Brownsville donated the site for the pilot plant.

The study collected ocean water data and evaluated the performance of different treatment approaches for desalinating seawater by use of reverse-osmosis membranes. Based on the results of the study, the Public Utilities Board has determined key characteristics and estimated the project cost for a 25 million gallons per day (MGD) seawater desalination facility at $171.0 million. The Public Utilities Board, although committed to further diversifying its water supply sources by adding seawater desalination to its portfolio, does not presently have the water demand nor the financial resources to implement the full-scale project. Nevertheless, to continue advancing the development of seawater desalination supplies, it has formulated a phased approach which entails building an initial 2.5 million gallons per day production and demonstration facility that would eventually be expanded into the full-scale 25 million gallons per day

facility originally envisioned. The Public Utilities Board proposes to implement the first phase of the project by installing a 2.5 million gallons per day production prototype on the south bank of the Brownsville Ship Channel. The proposal includes designing and building some of the facilities to the project's ultimate 25 million gallons per day production capacity. The cost of the proposed initial phase is $60.0 million. The funding package consists of three essential components: grants, State Participation Program Funding, and Water Infrastructure Funding.

The Brownsville-Matamoros Weir and Reservoir Project

The location of the project will be approximately eight river miles downstream of the Gateway International Bridge in Brownsville. The reservoir will extend about 42 river miles within the banks of the Rio Grande River through mostly urbanized areas. The average width of the pool is 110 feet and the maximum water depth is 26 feet above mean sea level. The Brownsville-Matamoros Weir and Reservoir will be able to hold up to 6,000 acre-feet of water, and provide 40,000 acre feet of water per year (about 13 billion gallons) for the potable water supply of the Brownsville area.

The impact on water supply is an increase of approximately 35.7 million gallons per day. This project is on hold pending future financing determinations by Mexico and the Public Utilities Board. Federal grants from the EPA for this project have been approved by EPA for use on the Public Utilities Board's Robindale Wastewater Treatment Plant expansion currently in Construction with the expected completion date of April 2014.

69-138kV Conversion Project

The 69 kV to 138 kV Conversion Project is expected to address the growing demand for electricity within the Brownsville metropolitan area by increasing the capacity of the electric substations from 69 kilovolts to 138 kilovolts.

The first phase (Phase I) of the project, which is complete, increased the distribution capacity and/or upgraded the Filter Plant, Price Road, FM 802, Midtown, and Military Substations and part of the Airport and Loma Alta Substations with a cost of $8.2 million.

The second phase (Phase II) of the project, which is complete, increased the distribution capacity of the Sixth Street and Fort Brown Substations from 28 MVA to 56 MVA and upgraded the Military, Sixth Street, Fort Brown, and 30% of the Power Plant Substations to 138 kilovolts with a cost of $7.1 million.

The third phase (Phase III) of the project is increasing the distribution capacity and/or upgrading the Loma Alta, Airport, Union Carbide and Power Plant Substations by installing additional power transformers and associated equipment. $10.3 million has been spent to date for Phase III. South Plant, Military, and 6th Street conversions have been completed.

Sanitary Sewer Overflow Projects

Construction is fully underway for the Public Utilities Board Sanitary Sewer Overflow Projects funded by the American Recovery and Reinvestment Act of 2009 Clean Water State Revolving Fund (ARRA-CWSRF).

The Public Utilities Board authorized 13 construction contracts for a total amount of $50,564,652 of which $46,140,492 is funded by federal grant stimulus funds through the TWDB. Remaining costs are funded locally. As of September 30, 2012, construction was 95.08% complete, and construction contracts are generally proceeding on schedule. The remainder of construction will be completed by the end of Fiscal Year 2013. Both the Public Utilities Board staff and Contractors are meeting federal regulatory requirements, such as Buy American Act for manufactured goods and Davis-Bacon Act for prevailing wages. Major wastewater collection system improvements are being accomplished at this time. Improvements consist of rehabilitation, replacement, and upgrades to aged gravity mains, pressure mains, and lift stations throughout the service area. Project locations include Resaca Blvd., W & E Jackson St., Los Ebanos Subdivision, West Brownsville, Ramireno, Boca Chica Blvd., and Central Blvd., Old Hwy 77 and Ruben Torres Blvd. (FM 802), Southmost, Coffee Port and Old Port Isabel Roads, South Padre Island Hwy (SH 48), and Lincoln and Grant Streets.

Grant project costs through September 30, 2012 were $47.5 million of which $44.1 million was funded by the TWDB, and $3.4 million by the Public Utilities Board.

Southmost Regional Water Authority Micro-filtration Project

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 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 2.75 million gallon per day of capacity through upgrading certain pumps within the existing well field and adding two additional reverse osmosis trains. The Public Utilities Board plans to commence construction by April 2013, with completion no later than December 2014.

TWDB has funded $1.4 million from Water Supply Contract Revenue Bonds, Series 2009A and 2009B, and we currently have an available balance of $11.6 million for the remaining cost of the project.

Robindale Wastewater Treatment Plant Rehabilitation and Expansion Project

The Public Utilities Board in connection with the Environmental Protection Agency (EPA) is proceeding with renovating and expanding the existing Robindale Wastewater Treatment Plant to meet current needs and facilitate population growth projections that will provide a maximum of 14.5 MGD 30-day average daily flow upon completion of the improvements. The current plant discharge of Ammonia-Nitrogen is about 14 mg/l. The Texas Commission on Environmental Quality (TCEQ) has imposed an Ammonia-Nitrogen effluent limit that the existing Robindale Wastewater Treatment Plant was not originally designed to treat. The new design and construction will meet a daily average discharge limitation of 4 mg/l for Ammonia-Nitrogen. The Public Utilities Board commenced construction on July 2012, with completion no later than April 2014. Since the current plant deterioration requires immediate action, the Board intends to complete the design and construction of this project well in advance of the state given deadlines. TCEQ granted approval of the renovation and expansion to the Robindale Wastewater Treatment Plant on April 24, 2012.

The Public Utilities Board anticipates the use of multiple local, potential state and federal funding sources to complete the Robindale Wastewater Treatment Plant Rehabilitation and Expansion Project. Total estimated allocation cost for the Design-Build portion of this project is $32.4 million. EPA continues supporting this project with $18.3 million and has reimbursed $4.6 million as of September 30, 2012. The remaining cost of this project will be covered with local funds.

Water Meter Replacement Project

On June 14, 2010, the Public Utilities Board approved the funding for a Water Meter Replacement Project as recommended by a 2007 Water Audit performed by JBS Associates. JBS Associates recommended replacing all water meters that exceeded the average expectancy of ten years. The Water Meter Replacement Project was completed in fiscal year 2012, and a total of 10,300 meters were replaced throughout the City of Brownsville. The total project costs were $821,581 and were funded with local funds.

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 to seven (7) or eight (8) feet. Plans for dredging the resacas have been designed to 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 will be implemented in phases. Phase One will include dredging several segments of the Town Resaca. These segments include the Dean Porter Park resaca, the Gladys Porter Zoo resacas, the Resaca Boulevard resaca, and the City Cemetery resaca. The Public Utilities Board began by undertaking planning studies and submitting proposed plans to the U.S. Army Corps of Engineers and the Texas Commission on Environmental Quality. The Phase One work has been authorized, and portable hydraulic dredges and sediment processing equipment has been delivered and installed. Actual dredging activities began in February of 2013. The dredged sediment handling process being employed will produce essentially dry solid material consisting of graded gravel, sand and fine silts and clays, all of which can be disposed of by hauling from the processing site to appropriate disposal areas. The effluent from the process will be clean, clear water that can be discharged back into the resacas.

The Public Utilities Board contributed $0.6 million in staff and engineering services and $3.3 million in equipment and other costs for a total incurred cost of $3.9 million as of September 30, 2012.

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, 2016. The electric capital improvement plan identifies approximately $99.0 million in generation, transmission, and distribution projects; $43.0 million are projected to be bond financed. The water capital improvement plan identifies approximately $23.0

million in projects, of which approximately 39.1% are projected to be bond financed while the wastewater capital improvement plan identifies approximately $64.7 million in projects, of which approximately 39.2% are projected to be bond financed. The Public Utilities Board is currently evaluating the need to construct a 2.5 million-gallon-per-day seawater desalination production and demonstration facility that would eventually be expanded into the full-scale 25 million-gallons-per-day facility. The full-scale facility is projected to cost $171.0 million.

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.

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 domiciled in the State of Texas that are FDIC insured. Investments are made only with certified brokers/dealers as required by the Investment Policy.

During FY 2012, the Public Utilities Board's cash portfolio earned an average yield of 0.39%. The Public Utilities Board's cash deposits at September 30, 2012, were entirely covered by the Federal Deposit Insurance Corporation under the Temporary Liquidity Guarantee Program.

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, 2011. This was the sixth 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,

Leandro G. García, CPA
Chief Financial Officer

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, 2011

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

Christopher P Morrill

President

Jeffrey R. Esser

Executive Director

PRINCIPAL OFFICIALS

Board Members

Dr. David S. Morales, Chairman
Enrique G. Najera, Vice-Chairman
Oscar D. Garcia, Secretary/Treasurer
Arturo R. Farias, Member
Emmanuel Vasquez, Member
Vacant, Member
Mayor Antonio Martinez, Ex-Officio Member

Board Administration

John S. Bruciak, P.E., General Manager & CEO
Fernando Saenz, P.E., Assistant General Manager & COO
Leandro G. García, CPA, Chief Financial Officer

Consultants and Advisors

Atlas, Hall & Rodriguez, L.L.P.
Brownsville, Texas

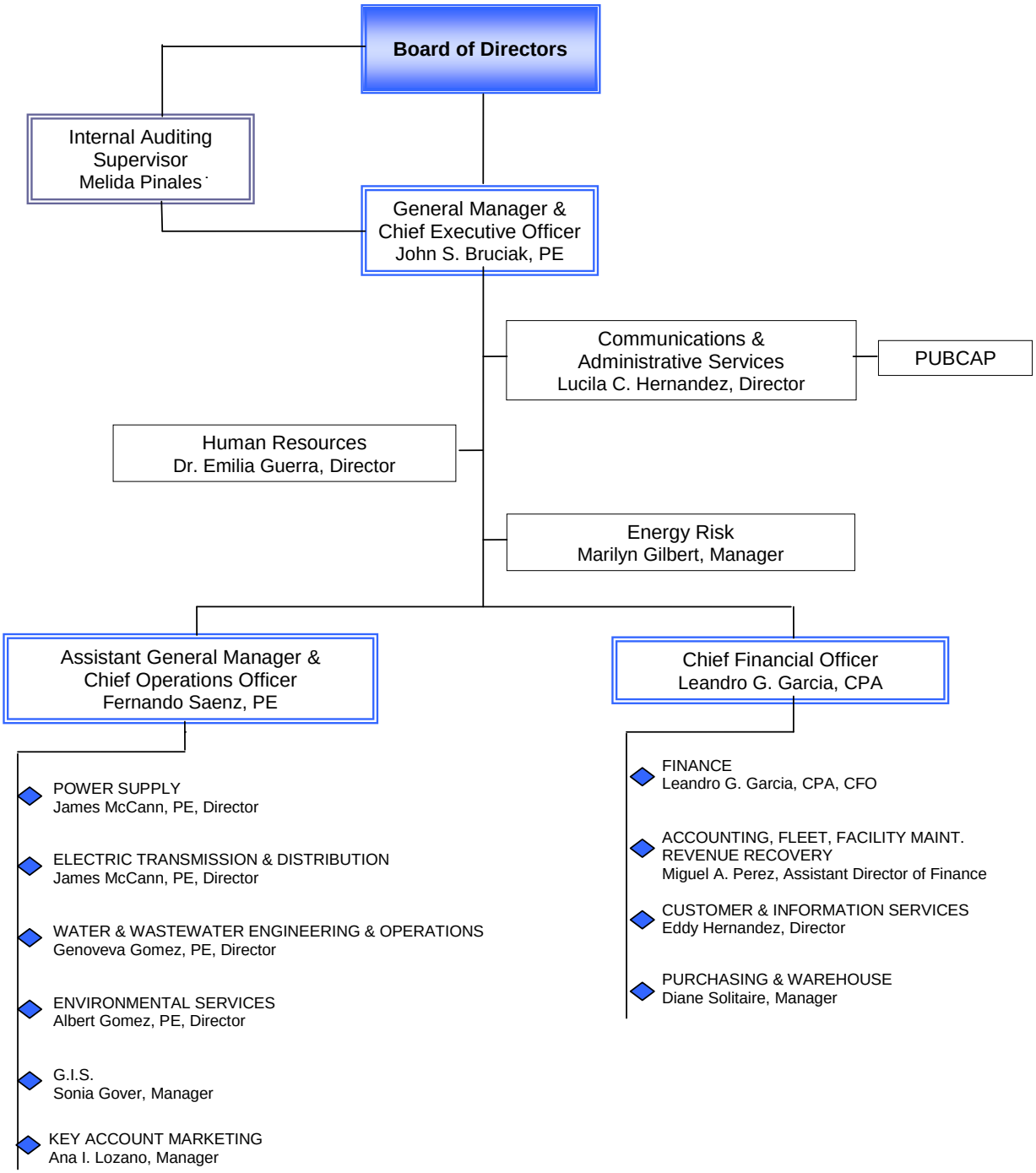
Davidson Troilo Ream & Garza, P.C.
San Antonio, Texas

Pattillo, Brown & Hill, L.L.P.
Brownsville, Texas

Estrada Hinojosa & Company, Inc.
Dallas, Texas

Fulbright & Jaworski, L.L.P.
San Antonio, Texas

Organizational Chart



FINANCIAL SECTION

(This page is intentionally left blank.)

PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Chairman and Members of
the Board of Directors
Public Utilities Board of
the City of Brownsville, Texas

We have audited the accompanying basic financial statements of the business type activities of Public Utilities Board of the City of Brownsville, Texas (the "Public Utilities Board"), a component unit of the City of Brownsville, Texas, and its blended component unit, as of and for the year ended September 30, 2012 and 2011, which collectively comprise responsibility of the Public Utilities Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Public Utilities Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities of the Public Utilities Board, as of September 30, 2012 and 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2013, on our consideration of the 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules of funding progress on pages 5 through 12 and 51 through 52 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.

765 EAST 7TH STREET ■ BROWNSVILLE, TX 78520 ■ (956) 544-7778 ■ FAX: (956) 544-8465 ■ www.pbhcpa.com
AFFILIATE OFFICES: McALLEN, TX (956) 682-2853 ■ WACO, TX (254) 772-4901 ■ TEMPLE, TX (254) 791-3460
HILLSBORO, TX (254) 582-2583 ■ ALBUQUERQUE, NM (505) 266-5904

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Public Utilities Board's financial statements. The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Public Utilities Board's financial statements. The introductory and statistical sections are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Pattillo, Brown & Hill, L.L.P.

January 23, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012 and 2011. 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 balance sheets, the statements of revenues, expenses, and changes in net assets, the statements of cash flows, and the notes to the financial statements.

The balance sheets present the financial position of the Public Utilities Board on a full accrual, historical cost basis. The balance sheets present information on all of the Public Utilities Board's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets are one indicator of whether the financial position of the Public Utilities Board is improving or deteriorating.

While the balance sheets provide information about the nature and amount of resources and obligations at year-end, the statements of revenues, expenses, and changes in net assets present the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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, 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 Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Public Utilities Board's activities in a way that will help answer this question. These two statements report the net assets of the Public Utilities Board and changes in them. Increases or decreases in net assets 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 exceeded liabilities by $410.4 million at the close of fiscal year 2012. Net assets increased by $26.5 million or 6.9% compared to the previous fiscal year. This increase in net assets is a good indicator that the Public Utilities Board's financial health continues to progress. Net assets invested in capital assets, net of related debt totaled $244.6 million and $222.0 million for fiscal years 2012 and 2011, respectively.

The restricted net assets of $111.3 million and $102.7 million for fiscal years 2012 and 2011, respectively, are subject to external restrictions on how they may be used. The remaining balances of unrestricted assets, totaling $54.5 million and $59.2 million for fiscal years 2012 and 2011 respectively, may be used to meet the Public Utilities Board's ongoing obligations. The Public Utilities Board's changes in net assets are further analyzed below in Table A-1 and Table A-2.

On August 8, 2011, the Public Utilities Board of Directors approved an adjustment to electric, water and wastewater rates by 5% each pursuant to the authority granted by the City Commission in September 2010.

As part of the increase to the electric utility rates, the Public Utilities Board's action also included revising the rate structure for the residential customers from a single-tier energy charge to a two-tier energy charge rate design. This new rate structure is intended to help promote conservation without impacting any of the electric system's low consumption consumers (consumers that use less than 500 kWh).

The rate increases for the water and wastewater systems were applied across the board to all classes. The residential rate designs for both systems are already established to promote conservation with multi-tiers in the water system and two-tiers in the wastewater system.

The approved rate adjustments became effective October 1, 2011, and are expected to annually generate new base rate revenues totaling approximately $4.8 million.

On October 28, 2002, the Public Utilities Board entered into a contract with General Electric to purchase an LM 6000 generator set for $10.7 million. The unit was put into full operation in December 2004 and has allowed the Public Utilities Board to meet capacity peak requirements. In addition, the unit was installed at the Silas Ray Power Station and is providing the utility with black start capability, and naturally providing more Var support to the Brownsville area. The LM 6000 technology provides the Public Utilities Board with the ability to continue to meet the City's peak load growth needs. Ultimately, the LM 6000 also provides the ability to meet load variation and competitively priced generation capacity with the Electric Reliability Council of Texas (ERCOT).

Additionally, in April 2004 the Public Utilities Board exercised its Right of First Refusal (ROFR) at the currently owned Oklaunion coal fired facility for an additional 54 megawatts of capacity. This additional capacity is providing the Public Utilities Board with more diversification in the power resource portfolio from coal power resources as well as providing a considerably lower cost of power for the City of Brownsville customers. Due to the short timeline, the Public Utilities Board issued $42,750,000 in commercial paper to secure funding for the purchase. Additional information on the Oklaunion Project can be found in Note 4a to the financial statements on pages 29-30 of this report.

(Remainder of the page intentionally left blank).

Net Assets

A summary of the Public Utilities Board's net assets is presented in Table A-1.

TABLE A-1
SUMMARY OF BALANCE SHEETS
September 30, 2012, 2011 and 2010
(in millions of dollars)

	2012	2011	2010
Current and other assets	$ 221.0	$ 216.8	$ 199.0
Capital assets	575.1	556.2	548.5
Total assets	796.1	773.0	747.5
Current liabilities	69.4	64.1	57.6
Long-term liabilities	316.3	325.0	332.6
Total liabilities	385.7	389.1	390.2
Net assets:			
Invested in capital assets, net of related debt	244.6	222.0	212.0
Restricted	111.3	102.7	90.1
Unrestricted	54.5	59.2	55.2
Total net assets	$ 410.4	$ 383.9	$ 357.3

The Public Utilities Board's net assets as of September 30, 2012 increased 6.9% to $410.4 million and increased 7.5% to $383.9 million as of September 30, 2011. The increases in 2012 and 2011 are attributed to income earned on operations of the utility system.

(Remainder of the page intentionally left blank).

TABLE A-2
REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For Fiscal Years Ended September 30, 2012, 2011 and 2010
(in millions of dollars)

	2012	2011	2010
Operating revenues - sales	$ 165.6	$ 168.1	$ 154.8
Investment and interest income	0.7	0.6	0.8
Non-operating revenue	-	-	11.1
Total revenues	166.3	168.7	166.7
Purchased power and fuel	48.0	52.5	53.5
Personnel services	28.0	27.4	26.0
Materials and supplies	7.3	7.2	6.4
Repairs and maintenance	2.8	3.2	3.1
Contractual and other services	19.0	18.2	19.5
Depreciation expense	23.6	28.3	25.6
Interest expense	15.6	16.1	16.5
Loss on disposition of capital assets	1.4	0.4	0.1
Non-operating expense	0.6	2.1	-
Payments to the City of Brownsville	7.7	7.5	7.6
Total expenses	154.0	162.9	158.3
Changes in net assets before capital contibutions	12.3	5.8	8.4
Capital contributions	14.2	20.8	21.7
Change in net assets	26.5	26.6	30.1
Beginning net assets	383.9	357.3	327.2
Ending net assets	$ 410.4	$ 383.9	$ 357.3

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets, provides answers as to the nature and source of these changes. In 2012, the Public Utilities Board had a decrease in operating revenues of $2.5 million due to a combination of utility system revenue increases and decreases. Residential and commercial electric operating revenues decreased $1.9 million, sales for resale decreased $2.5 million, other sales increased $1.0 million, water sales increased $0.5 million, and wastewater sales increased $0.4 million. Capital contributions also decreased by $6.6 million. Capital contributions may vary greatly from year to year based on grant awards and the cyclical nature of housing, commercial and industrial development in the City.

Some notable changes in expenses for 2012 were decreases in purchased power and fuel of $4.5 million, a decrease in depreciation expense of $4.7 million, and an increase in loss on disposition of capital assets of $1.0 million. Overall, the Public Utilities Board's net assets increased $26.5 million in 2012.

In 2011, the Public Utilities Board had an increase in operating revenues of $13.3 million primarily due to increases in electric residential sales of $2.2 million, water sales of $2.5 million, and wastewater sales of $1.9 million. These increases in operating revenue are primarily attributable to increased consumption for each system. The Public Utilities Board also realized an increase in congestion rights revenue allowed by ERCOT of $7.8 million in 2011.

These revenue increases along with a decrease of $2.4 million in sales for resale account for the major changes in total operating revenues. Non-operating revenues for 2011 decreased $11.1 million as compared to 2010 due to the Public Utilities Board's share of shortfall in payments to the Burlington Northern Railroad Company which was settled with Oklaunion Unit No.1 station operator in 2010. Capital contributions also decreased by $0.9 million. Capital contributions may vary greatly from year to year based on grant awards and the cyclical nature of housing, commercial and industrial development in the City.

Some notable changes in expenses for 2011 were decreases in purchased power and fuel of $1.0 million, increase in personnel services of $1.4 million, increase in depreciation expense of $2.7 million, and an increase in non-operating expenses of $2.1 million. Overall the Public Utilities Board's net assets increased $26.6 million in 2011.

Capital Assets

At the end of 2012 and 2011, the Public Utilities Board's net capital assets in Table A-3 of $575.1 million and $556.2 million, respectively, were a 3.4% or a $18.9 million increase and a 1.4% or a $7.7 million increase, respectively, from fiscal year 2011 and 2010.

TABLE A-3
CAPITAL ASSETS
September 30, 2012, 2011 and 2010
(in millions of dollars)

	2012	2011	2010
Land	$ 23.3	$ 14.7	$ 14.5
Plant	630.4	619.5	522.0
Buildings and structures	74.8	73.9	73.8
Improvements other than buildings	45.7	44.5	43.2
Equipment	108.2	107.5	184.6
Construction in progress	95.7	79.2	68.2
Subtotal	978.1	939.3	906.3
Less accumulated depreciation	(403.0)	(383.1)	(357.8)
Net capital assets	$ 575.1	$ 556.2	$ 548.5

The following is a summary of some of the major improvements to the utility system during fiscal year 2012:

- $1.0 million to complete Electric Steam Production Projects
- $2.8 million to complete Electric Transmission and Distribution Projects
- $0.4 million to complete Electric General Projects
- $9.6 million to complete Water Distribution and Supply Projects
- $6.7 million to complete Wastewater Collection and Pumping Projects
- $5.4 million to complete General Facility Projects

The following is a summary of some of the major improvements to the utility system during fiscal year 2011:

- $1.0 million to complete Electric Steam Production Projects
- $3.6 million to complete Electric Transmission and Distribution Projects
- $1.5 million to complete Electric General Projects
- $5.5 million to complete Water Distribution and Supply Projects
- $13.6 million to complete Wastewater Collection and Pumping Projects
- $0.3 million to complete General Facility Projects

At September 30, 2012 and 2011, the Public Utilities Board had contractual obligations totaling approximately $26,797,084 and $29,496,723, 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 3 to the financial statements on pages 28-29 of this report.

Debt Administration

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

TABLE A-4
OUTSTANDING DEBT
September 30, 2012, 2011 and 2010
(in millions of dollars)

	2012	2011	2010
Revenue bonds, net	$ 321.0	$ 329.8	$ 337.4
Commercial Paper	24.5	20.0	15.0
Total	$ 345.5	$ 349.8	$ 352.4

Additional information on the Public Utilities Board's debt can be found in Notes 5 and 6 on pages 30-35 of this report.`

The Public Utilities Board continues to have insured bond ratings from the national rating agencies. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., has assigned short term insured ratings of A-1+, and Fitch Ratings has assigned short term insured ratings of F1+. 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, 2012 and 2011 were $319,717,000 and $329,194,000, 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 2.47 and 2.43 times at September 30, 2012 and 2011, respectively. On January 15, 2003, the Public Utilities Board sold $76,400,000 variable rate demand 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.

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 2012 and 2011 contributions to the Authority were $5,616,176 and $4,811,178, 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 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.

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 – www.brownsville-pub.com.

FINANCIAL STATEMENTS

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
(A Component Unit of the City of Brownsville, Texas)
Balance Sheets
September 30, 2012 and 2011

Assets	2012	2011
Current assets:		
Cash and cash equivalents	$ 11,373,559	$ 25,890,772
Investments	39,453,439	22,829,013
Receivables:		
Fees and services, net of allowance for uncollectible accounts of $1,100,391 and $876,307 in 2012 and 2011, respectively	34,849,429	37,474,321
Intergovernmental	985,632	2,143,465
Accrued interest receivable	129,441	146,119
Inventories	11,499,466	13,946,964
Prepaids	1,317,468	1,677,928
Total unrestricted current assets	99,608,434	104,108,582
Current restricted assets:		
Cash and cash equivalents	3,579,238	18,783,058
Investments	113,120,376	88,920,545
Total restricted current assets	116,699,614	107,703,603
Total current assets	216,308,048	211,812,185
Non-current assets:		
Capital assets, net of accumulated depreciation	575,058,141	556,156,705
Bond issue costs and other assets	4,728,247	5,081,847
Total non-current assets	579,786,388	561,238,552
Total assets	$ 796,094,436	$ 773,050,737

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
(A Component Unit of the City of Brownsville, Texas)
Balance Sheets - Continued
September 30, 2012 and 2011

Liabilities and Net Assets	2012	2011
Current liabilities:		
Accounts payable	$ 15,444,890	$ 14,150,692
Accrued vacation and sick leave	5,097,978	5,106,662
Due to primary government	2,190,168	2,262,025
Deferred credit – fuel cost over recovery	7,141,176	8,132,204
Self insurance worker's compensation claims	26,259	42,492
Total unrestricted current liabilities	29,900,471	29,694,075
Current liabilities payable from restricted assets:		
Accounts payable and accrued liabilities	281,866	224,205
Accrued interest	1,586,207	1,511,023
Customer deposits	3,305,011	3,198,044
Current portion of revenue bonds payable	9,879,000	9,477,000
Commercial paper	24,450,000	20,000,000
Total current liabilities payable from restricted assets	39,502,084	34,410,272
Total current liabilities	69,402,555	64,104,347
Non-current liabilities:		
Revenue bonds payable net of unamortized premium and deferred refunding	311,152,557	320,300,094
Other post-employment benefits	5,041,550	4,700,634
Self insurance worker's compensation claims	72,453	24,429
Total non-current liabilities	316,266,560	325,025,157
Total liabilities	385,669,115	389,129,504
Net assets:		
Invested in capital assets, net of related debt	244,561,464	221,978,138
Restricted for:		
Debt service	2,761,707	2,742,688
Repair and replacement	88,793,974	77,092,760
Operating reserve	17,001,624	17,001,089
Fuel adjustment subaccount	2,000,000	4,500,000
Capital projects	843,424	1,361,744
Unrestricted	54,463,128	59,244,814
Total net assets	410,425,321	383,921,233
Total liabilities and net assets	$ 796,094,436	$ 773,050,737

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 Assets

For the Fiscal Years Ended September 30, 2012 and 2011

	2012	2011
Operating revenues:		
Sales and service charges	$ 169,799,255	$ 172,360,843
Less utilities service to the City of Brownsville, Texas	(4,228,001)	(4,278,285)
Total operating revenues	165,571,254	168,082,558
Operating expenses:		
Purchased power and fuel	48,039,343	52,502,812
Personnel services	27,962,188	27,387,747
Materials and supplies	7,276,419	7,160,977
Repairs and maintenance	2,794,117	3,234,646
Contractual and other services	18,971,803	18,166,393
Depreciation	23,601,822	28,269,982
Total operating expenses	128,645,692	136,722,557
Operating income	36,925,562	31,360,001
Nonoperating revenues (expenses):		
Investment and interest income	672,133	628,698
Interest expense	(15,579,814)	(16,131,381)
Loss on disposition of capital assets	(1,417,327)	(359,218)
Other	(581,763)	(2,157,129)
Payments to City of Brownsville	(7,738,354)	(7,488,261)
Net nonoperating revenues (expenses)	(24,645,125)	(25,507,291)
Income before capital contributions	12,280,437	5,852,710
Capital contributions	14,223,651	20,807,252
Change in net assets	26,504,088	26,659,962
Net assets, beginning of year	383,921,233	357,261,271
Net assets, end of year	$ 410,425,321	$ 383,921,233

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, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Cash received from customers	$ 174,287,045	$ 174,017,282
Cash payments to suppliers for goods and services	(79,281,102)	(88,769,799)
Cash payments to employees for services	(28,433,797)	(28,086,426)
Net cash provided by operating activities	66,572,146	57,161,057
Cash flows from non-capital financing activities:		
Payments to City of Brownsville	(7,810,211)	(7,086,993)
Net cash used in non-capital financing activities	(7,810,211)	(7,086,993)
Cash flows from capital and related financing activities:		
Bond proceeds	395,000	12,305,000
Commercial paper proceeds	4,450,000	5,000,000
Bond issuance costs	-	(258,359)
Principal paid on capital debt - bond issues	(9,477,000)	(9,036,000)
Principal paid on capital debt - bond issues escrow	-	(12,250,000)
Interest paid on capital debt	(15,504,629)	(16,054,281)
Capital contributions	13,329,708	19,973,050
Acquisition and construction of capital assets	(41,609,313)	(35,112,644)
Net cash used in capital and related financing activities	(48,416,234)	(35,433,234)
Cash flows from investing activities:		
Interest received	757,523	538,283
Purchases of investment securities	(389,168,411)	(295,644,122)
Proceeds from sales of investment securities	348,344,154	310,367,157
Net cash provided by (used in) investing activities	(40,066,734)	15,261,318
Net increase (decrease) in cash and cash equivalents	(29,721,033)	29,902,148
Cash and cash equivalents, beginning of year	44,673,830	14,771,682
Cash and cash equivalents, end of year	$ 14,952,797	$ 44,673,830

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, 2012 and 2011

	2012	2011
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 36,925,562	$ 31,360,001
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	23,601,822	28,269,982
Non-operating expense	(982,498)	(550,602)
Provisions for uncollectible accounts	224,085	(84,512)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	2,005,566	(3,795,237)
(Increase) decrease in inventory	2,447,499	(501,176)
(Increase) decrease in prepaids	360,459	(1,023,312)
Increase (decrease) in accounts payable and accrued liabilities	2,882,502	743,389
Increase (decrease) in unearned revenues	(105)	990
Increase (decrease) in accrued vacation and sick leave	(8,685)	17,934
Increase (decrease) in deferred credit – fuel cost recovery	(991,028)	2,526,467
Increase (decrease) in customer deposits liability	106,967	197,133
Net cash provided by operating activities	$ 66,572,146	$ 57,161,057
Non-cash investing, capital, and financing activities:		
Contribution in aid of construction	$ 893,943	$ 834,202
Reconciliation of cash and cash equivalents per Statements of Cash Flows to the Balance Sheets:		
Cash and cash equivalents:		
Unrestricted	$ 11,373,559	$ 25,890,772
Restricted	3,579,238	18,783,058
Total Cash and Cash Equivalents	$ 14,952,797	$ 44,673,830

See accompanying notes to the financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) 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 electrical, 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 as defined in GASB Statement No. 14, *The Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. 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 (1) the City Commission is vested with the right to set utility rates and approve the issuance of debt and (2) the City has the right to share in the surplus, if any, of the Public Utilities Board. Further, the Public Utilities Board is not required to pay any property taxes or franchise taxes to the City and the City is not required to pay for the utility services furnished to the City by the Public Utilities Board. The financial statements presented here are also included in the Comprehensive Annual Financial Report of the City of Brownsville, Texas.

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. 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.

(b) 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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

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 liabilities are included on the balance sheet. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Public Utilities Board has elected not to follow pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

(c) GASB Statement No. 34

The Public Utilities Board adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, during the fiscal year ended September 30, 2002. Statement 34 establishes standards for external financial reporting for all state and local governmental entities which includes a Management's Discussion and Analysis section, a Balance Sheet, a Statement of Revenues, Expenses, and Changes in Net Assets and a Statement of Cash Flows. It requires the classification of Net Assets into three components – Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted.

The adoption of Statement 34 had little effect on the basic financial statements except for the classification of net assets, the reflection of capital contributions as a change in net assets, presentation of the Statement of Cash Flows using the direct method, and the inclusion of a Management's Discussion and Analysis (MD&A) section providing an analysis of the Public Utilities Board's financial position and results of operation.

(d) Current Year GASB Statement Implementations

In fiscal year 2012, the Public Utilities Board implemented the following GASB statements:

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53,* became effective for the Public Utilities Board beginning with its year ending September 30, 2012. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

In fiscal year 2011, the Public Utilities Board implemented the following GASB statements:

GASB Statement No. 59, *Financial Instruments Omnibus*, became effective for the Public Utilities Board beginning with its year ending September 30, 2011. The objective of this Statement is to

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(d) Current Year GASB Statement Implementations - Continued

update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

(e) 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 is 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.

The Public Utilities Board defines operating revenues consistent with the precepts of GASB Statement No. 9, paragraphs 16 to 19 and 31: cash receipts from customers, 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.

(f) 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, 2012 and 2011, based upon the meter reading dates for the unbilled portion of each cycle. 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.

(g) 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. 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. The following estimated useful lives are used for depreciation purposes in 2012 and 2011:

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(g) Capital Assets - Continued

Classification	Range of lives
Electric plant-in-service	30 years
Water & Wastewater plant-in-service	30 years
Buildings	33 years
Improvements other than buildings	25 to 50 years
Equipment	10 to 50 years
Vehicles	3 to 5 years

(h) 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 Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. In accordance with GASB Statement No. 31, 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.

(i) Inventories

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

(j) Compensated Absences

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.

(k) Other Assets

Other assets consist principally of revenue bond issuance costs. The revenue bond issuance costs are being amortized over the period during which the revenue bonds are outstanding.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(l) Cash Equivalents

For purpose of the Statements of Cash Flows, the Public Utilities Board considers money market accounts, certificates of deposit, and investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

(m) 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.

(n) Contingent Liabilities

The Public Utilities Board provides for contingent liabilities when it is probable a liability has been incurred and the amount of loss can be reasonably estimated.

(o) 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, 2012 and 2011, the Public Utilities Board had over collected $7,141,176 and $8,132,204, respectively, in current recoverable fuel costs. These monies are considered either a liability or receivable as the amounts deferred are expected to be offset by October fuel charges.

(p) 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.

(q) Restricted Net Assets

Net assets are restricted for the following purposes at September 30, 2012 and 2011:

	2012	2011
Debt Service	$ 2,761,707	$ 2,742,688
Repair and replacement	88,793,974	77,092,760
Operating reserve	17,001,624	17,001,089
Fuel adjustment subaccount	2,000,000	4,500,000
Capital projects	843,424	1,361,744
Total restricted net assets	$ 111,400,729	$ 102,698,281

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(q) Restricted Net Assets - Continued

The above restricted net assets are all subject to restrictions externally imposed by creditors through debt 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.

(r) 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.

(s) 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.

(t) 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 Nationwide Retirement Solutions, Inc. as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not 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.

(2) DEPOSITS AND INVESTMENTS

(a) Basis of Investments

On September 12, 2011, 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

(2) DEPOSITS AND INVESTMENTS - Continued

(a) Basis of Investments - Continued

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, applicable bond ordinance requirements, and GASB's standards. Each investment transaction shall seek to first and foremost ensure that capital losses are avoided, whether they are from securities' defaults or erosion of market value.

The Public Utilities Board adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, issued March 2003, and the Investment Policy has been revised to fully reflect all requirements in GASB Statement No. 40. The language requirements for this statement are fully formalized in writing.

Effective January 1, 2010, the Public Utilities Board's deposits and investments were entirely covered by the Federal Deposit Insurance Corporation under the Temporary Liquidity Guarantee Program through December 31, 2013.

All deposits with financial institutions were carried at cost. As of September 30, 2012 and 2011, the Public Utilities Board had the following investments:

(Remainder of the page intentionally left blank.)

(2) DEPOSITS AND INVESTMENTS - Continued

(a) Basis of Investments – Continued

September 30, 2012

Investment Type	Amortized Cost	Weighted Average Maturity (Days)	Allocation	Rating
Money Market Mutual Funds	$ 40,102,262	1	26.29%	AAAm
Certificates of Deposit	6,944,704	21	4.56%	A1P1
U.S. Agencies	34,023,398	116	22.30%	AAA
Local Government Investment Pools	71,503,451	1	46.85%	AAAm
Total	$ 152,573,815		100.0%	

September 30, 2011

Investment Type	Amortized Cost	Weighted Average Maturity (Days)	Allocation	Rating
Certificates of Deposit	$ 2,005,030	5	2.0%	A1P1
U.S. Agencies	40,209,065	133	36.0%	AA
Local Government Investment Pools	69,535,463	1	62.0%	AAAm
Total	$ 111,749,558		100.0%	

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, 2012 and 2011, the investment portfolio had maturities that met anticipated cash flow requirements.

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

(2) DEPOSITS AND INVESTMENTS - Continued

(a) Basis of Investments – Continued

rating of "A" or better. As of September 30, 2012 and 2011, the Public Utilities Board held its security agencies investments with 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 market 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 market value of the principal portion. As of September 30, 2012, the Public Utilities Board invested 22.3% in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation), 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%. As of September 30, 2012 and 2011, the portfolio was in compliance as noted above.

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 management fee structure. 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

(2) DEPOSITS AND INVESTMENTS - Continued

(a) Basis of Investments – Continued

accounting, and depository services for this pool. At year end, TexSTAR was rated AAAm by Standard & Poor's.

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 AAAf 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.

(3) CAPITAL ASSETS

Changes in the Public Utilities Board's capital assets for the year ended September 30, 2012 were as follows:

	Beginning Balance 2011	Additions	Deletions	Reclassifications*	Ending Balance 2012
Capital assets, not being depreciated:					
Land	$ 14,674,460	$ 8,587,595	$ (1,241)	$ -	$ 23,260,814
Construction in progress	79,157,439	36,210,733	(19,616,691)	-	95,751,481
Total capital assets, not being depreciated	93,831,899	44,798,328	(19,617,932)	-	119,012,295
Capital assets, being depreciated:					
Plant	619,549,774	13,089,683	(2,089,960)	(145,316)	630,404,181
Buildings and structures	73,896,761	1,032,384	(168,551)	-	74,760,594
Improvements other than buildings	44,515,954	1,048,014	(54,182)	145,316	45,655,102
Equipment	107,475,668	3,577,117	(2,800,984)	-	108,251,801
Total capital assets, being depreciated	845,438,157	18,747,198	(5,113,677)	-	859,071,678
Less accumulated depreciation for:					
Plant	(273,841,013)	(16,818,681)	1,574,857	1,537,314	(287,547,523)
Buildings and structures	(29,759,142)	(1,654,017)	88,725	-	(31,324,434)
Improvements other than buildings	(28,575,067)	(1,944,915)	-	(1,537,314)	(32,057,296)
Equipment	(50,938,129)	(3,184,208)	2,025,758	-	(52,096,579)
Total accumulated depreciation	(383,113,351)	(23,601,821)	3,689,340	-	(403,025,832)
Capital assets, net	$ 556,156,705	$ 39,943,705	$ (21,042,269)	$ -	$ 575,058,141

(3) CAPITAL ASSETS - Continued

Changes in the Public Utilities Board's capital assets for the year ended September 30, 2011 were as follows:

	Beginning Balance 2010	Additions	Deletions	Reclassifications*	Ending Balance 2011
Capital assets, not being depreciated:					
Land	$ 14,549,493	$ 230,824	$ -	$ (105,857)	$ 14,674,460
Construction in progress	68,202,706	33,058,557	(22,103,824)	-	79,157,439
Total capital assets, not being depreciated	82,752,199	33,289,381	(22,103,824)	(105,857)	93,831,899
Capital assets, being depreciated:					
Plant	521,957,633	20,512,322	(1,325,258)	78,405,077	619,549,774
Buildings and structures	73,782,944	862,953	(11,200)	(737,936)	73,896,761
Improvements other than buildings	43,175,910	1,340,044	-	-	44,515,954
Equipment	184,657,059	2,513,059	(2,133,166)	(77,561,284)	107,475,668
Total capital assets, being depreciated	823,573,546	25,228,378	(3,469,624)	105,857	845,438,157
Less accumulated depreciation for:					
Plant	(230,220,433)	(16,952,660)	868,944	(27,536,864)	(273,841,013)
Buildings and structures	(28,052,162)	(1,796,803)	9,364	80,459	(29,759,142)
Improvements other than buildings	(26,630,152)	(1,944,915)	-	-	(28,575,067)
Equipment	(72,943,157)	(7,575,604)	2,124,227	27,456,405	(50,938,129)
Total accumulated depreciation	(357,845,904)	(28,269,982)	3,002,535	-	(383,113,351)
Capital assets, net	$ 548,479,841	$ 30,247,777	$ (22,570,913)	$ -	$ 556,156,705

*Note: During FY 2011, the Public Utilities Board purchased a new capital assets software. During the conversion process, it was noted that some plant assets had been inadvertently reported under equipment. These reclassified plant assets were depreciated using the correct estimated useful lives as per policy thus resulting in a zero net effect on net assets.

(4) JOINT OPERATIONS

(a) 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. (See related coal transportation litigation in Note 12).

(4) JOINT OPERATIONS - Continued

(a) Oklaunion Project - Continued

On February 5, 2004, TCC notified the Public Utilities Board that it had auctioned off and sold its ownership interest in Oklaunion Unit No. 1 to Golden Spread Electric Cooperative, Inc. for $42,750,000, subject to the exercise by the Public Utilities Board 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 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. In May 2006, the Dallas Court of Appeals issued an opinion upholding City of Brownsville's right to acquire an additional interest in Oklaunion Unit No 1.

Golden Spread Electric Cooperative had challenged the City of Brownsville's right to acquire the interest, which is being sold by American Electric Power – Texas Central Company. Golden Spread Electric asked 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 a ruling by the Dallas Court of Appeals in favor of the City of Brownsville and the Public Utilities Board. Subsequently on February 14, 2007, the Public Utilities Board completed its purchase of the additional 54 megawatts (7.8%) of the Oklaunion Power System for $51 million.

(b) 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.

(5) SHORT-TERM DEBT

(a) Commercial Paper

Commercial paper balances and activity as of and for the year ended September 30, 2012 are as follows:

	Beginning Balance 2011	Additions	Deletions	Ending Balance 2012
Commercial paper	$ 20,000,000	$ 4,450,000	$ -	$ 24,450,000

(5) SHORT-TERM DEBT - Continued

(a) Commercial Paper - Continued

Commercial paper balances and activity as of and for the year ended September 30, 2011 are as follows:

	Beginning Balance 2010	Additions	Deletions	Ending Balance 2011
Commercial paper	$ 15,000,000	$ 5,000,000	$ -	$ 20,000,000

On May 15, 2008, $40,000,000 of commercial paper was converted to long-term debt through the issuance of the Series 2008 refunding bonds. The Public Utilities Board issued $5,000,000 of commercial paper during 2011 and $4,450,000 of commercial paper during 2012.

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). Unless extended or terminated earlier upon the occurrence of certain events, the expiration date of the Letter of Credit is July 1, 2011. On March 15, 2011, the letter of credit expiration date was extended through June 6, 2014.

(6) LONG-TERM DEBT

(a) Revenue Bonds

The Public Utilities Board had interest rate swaps in place to fix rates on the variable rate demand bonds (VRDB). With respect to the $100,000,000 utilities system subordinate lien revenue and refunding bonds, Series 2001, a rate swap was in place to fix the rate at 2.712%. This swap expired in February 2004 and the Public Utilities Board elected to change "modes" for these VRDB's to "Flex Mode." This allowed the Public Utilities Board to select a future date to rollover the bonds. These bonds were defeased through a current refunding effective August 2005.

The $76,400,000 Utilities System Subordinate Lien Revenue and Refunding Variable Rate Bonds, Series 2002, had an outstanding balance of $52,710,000. The City Commission of the City of Brownsville, Texas authorized the execution of a Rate Cap Agreement effective September 1, 2006 thru September 1, 2011 to serve as 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 and continued to provide a synthetic fixed rate of 2.576%. These bonds were defeased through a current refunding effective May 2008.

(6) LONG-TERM DEBT – Continued

(a) Revenue Bonds – Continued

Revenue bond balances and activity as of and for the year ended September 30, 2012 are as follows:

	Beginning Balance 2011	Additions	Reductions	Ending Balance 2012	Amounts due within one year
Public Utilities Board:					
$163,725,000 utilities system revenue improvement and refunding bonds, Series 2005A; due in annual installments ranging from $880,000 to $16,600,000 through 2031 with interest rates ranging from 3.5% to 5.0%	$ 161,700,000	$ -	$ (485,000)	$ 161,215,000	$ 585,000
$56,855,000 utilities system revenue improvement refunding bonds, Series 2005B; due in annual installments ranging from $3,515,000 to $8,190,000 through 2019 with interest rates ranging from 4.646% to 5.304%	46,110,000	-	(4,005,000)	42,105,000	4,125,000
$601,000 utilities system junior lien revenue bonds series 2007; due in annual installments ranging from $29,000 to $46,000 through 2026 with interest rates ranging from 3.24% to 5.74%	494,000	-	(22,000)	472,000	24,000
$77,805,000 utilities system revenue refunding bonds, series 2008; due in annual installments ranging from $1,220,000 to $5,065,000 through 2033 with interest rates ranging from 4.0% to 5.0%	72,035,000	-	(2,440,000)	69,595,000	2,555,000
$12,305,000 utilities system revenue refunding bonds, series 2011; due in annual installments ranging from $745,000 to $1,255,000 through 2019 with interest rates ranging from 2.0% to 4.0%	11,050,000	-	(1,325,000)	9,725,000	1,360,000
Total Public Utilities Board	291,389,000	-	(8,277,000)	283,112,000	8,649,000
Southmost Regional Water Authority:					
$30,975,000 revenue bonds, series 2002; due in remaining annual installments ranging from $1,950,000 to $1,953,000 through 2032 bearing interest at 4.896%	15,720,000	-	(730,000)	14,990,000	755,000
$9,950,000 water supply contract revenue refunding bonds, series 2006; due in remaining annual installments ranging from $10,000 to $1,845,000 through 2032 with interest rate ranging from 3.7% to 5.50%	9,870,000	-	(20,000)	9,850,000	20,000
$9,295,000 Revenue Bonds, Series 2009A; due in remaining annual installments ranging from $305,000 to $310,000 through 2039 with interest rate at 0.0%	8,675,000	-	(310,000)	8,365,000	310,000
$3,795,000 Revenue Bonds, Series 2009B; due in remaining annual installments ranging from $125,000 to $270,000 through 2029 with interest rate ranging from 0.10% to 4.25%	3,540,000	-	(140,000)	3,400,000	145,000
Total Public Utilities Board and Southmost Regional Water Authority	329,194,000	-	(9,477,000)	319,717,000	9,879,000
Plus:					
Unamortized Premium	10,204,289	-	(514,093)	9,690,196	-
Less:					
Unamortized original issuance discount	(1,972,445)	-	114,413	(1,858,032)	-
Unamortized deferred refunding loss	(7,648,750)	-	1,131,143	(6,517,607)	-
Total long-term debt	$ 329,777,094	$ -	$ (8,745,537)	$ 321,031,557	$ 9,879,000

(6) LONG-TERM DEBT – Continued

(a) Revenue Bonds – Continued

Revenue bond balances and activity as of and for the year ended September 30, 2011 are as follows:

	Beginning Balance 2010	Additions	Reductions	Ending Balance 2011	Amounts due within one year
Public Utilities Board:					
$163,725,000 utilities system revenue improvement and refunding bonds, Series 2005A; due in annual installments ranging from $880,000 to $16,600,000 through 2031 with interest rates ranging from 3.5% to 5.0%	$ 162,280,000	$ -	$ (580,000)	$ 161,700,000	$ 485,000
$56,855,000 utilities system revenue improvement refunding bonds, Series 2005B; due in annual installments ranging from $3,515,000 to $8,190,000 through 2019 with interest rates ranging from 4.646% to 5.304%	49,810,000	-	(3,700,000)	46,110,000	4,005,000
$9,920,000 utilities system junior lien exchange revenue refunding bonds, series 2005A; due in annual installments ranging from $485,000 to $895,000 through 2018 with interest rates ranging from 2.55% to 4.05%	6,270,000	-	(6,270,000)	-	-
$8,835,000 utilities system junior lien exchange revenue refunding bonds, series 2005B; due in annual installments ranging from $370,000 to $795,000 through 2019 with interest rates ranging from 3.2% to 5.0%	5,980,000	-	(5,980,000)	-	-
$601,000 utilities system junior lien revenue bonds series 2007; due in annual installments ranging from $29,000 to $46,000 through 2026 with interest rates ranging from 3.24% to 5.74%	515,000	-	(21,000)	494,000	22,000
$77,805,000 utilities system revenue refunding bonds, series 2008; due in annual installments ranging from $1,220,000 to $5,065,000 through 2033 with interest rates ranging from 4.0% to 5.0%	74,355,000	-	(2,320,000)	72,035,000	2,440,000
$12,305,000 utilities system revenue refunding bonds, series 2011; due in annual installments ranging from $745,000 to $1,255,000 through 2019 with interest rates ranging from 2.0% to 4.0%	-	12,305,000	(1,255,000)	11,050,000	1,325,000
Total Public Utilities Board	299,210,000	12,305,000	(20,126,000)	291,389,000	8,277,000
Southmost Regional Water Authority:					
$30,975,000 revenue bonds, series 2002; due in remaining annual installments ranging from $1,950,000 to $1,953,000 through 2032 bearing interest at 4.896%	16,420,000	-	(700,000)	15,720,000	730,000
$9,950,000 water supply contract revenue refunding bonds, series 2006; due in remaining annual installments ranging from $10,000 to $1,845,000 through 2032 with interest rate ranging from 3.7% to 5.50%	9,890,000	-	(20,000)	9,870,000	20,000
$9,295,000 Revenue Bonds, Series 2009A; due in remaining annual installments ranging from $305,000 to $310,000 through 2039 with interest rate at 0.0%	8,985,000	-	(310,000)	8,675,000	310,000
$3,795,000 Revenue Bonds, Series 2009B; due in remaining annual installments ranging from $125,000 to $270,000 through 2029 with interest rate ranging from 0.10% to 4.25%	3,670,000	-	(130,000)	3,540,000	140,000
Total Public Utilities Board and Southmost Regional Water Authority	338,175,000	12,305,000	(21,286,000)	329,194,000	9,477,000
Plus:					
Unamortized Premium	10,425,412	275,736	(496,859)	10,204,289	-
Less:					
Unamortized original issuance discount	(2,012,598)	(69,892)	110,045	(1,972,445)	-
Unamortized deferred refunding loss	(9,143,527)	(361,848)	1,856,625	(7,648,750)	-
Total long-term debt	$ 337,444,287	$ 12,148,996	$ (19,816,189)	$ 329,777,094	$ 9,477,000

(6) LONG-TERM DEBT – Continued

(a) Revenue Bonds – Continued

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

	Principal	Interest	Total
Year Ending September 30:			
2013	$ 9,879,000	$ 15,283,815	$ 25,162,815
2014	10,340,000	14,843,431	25,183,431
2015	12,326,000	14,378,811	26,704,811
2016	12,828,000	13,825,054	26,653,054
2017	13,359,000	13,227,663	26,586,663
2018 to 2022	76,270,000	55,950,463	132,220,463
2023 to 2027	95,355,000	35,503,776	130,858,776
2028 to 2032	84,495,000	11,562,262	96,057,262
2033 to 2037	4,250,000	135,000	4,385,000
2038 to 2039	615,000	-	615,000
	$ 319,717,000	$ 174,710,275	$ 494,427,275

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. Funds are held by the TWDB and released through installments as project expenses are incurred. A total of $0 and $1,035,000 was released from TWDB to the Authority during FY 2011 and FY 2010, respectively.

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.

(b) Current Refunding

The Public Utilities Board issued $12,305,000 in aggregate principal amount of Utilities System Revenue Refunding Bonds, Series 2011 for an advance refunding of $6,270,000 of the Series 2005A Utilities System Junior Lien Exchange Revenue Refunding Bonds and $5,980,000 of the Series 2005B Utilities System Junior Lien Exchange Revenue Refunding Bonds. As a result, the refunded

(6) LONG-TERM DEBT - Continued

(b) Current Refunding - Continued

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 by $361,848. This amount together with $461,434 of unamortized deferred amount from the prior refundings is being netted against the new debt and amortized through the year 2019. This advance refunding was undertaken to reduce total debt service payments and resulted in an economic gain (difference between the present values of the old debt and new debt service payments) of $474,340.

The refunded bonds were called on April 6, 2011.

(c) 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 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, 2012 and 2011, the amount of defeased debt outstanding but removed from long-term debt amounted to $72,290,000 and $92,710,000, respectively.

(d) Remarketing Memorandum

In connection with the Public Utilities Board restructuring of its revenue financing system, the Public Utilities Board approved a Remarketing Memorandum which became effective upon the issuance of the 2005 Bonds. The Remarketing Memorandum modified certain existing covenants of the Utilities System Subordinate Lien Revenue and Refunding Bonds, Series 2002A and 2002B to conform to the terms on which the Series 2005 Bonds were issued.

(7) 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. Excess coverage insurance policies cover individual claims in excess of $125,000 and $350,000 for health and workers' compensation, respectively. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(7) RISK MANAGEMENT – Continued

(a) 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 a stop loss insurance contract with an insurance carrier covering claims in excess of $350,000 for any one accident or occurrence. The aggregate annual limit under this policy is $700,000; however, the maximum annual benefit under the insurance is $1,000,000. Management feels that the contributions made during the year for worker's compensation will offset any claims paid during the year. Therefore, the entire liability is estimated to be long term and recorded as such.

(b) 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 insurance contract with an insurance carrier covering claims in excess of $125,000 for any one claim filed.

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, 2012 and 2011:

	Beginning Balance 2011	Claims and Adjustments	Claims Payments	Ending Balance 2012	Amounts Due Within One Year
Workers' Compensation	$ 66,921	$ 154,580	$ (122,789)	$ 98,712	$ 26,259
Health Insurance	$ 129,958	$ 3,132,871	$ (3,138,683)	$ 124,146	$ 124,146

	Beginning Balance 2010	Claims and Adjustments	Claims Payments	Ending Balance 2011	Amounts Due Within One Year
Workers' Compensation	$ 96,938	$ 203,253	$ (233,270)	$ 66,921	$ 42,492
Health Insurance	$ 155,675	$ 2,791,010	$ (2,816,727)	$ 129,958	$ 129,958

(8) TEXAS MUNICIPAL RETIREMENT SYSTEM

(a) Plan Description

The Public Utilities Board provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system.

(8) TEXAS MUNICIPAL RETIREMENT SYSTEM - Continued

(a) Plan Description - Continued

Benefits depend upon the sum of the employees' contributions to the plan, with interest, and the Public Utilities Board financed monetary credits, with 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. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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. Plan provisions for the Public Utilities Board were as follows:

Employee deposit rate:	7%
Matching ratio (PUB to employee):	1.5 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

(b) Contributions

Under the state law governing TMRS, the contribution rate for each entity is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the Public Utilities

(8) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

(b) Contributions – Continued

Board. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The Public Utilities Board contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Public Utilities Board make contributions monthly. Since the Public Utilities Board needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2011 valuation is effective for rates beginning January 2013).

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

General System-wide Actuarial Assumptions

Actuarial cost method:	Projected Unit credit
Amortization method:	Level percent of payroll
Remaining amortization period:	25.8 years – closed period
Amortization period for new gains/losses	30 years
Asset valuation method:	10-year smoothed market
Investment rate of return:	7.0%
Projected salary increases:	Varies by age and service
Includes inflation at:	3.0%
Cost-of-living adjustments:	2.1% (70% of CPI)

Three year trend information follows:

Fiscal year ending:	Annual pension cost (APC)	Annual Contributions Made	Percentage of APC contributed	Net pension obligation
September 30, 2010	$ 3,826,042	$ 3,826,042	100%	—
September 30, 2011	$ 3,828,971	$ 3,828,971	100%	—
September 30, 2012	$ 4,021,605	$ 4,021,605	100%	—

(c) Actuarial Assumptions

The Public Utilities Board has the benefit plan administered by TMRS. The Public Utilities Board has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2011 valuations are contained in the 2011 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

(8) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

(d) Changes in Actuarial Funding and Assumptions

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2011 TMRS Comprehensive Annual Financial Report (CAFR). Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by an entity. Two-thirds of the entities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless an entity requests that the period remain at 25 years. For entities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow entities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the Public Utilities Board's unfunded actuarial accrued liability would have been $15,617,550 and the funded ratio would have been 73.1%.

(e) Funded Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS participant rates and funding ratios, please see the December 31, 2011 TMRS Comprehensive Annual Financial Report (CAFR).

(8) TEXAS MUNICIPAL RETIREMENT SYSTEM – Continued

(e) Funded Status and Funding Progress - Continued

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
			(1) / (2)	*(2) - (1)*		*(4) / (5)*
12/31/2011	$ 91,922,770	$ 109,043,064	84.3%	$ 17,120,294	$ 22,336,008	76.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

(9) OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Public Utilities Board provides post-retirement health care benefits and supplemental death benefits to its employees.

POST-RETIREMENT HEALTH CARE BENEFITS

(a) Plan Description

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

(9) OTHER POST-EMPLOYMENT BENEFITS- Continued

POST-RETIREMENT HEALTH CARE BENFITS- Continued

(a) Plan Description - Continued

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.

(b) Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective.

(9) OTHER POST-EMPLOYMENT BENEFITS- Continued

POST-RETIREMENT HEALTH CARE BENFITS- Continued

(b) Actuarial Methods and Assumptions - Continued

The actuarial methods and significant assumptions used to determine the ARC for the current year are as follows:

a) The actuarial cost method is the projected unit credit method.
b) As of this valuation date, there are no assets, hence no need for an actuarial value of assets.
c) See below for a disclosure of the significant actuarial assumptions.
d) The amortization method is level percent of payroll. The amortization period is 30 years. The period is open.

Actuarial Assumptions

• Valuation date	September 30, 2012	
• Discount rate	3.5%	
• Payroll growth	2.1%	
• Inflation rate	2.5%	
• Claims costs	For self-insured plans, derived from actual plan experience, trended to the valuation date and adjusted for the risk characteristics of the covered group	
• Expenses	Administration	
	Retirees	$22.85 pmpm
	Spouses	$34.27 pmpm
• Stop Loss Premiums	Aggregate	
	Retirees	$7.54 pmpm
	Spouses	$11.30 pmpm
	Specific	
	Retirees	$23.32 pmpm
	Spouses	$34.98 pmpm
• Administrative expense trend	2.5%	
• Stop Loss Premium Trend	Medical trend plus 1%	
• Mortality	RP-2000 Combined Health tables, male and female, set back one year for mortality improvement	

(9) OTHER POST-EMPLOYMENT BENEFITS- Continued

POST-RETIREMENT HEALTH CARE BENFITS- Continued

(b) Actuarial Methods and Assumptions –Continued

• Employee turnover	59.5% of the 2003 SoA Pension Turnover Scale. Average rate is 4.8%.	
• Employee retirements	From the TMRS annual report for entry age 30	
• Employee disablement	From the TMRS annual report	
• Participation by future retirees	100% of eligible retirees	
• Dependent status: current retirees	Current status is assumed to persist in all future years, except that dependent children are not assumed after the later of age 63 or three years after the valuation date.	
• Dependent status: future retirees	Spouse covered:	50%
	Average children per retiree:	0.1
• Spouse age for future retirees	Husbands are assumed to be three years older than wives.	
• Medical trend	For 2013 through 2015, L&E best estimate assumptions, developed by observation and extrapolation of plan experience. Thereafter, rates developed using the baseline projection of the SoA Long-Run Medical Cost Trend Model and the following model input variables:	
	Rate of Inflation:	2.5%
	Rate of Growth in Real Income/GDP per capita:	1.7%
	Income Multiplier for Health Spending:	1.4
	Extra Trend due to Technology and other factors:	1.1%
	Health Share of GDP Resistance Point:	25.0%
	Year for Limiting Cost Growth to GDP Growth:	2075

The following is the three year trend information under a plan which is not prefunded:

Plan Year Ended	Discount Rate	Annual Required Contribution (ARC)	ARC Adjustment	Interest	Annual OPEB Cost	Contributions	Percentage of OPEB Cost Contributed	Increase (Decrease) in Net OPEB	Net OPEB Obligation
09/30/10	4.0%	$ 879,264	$ (151,169)	$ 152,154	$ 880,250	$ 565,367	64.23%	$ 314,883	$ 4,118,731
09/30/11	4.0%	$ 879,264	$ (163,682)	$ 164,749	$ 880,331	$ 298,428	33.90%	$ 581,903	$ 4,700,634
09/30/12	3.5%	$ 1,053,822	$ (196,211)	$ 164,522	$ 1,022,133	$ 681,217	66.60%	$ 340,916	$ 5,041,550

(9) OTHER POST-EMPLOYMENT BENEFITS- Continued

POST-RETIREMENT HEALTH CARE BENFITS- Continued

(c) Funded Status and Funding Progress

As of September 30, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $10.0 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $10.0 million. The covered payroll (annual payroll of active employees covered by the plan) was $20.89 million, and the ratio of the UAAL to the covered payroll was 47.9 percent.

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Management feels that the contributions made during the year to other post-employment benefits will offset any claims paid during the year. Therefore, the entire liability is estimated to be long term and recorded as such. All assumptions for the postretirement benefits valuation as of September 30, 2012 are contained in the Public Utilities Board Actuarial Valuation Report, a copy of which may be obtained by writing to P.O. Box 3270, Brownsville, Texas 78523-3270.

SUPPLEMENTAL DEATH BENEFIT PLAN

(a) Plan Description

The Public Utilities Board also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). 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); retired employees are insured for $7,500; this coverage is an "other postemployment," or OPEB.

(b) 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.

(9) OTHER POST-EMPLOYMENT BENEFITS- Continued

SUPPLEMENTAL DEATH BENEFIT PLAN-Continued

(b) Contributions - Continued

Schedule of Contribution Rates

(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2009	0.06%	0.06%	100.0%
2010	0.05%	0.05%	100.0%
2011	0.05%	0.05%	100.0%

(c) Actuarial Cost Method and Assumptions

Actuarial information under this plan is as follows:

Valuation date	12/31/2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll
Amortization period	25 years – open period
Asset valuation method	Fund value
Assumptions	
Investment return	4.25%
Projected salary increases	None
Inflation	3.0%
Cost-of-living adjustments	None

Three year trend information follows:

Calendar Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2009	$ 39,963	100%	-
December 31, 2010	$ 43,157	100%	-
December 31, 2011	$ 49,868	100%	-

(9) OTHER POST-EMPLOYMENT BENEFITS- Continued

SUPPLEMENTAL DEATH BENEFIT PLAN - Continued

(c) Actuarial Cost Method and Assumptions - Continued

The Public Utilities Board has the benefit plan administered by TMRS. The Public Utilities Board has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2011 valuations are contained in the 2011 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

(10) RELATED PARTY TRANSACTION

The Public Utilities Board supplies electric, water, and wastewater services to the City without charge; this is in compliance with the provisions of the City charter. 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, 2012 and 2011 were $4,228,001 and $4,278,285, 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 $700,637 and $684,214 to the City for these collection services in 2012 and 2011, respectively.

(11) 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, 2012 and 2011 totaled $7,738,354 and $7,488,261, respectively, of which $2,190,168 and $2,262,025, respectively, was payable at September 30, 2012 and 2011.

(12) 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, 2012, the Public Utilities Board had committed approximately $26,797,084 for utility plant expansion and improvements. Funding of these amounts will come from available revenues of the Public Utilities Board and restricted funds.

The Public Utilities Board is the owner of a 17.97% undivided interest in the Oklaunion Unit No. 1 coal-fired generation facility in Wilbarger County, Texas. West Texas Utilities Company ("WTU"), now American Electric Power Texas North Company (TNC), is an owner of an undivided interest in the facility and was the plant operator for all other owners of the facility.

Coal is transported to the Oklaunion site under a contract with the Burlington Northern Railroad Company ("BNSF"). A rate litigation has been ongoing before the Surface Transportation Board ("STB") since 1997 between the station operator and BNSF contesting the rates charged by BNSF for coal deliveries to the Oklaunion facility. On September 7, 2007, the STB decided that TNC failed to prove the BNSF rates were unreasonably high. On November 12, 2009 the Public Utilities Board's share of shortfall in payments to BNSF was settled with the TNC. As of September 30, 2012 and 2011 the Public Utilities Board has no related contingent liability.

(13) PENDING GASBs

As of September 30, 2012, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Public Utilities Board. The statements which might impact the Public Utilities Board are as follows:

GASB Statement No. 61, *The Financial Reporting Entity*, issued November 2010, will be effective for the Public Utilities Board beginning with its year ending September 30, 2013. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010, will be effective for the Public Utilities Board beginning with its year ending September 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

(13) PENDING GASBs - Continued

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* issued June 2011, will be effective for the Public Utilities Board beginning with its year ending September 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. *Concepts Statement No.4, Elements of Financial Statements,* introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. *Concepts Statement No. 4* also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the Public Utilities Board beginning with its year ending September 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in *Concepts Statement No. 4*.

The Public Utilities Board's management has not yet determined the effect these Statements will have on the Public Utilities Board's financial statements.

(14) SUBSEQUENT EVENTS

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 will be 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.

(14) SUBSEQUENT EVENTS - Continued

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.

REQUIRED SUPPLEMENTARY INFORMATION

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

Texas Municipal Retirement System

Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
12/31/2004	41,673,426	53,964,124	12,290,698	77.2%	16,242,751	75.7%
12/31/2005	38,129,549	51,344,777	13,215,228	74.3%	15,793,665	83.7%
12/31/2006	39,377,569	53,940,453	14,562,884	73.0%	17,142,707	85.0%
12/31/2007	42,443,708	67,851,551	25,407,843	62.6%	18,112,352	140.3%
12/31/2008	44,693,871	73,092,104	28,398,233	61.1%	20,687,454	137.3%
12/31/2009	48,992,937	76,474,492	27,481,555	64.1%	20,183,426	136.2%
12/31/2010	84,694,260	103,428,616	18,734,356	81.9%	20,413,660	91.8%
12/31/2011	91,922,770	109,043,064	17,120,294	84.3%	22,336,008	76.6%

Unaudited - see accompanying independent auditors' report.

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

Post-Retirement Health Care Benefits

Schedule of Funding Progress

Actuarial valuation date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2007	$ -	$ 20,757,464	$ 20,757,464	0.0%	$ 18,710,045	110.9%
10/1/2009	$ -	$ 9,620,225	$ 9,620,225	0.0%	$ 19,223,064	50.0%
10/1/2010	$ -	$ 10,052,000	$ 10,052,000	0.0%	$ 18,395,000	54.7%
9/30/2012	$ -	$ 10,003,425	$ 10,003,425	0.0%	$ 20,888,177	47.9%

Unaudited - see accompanying independent auditors' report.

The Public Utilities Board implemented GASB Statement No. 45 for the fiscal year ended September 30, 2008. Information for prior years is not available.

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 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.	54-57
Revenue Capacity These schedules contain information to help the reader assess the Public Utilities Board's local revenue source.	58-64
Debt Capacity 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.	65-67
Demographic and Economic Information 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.	68-72
Operating Information 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.	73-90

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.

Fiscal Year 2006 was the first time the Public Utilities Board prepared a Statistical Section; as such the Public Utilities Board is not required to report all ten years of information retroactively. The Public Utilities Board reported ten years of information whenever the data was readily available.

Financial Trends

FINANCIAL TRENDS
BALANCE SHEETS
September 30 - Audited

Assets	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Current assets:										
Cash and cash equivalents	$ 11,373,559	$ 25,890,772	$ 11,650,071	$ 10,690,565	$ 8,093,021	$ 8,460,344	$ 6,818,262	$ 8,976,341	$ 12,646,679	$ 12,047,388
Investments	39,453,439	22,829,013	34,725,203	27,386,467	21,401,903	14,939,785	13,441,387	8,984,348	13,130,865	10,160,857
Receivables:										
Fees and services, net of allowance for uncollectible accounts	34,849,429	37,474,321	33,594,772	24,083,627	25,443,279	22,204,712	26,532,283	28,591,330	19,834,641	20,096,419
Intergovernmental	985,632	2,143,465	4,506,878	1,294,201	2,173,734	1,583,630	843,900	582,547	1,126,933	257,443
Accrued interest receivable	129,441	146,119	141,505	158,175	393,971	572,627	420,377	149,967	55,093	5,506
Deferred debit-fuel cost under recovery				-	-	-	-	296,733	-	-
Inventories	11,499,466	13,946,964	13,445,789	12,620,766	9,294,935	9,254,719	5,633,368	4,450,318	4,146,221	5,103,119
Prepaids	1,317,468	1,677,928	654,616	904,298	464,216	555,167	557,525	129,533	1,821,792	178,209
Total unrestricted current assets	99,608,434	104,108,582	98,718,834	77,138,099	67,265,059	57,570,984	54,247,102	52,161,117	52,762,224	47,848,941
Current restricted assets:										
Cash and cash equivalents	3,579,238	18,783,058	3,121,611	1,883,647	397,620	554,508	1,083,840	4,176,234	8,195,503	2,657,172
Investments	113,120,376	88,920,545	91,747,390	88,400,891	98,066,893	93,496,078	138,030,062	117,346,360	82,669,459	73,290,106
Total restricted current assets	116,699,614	107,703,603	94,869,001	90,284,538	98,464,513	94,050,586	139,113,902	121,522,594	90,864,962	75,947,278
Total current assets	216,308,048	211,812,185	193,587,835	167,422,637	165,729,572	151,621,570	193,361,004	173,683,711	143,627,186	123,796,219
Non-current assets:										
Capital assets, net of accumulated depreciation	575,058,141	556,156,705	548,479,841	529,982,344	516,768,495	497,607,080	444,649,114	452,634,521	441,957,303	437,799,445
Bond issue costs and other assets	4,728,247	5,081,847	5,389,423	5,534,947	5,983,098	5,013,235	4,500,575	4,728,997	4,894,286	5,205,557
Total non-current assets	579,786,388	561,238,552	553,869,264	535,517,291	522,751,593	502,620,315	449,149,689	457,363,518	446,851,589	443,005,002
Total assets	$ 796,094,436	$ 773,050,737	$ 747,457,099	$ 702,939,928	$ 688,481,165	$ 654,241,885	$ 642,510,693	$ 631,047,229	$ 590,478,775	$ 566,801,221

continued

FINANCIAL TRENDS
BALANCE SHEETS - Continued
September 30 Audited

Liabilities and Equity	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Current liabilities:										
Accounts payable	$ 15,444,890	14,150,692	$ 16,322,420	15,098,740	$ 16,240,529	$ 18,210,476	$ 16,383,937	$ 18,581,140	$ 13,443,974	14,367,304
Accrued vacation and sick leave	5,097,978	5,106,662	5,088,729	4,987,723	4,581,637	4,489,615	4,294,407	3,995,007	4,356,437	4,229,585
Due to primary government	2,190,168	2,262,025	1,860,757	1,964,415	1,333,066	1,776,703	2,351,213	7,306,201	3,109,854	3,315,914
Deferred credit – fuel cost over/(under) recovery	7,141,176	8,132,204	5,605,737	6,309,278	3,820,815	1,866,163	3,379,343	-	596,192	3,687,753
Self insurance worker's compensation claims	26,259	42,492	47,593	71,924	54,619	378,229	166,200	76,125	51,179	100,896
Total unrestricted current liabilities	29,900,471	29,694,075	28,925,236	28,432,080	26,030,666	26,721,186	26,575,100	29,958,473	21,557,636	25,701,452
Current liabilities payable from restricted assets:										
Accounts payable and accrued liabilities	281,866	224,205	223,396	183,899	190,298	184,301	202,209	181,916	1,884,629	6,489
Accrued interest	1,586,207	1,511,023	1,433,922	1,369,697	2,224,961	1,176,186	1,192,216	1,153,126	1,300,845	549,632
Customer deposits	3,305,011	3,198,044	3,000,911	2,882,944	2,774,465	2,628,256	2,531,056	2,261,756	2,157,644	2,026,470
Current portion of revenue bonds payable	9,879,000	9,477,000	9,016,000	8,225,000	7,449,000	8,553,000	8,680,000	8,360,000	10,210,000	9,930,000
Current portion of capital lease obligation	-	-	-	-	-	-	-	84,228	85,714	98,927
Commercial paper	24,450,000	20,000,000	15,000,000	7,500,000	-	40,000,000	42,750,000	42,750,000	44,500,000	-
Total current liabilities payable from restricted assets	39,502,084	34,410,272	28,674,229	20,161,540	12,638,724	52,541,743	55,355,481	54,791,026	60,138,832	12,611,518
Total current liabilities	69,402,555	64,104,347	57,599,465	48,593,620	38,669,390	79,262,929	81,930,581	84,749,499	81,696,468	38,312,970
Non-current liabilities:										
Revenue bonds payable net of unamortized premium and deferred refunding	311,152,557	320,300,094	328,428,287	323,569,841	330,342,753	294,509,198	300,289,761	307,344,330	295,777,055	305,425,620
Capital lease obligation	-	-	-	-	-	-	-	-	75,554	161,268
Other post-employment benefits	5,041,550	4,700,634	4,118,731	3,454,742	1,727,371	-			-	-
Self insurance worker's compensation claims	72,453	24,429	49,345	69,104	52,477	363,397	159,683	73,139	49,172	96,940
Total non-current liabilities	316,266,560	325,025,157	332,596,363	327,093,687	332,122,601	294,872,595	300,449,444	307,417,469	295,901,781	305,683,828
Total liabilities	385,669,115	389,129,504	390,195,828	375,687,307	370,791,991	374,135,524	382,380,025	392,166,968	377,598,249	343,996,798
Net assets:										
Invested in capital assets, net of related debt of related debt	244,561,464	221,978,138	211,959,852	194,918,675	183,307,129	157,977,748	142,087,826	142,051,270	138,491,331	123,790,708
Restricted	111,400,729	102,698,281	90,119,311	85,620,486	89,397,861	88,222,968	86,405,461	74,413,582	43,457,862	66,142,888
Unrestricted	54,463,128	59,244,814	55,182,108	46,713,460	44,984,184	33,905,645	31,637,381	22,415,409	30,931,333	32,870,827
Total net assets	410,425,321	383,921,233	357,261,271	327,252,621	317,689,174	280,106,361	260,130,668	238,880,261	212,880,526	222,804,423
Total liabilities and net assets	$ 796,094,436	773,050,737	$ 747,457,099	702,939,928	$ 688,481,165	$ 654,241,885	$ 642,510,693	$ 631,047,229	$ 590,478,775	566,801,221

FINANCIAL TRENDS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Fiscal Years 2012 - 2003

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating revenues:										
Sales and services charges	$ 169,799,255	$ 172,360,843	$ 158,868,186	$ 168,184,958	$ 213,609,954	$ 163,496,747	$ 190,565,869	$ 157,172,232	$ 132,782,569	$ 122,884,685
Less utilities service to the City of Brownsville, Texas	(4,228,001)	(4,278,285)	(4,069,336)	(4,227,572)	(4,605,151)	(4,117,912)	(4,694,661)	(3,711,115)	(3,138,103)	(3,132,149)
Total operating revenues	165,571,254	168,082,558	154,798,850	163,957,386	209,004,803	159,378,835	185,871,208	153,461,117	129,644,466	119,752,536
Operating expenses:										
Purchased power and fuel	48,039,343	52,502,812	53,527,194	58,653,859	88,278,563	59,550,803	71,462,723	63,037,059	48,623,315	40,566,432
Personnel services	27,962,188	27,387,747	26,024,535	25,136,209	24,186,667	22,875,100	21,296,708	19,989,035	19,516,682	19,236,978
Materials and supplies	7,276,419	7,160,977	6,444,102	6,537,270	6,881,036	5,195,673	5,101,933	4,492,899	4,591,641	4,962,638
Repairs and maintenance	2,794,117	3,234,646	3,105,675	1,346,455	833,581	1,086,579	888,722	878,357	607,223	445,412
Contractual and other services	18,971,803	18,166,393	19,570,071	21,064,567	23,406,928	16,830,698	25,876,327	14,613,638	16,137,248	12,145,404
Depreciation	23,601,822	28,269,982	25,555,305	24,663,486	23,691,106	22,770,891	26,463,210	19,665,807	15,838,462	15,160,033
Total operating expenses	128,645,692	136,722,557	134,226,882	137,401,846	167,277,881	128,309,744	151,089,623	122,676,795	105,314,571	92,516,897
Operating income	36,925,562	31,360,001	20,571,968	26,555,540	41,726,922	31,069,091	34,781,585	30,784,322	24,329,895	27,235,639
Nonoperating revenues (expenses):										
Investment and interest income	672,133	628,698	840,533	1,812,166	4,142,445	6,862,745	6,475,530	2,915,441	1,183,453	986,808
Interest expense	(15,579,814)	(16,131,381)	(16,514,764)	(16,819,279)	(15,864,116)	(16,156,931)	(17,110,830)	(7,647,723)	(10,355,289)	(10,528,300)
Operating grant revenues	-	-	-	-	1,250,345	-	-	-	-	-
Loss on disposition of capital assets	(1,417,327)	(359,218)	(140,401)	(156,987)	(761,931)	-	-	-	-	(920,762)
Other	(581,763)	(2,157,129)	11,086,396	522,676	(1,182,909)	(1,484,494)	(2,415,039)	(1,557,915)	(2,652,487)	(1,441,482)
Payments to City of Brownsville	(7,738,354)	(7,488,261)	(7,569,772)	(6,381,331)	(7,389,521)	(6,233,367)	(6,182,695)	(7,706,201)	(3,509,854)	(3,715,914)
Net nonoperating revenues (expenses)	(24,645,125)	(25,507,291)	(12,298,008)	(21,022,755)	(19,805,687)	(17,012,047)	(19,233,034)	(13,996,398)	(15,334,177)	(15,619,650)
Income before capital contributions	12,280,437	5,852,710	8,273,960	5,532,785	21,921,235	14,057,044	15,548,551	16,787,924	8,995,718	11,615,989
Capital contributions	14,223,651	20,807,252	21,734,690	4,803,981	12,752,093	5,918,649	5,701,856	9,211,811	6,302,099	5,918,546
Change in net assets	26,504,088	26,659,962	30,008,650	10,336,766	34,673,328	19,975,693	21,250,407	25,999,735	15,297,817	17,534,535
Net assets, beginning of year	383,921,233	357,261,271	327,252,621	317,689,174	280,106,361	260,130,668	238,880,261	212,880,526	222,804,423	204,816,732
Prior Period Adjustment	-	-	-	(773,319)	2,909,485	-	-	-	(25,221,714)	453,156
Net assets, beginning of year as restated	383,921,233	357,261,271	327,252,621	316,915,855	283,015,846	260,130,668	238,880,261	212,880,526	197,582,709	205,269,888
Net assets, end of year	$ 410,425,321	$ 383,921,233	$ 357,261,271	$ 327,252,621	$ 317,689,174	$ 280,106,361	$ 260,130,668	$ 238,880,261	$ 212,880,526	$ 222,804,423

Revenue Capacity

REVENUE CAPACITY

AVERAGE NUMBER OF SERVICES BILLED BY UTILITY[1]

LAST TEN YEARS

FY	ELECTRIC	% CHANGE	WATER	% CHANGE	WASTEWATER	% CHANGE
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%
2010	44,965	1.57%	45,963	1.82%	45,784	2.11%
2009	44,268	1.19%	45,143	1.06%	44,840	1.42%
2008	43,749	2.07%	44,670	2.19%	44,211	2.98%
2007	42,860	3.01%	43,713	3.16%	42,931	3.38%
2006	41,609	2.97%	42,375	3.36%	41,526	3.59%
2005	40,410	2.84%	40,996	3.73%	40,087	4.03%
2004	39,295	0.60%	39,520	4.51%	38,535	4.76%
2003	39,059	0.87%	37,814	3.93%	36,785	4.51%

[1]Municipal customers not included in average number of services billed.

REVENUE CAPACITY
REVENUES BY UTILITY - LAST TEN YEARS

	2012	2011	2010	FY 2009	FY 2008
ELECTRIC					
Residential	$ 48,562,146	$ 50,187,194	$ 47,971,715	$ 46,515,011	$ 53,591,810
Commercial	54,952,907	55,235,857	55,336,855	55,839,361	68,404,294
Municipal	3,157,165	3,454,302	3,420,281	3,551,221	3,953,891
Wholesale sales	605,125	3,124,675	5,532,956	6,268,813	19,172,024
Other	16,626,285	15,491,119	7,008,117	14,114,934	28,262,591
Total Electric Operating Revenues	$ 123,903,628	$ 127,493,147	$ 119,269,924	$ 126,289,340	$ 173,384,610
WATER					
Inside city	$ 20,389,340	$ 19,901,457	$ 17,448,496	$ 18,909,283	$ 18,031,651
Outside city	699,401	675,821	581,350	419,261	616,728
Municipal	686,274	587,860	464,828	487,526	464,790
Other	1,032,247	1,140,972	971,331	771,705	810,382
Southmost Regional Water Authority	428,572	367,143	469,462	355,486	325,247
Total Water Operating Revenues	$ 23,235,834	$ 22,673,253	$ 19,935,467	$ 20,943,261	$ 20,248,798
WASTEWATER					
Residential	$ 14,128,726	$ 13,858,701	$ 12,002,652	$ 13,046,933	$ 12,292,537
Commerical	6,713,307	6,565,949	6,171,734	6,384,964	6,222,760
Municipal	384,562	236,123	184,228	188,825	186,470
Outside city	984,754	1,042,823	908,149	933,894	847,091
Other	448,444	490,847	396,032	397,741	427,688
Total Wastewater Operating Revenues	$ 22,659,793	$ 22,194,443	$ 19,662,795	$ 20,952,357	$ 19,976,546
TOTAL SALES AND SERVICE CHARGES	$ 169,799,255	$ 172,360,843	$ 158,868,186	$ 168,184,958	$ 213,609,954

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
ELECTRIC					
Residential	$ 48,956,516	$ 53,471,606	$ 47,447,901	$ 38,465,505	$ 34,877,908
Commercial	60,065,750	66,971,038	56,410,792	46,113,654	42,842,756
Municipal	3,479,751	4,015,749	3,183,833	2,704,795	2,684,032
Wholesale sales	7,923,735	20,025,496	9,535,844	9,382,845	7,950,560
Other	4,531,350	5,189,757	3,458,984	3,045,377	2,923,753
Total Electric Operating Revenues	$ 124,957,102	$ 149,673,646	$ 120,037,353	$ 99,712,176	$ 91,279,009
WATER					
Inside city	$ 16,866,807	$ 17,873,500	$ 16,393,897	$ 14,604,087	$ 14,515,738
Outside city	532,163	558,041	486,942	492,310	471,093
Municipal	424,542	455,391	341,391	272,144	281,211
Other	1,025,750	1,082,669	912,354	803,441	678,377
Southmost Regional Water Authority	300,892	285,618	256,615	176,019	209,458
Total Water Operating Revenues	$ 19,150,154	$ 20,255,219	$ 18,391,198	$ 16,348,001	$ 16,155,877
WASTEWATER					
Residential	$ 11,408,673	$ 12,578,015	$ 11,208,019	$ 10,090,919	$ 9,071,589
Commercial	6,178,300	6,236,655	5,784,531	5,325,334	5,152,910
Municipal	213,619	223,520	185,891	161,164	166,906
Outside city	801,959	801,042	715,594	670,471	592,746
Other	786,940	797,772	849,644	474,504	465,648
Total Wastewater Operating Revenues	$ 19,389,491	$ 20,637,004	$ 18,743,680	$ 16,722,392	$ 15,449,799
TOTAL SALES AND SERVICES CHARGES	$ 163,496,747	$ 190,565,869	$ 157,172,232	$ 132,782,569	$ 122,884,685

REVENUE CAPACITY

UNIT SALES BY UTILITY - LAST TEN YEARS [1]

	2012	2011	FY 2010	FY 2009	FY 2008
ELECTRIC SERVICE (kWh)					
Residential	550,169,186	550,421,195	528,459,863	500,830,035	492,440,123
Commercial Non-Demand	136,833,986	136,117,506	131,502,719	131,592,355	151,550,919
Municipal	38,876,114	39,038,235	38,912,608	38,693,875	37,337,658
Commercial Demand	577,866,685	552,274,846	547,906,595	538,603,116	553,765,276
Other	2,234,448	2,188,674	2,183,004	2,156,058	2,210,427
Total Electric Unit Sales	1,305,980,419	1,280,040,456	1,248,964,789	1,211,875,439	1,237,304,403
WATER SERVICE - 1,000 GALLONS					
Inside City	6,269,037	6,431,432	5,488,648	6,117,159	5,802,459
Outside City	150,957	159,187	138,846	147,236	127,173
Municipal	223,176	190,732	129,757	153,402	130,520
Other	582,502	576,616	524,299	581,193	491,686
Total Water Unit Sales	7,225,672	7,357,967	6,281,550	6,998,990	6,551,838
WASTEWATER SERVICE - 1,000 GALLONS					
Residential	3,024,487	3,102,690	2,605,256	2,930,048	2,770,296
Commercial	1,659,010	1,703,770	1,597,067	1,654,968	1,600,161
Municipal	98,579	60,720	45,905	47,571	48,953
Outside City	118,546	125,817	107,481	117,281	103,510
Other	6,197	6,861	8,248	8,579	7,333
Total Wastewater Unit Sales	4,906,819	4,999,858	4,363,957	4,758,447	4,530,253

	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
ELECTRIC SERVICE					
Residential	482,667,057	464,233,888	460,554,053	438,940,037	430,859,737
Commercial Non-Demand	144,469,924	128,883,400	132,698,091	128,322,356	112,490,377
Municipal	35,891,236	34,594,940	33,995,538	33,115,567	33,247,594
Commercial Demand	556,660,013	513,297,878	485,395,220	476,184,059	480,265,932
Other	2,249,019	2,134,692	2,039,922	1,966,338	7,153,659
Total Electric Unit Sales	1,221,937,249	1,143,144,798	1,114,682,824	1,078,528,357	1,064,017,299
WATER SERVICE					
Inside City	5,425,569	5,824,475	5,605,718	5,354,508	5,123,474
Outside City	124,426	117,186	115,766	107,934	99,664
Municipal	128,075	154,909	124,677	102,458	111,029
Other	520,179	449,766	521,073	466,365	510,097
Total Water Unit Sales	6,198,249	6,546,336	6,367,234	6,031,265	5,844,264
WASTEWATER SERVICE					
Residential	2,513,955	2,668,519	2,516,244	2,276,032	2,205,537
Commercial	1,546,491	1,610,776	1,550,500	1,669,429	1,616,995
Municipal	56,673	58,507	58,783	61,135	66,447
Outside City	94,591	101,588	88,730	88,968	82,912
Other	10,275	7,881	5,066	4,997	5,568
Total Wastewater Unit Sales	4,221,985	4,447,271	4,219,323	4,100,561	3,977,459

[1] Excludes Public Utilities Board's usage

REVENUE CAPACITY
TEN YEAR RATE ANALYSIS
RESIDENTIAL RATES

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
ELECTRIC[1]										
Customer Service Charge	$ 3.53	$ 3.53	$ 2.53	$ 2.53	$ 2.53	$ 5.53	$ 5.53	$ 5.24	$ 4.99	$ 4.75
Energy Charge										
First 500 kWh	0.04708	0.04708	0.04708	0.04708	0.04708	0.04708	0.04708	0.04460	0.04250	0.04050
Over 500 kWh	0.05152	0.04708	0.04708	0.04708	0.04708	0.04708	0.04708	0.04460	0.04250	0.04050
Fuel & Purchased Power	0.03200	0.04200	0.03500	0.04000	0.07000	0.04250	0.05800	0.07200	0.04700	0.03400
WATER (Inside City)[2]										
First 16,000 gallons	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1.73	$ 1.73	$ 1.73
Over 16,000 gallons	-	-	-	-	-	-	-	2.60	2.60	2.60
0-3,000 gallons	1.63	1.55	1.55	1.55	1.55	1.55	1.68	-	-	-
3,001-9,000 gallons	1.80	1.71	1.71	1.71	1.71	1.71	1.86	-	-	-
9,001 to 16,000 gallons	2.23	2.12	2.12	2.12	2.12	2.12	1.93	-	-	-
Over 16,000 gallons	3.36	3.20	3.20	3.20	3.20	3.20	2.90	-	-	-
Customer Service Charge										
5/8x3/4 Water Meter Size	9.93	9.47	9.47	9.47	9.47	9.47	9.47	9.47	9.47	9.47
WATER (Outside City)[2]										
First 16,000 gallons	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2.60	$ 2.60	$ 2.60
Over 16,000 gallons	-	-	-	-	-	-	-	3.91	3.91	3.91
0-3,000 gallons	2.65	2.52	2.52	2.52	2.52	2.52	2.52	-	-	-
3,001-9,000 gallons	2.93	2.79	2.79	2.79	2.79	2.79	2.79	-	-	-
9,001 to 16,000 gallons	3.05	2.90	2.90	2.90	2.90	2.90	2.90	-	-	-
Over 16,000 gallons	4.56	4.34	4.34	4.34	4.34	4.34	4.34	-	-	-
Customer Service Charge										
5/8 x 3/4 Water Meter Size	14.90	14.21	14.21	14.21	14.21	14.21	14.21	14.21	14.21	14.21
SEWER (Inside City)[3]										
Rate per 1,000 gallons	$ -	$ -	$ -	$ -	$ -	$ -	$ 3.40	$ 3.21	$ 3.15	$ 2.94
0-7,000 gallons	3.29	3.13	3.13	3.13	3.13	3.13	-	-	-	-
Over 7,000 gallons	3.57	3.40	3.40	3.40	3.40	3.40	-	-	-	-
Customer Service Charge										
5/8 x 3/4 Water Meter Size	7.17	6.84	6.84	6.84	6.84	6.84	6.84	6.84	6.71	6.27
SEWER (Outside City)										
Rate per 1,000 gallons	$ 5.36	$ 5.10	$ 5.10	$ 5.10	$ 5.10	$ 5.10	$ 5.10	$ 4.81	$ 4.72	$ 4.41
Customer Service Charge										
5/8 x 3/4 Water Meter Size	10.75	10.26	10.26	10.26	10.26	10.26	10.26	10.28	10.08	9.42

[1] Electric rates were tiered effective fiscal year 2012.

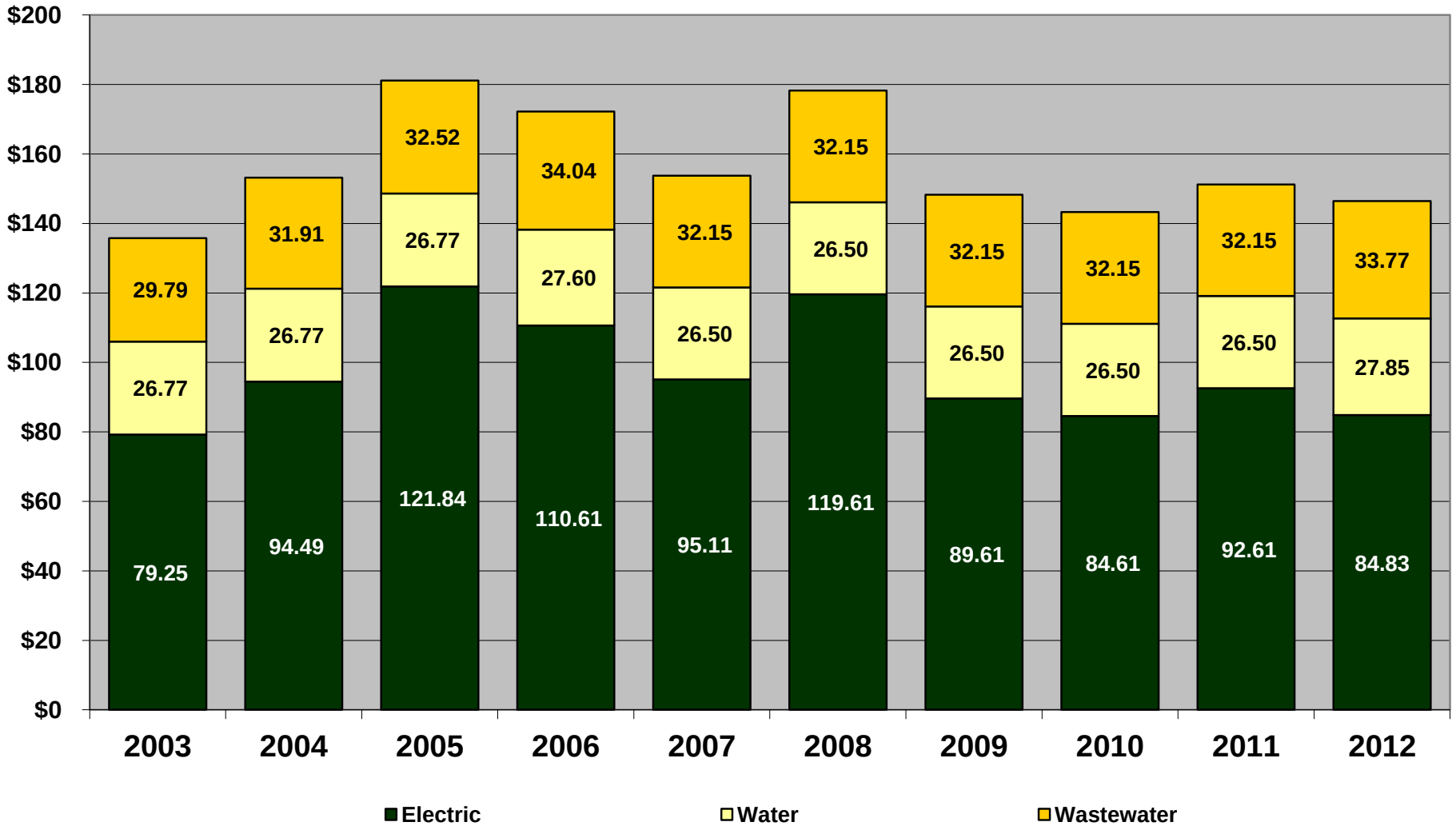
[2] Water rates were tiered effective fiscal year 2006.

[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.

BROWNSVILLE
PUBLIC UTILITIES BOARD

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)



SYSTEM RATE INCREASES - LAST TEN YEARS

	Electric	Water	Wastewater
2012	**5.0%**	**5.0%**	**5.0%**
2011	**-**	**-**	**-**
2010	**-**	**-**	**-**
2009	**-**	**-**	**-**
2008	**-**	**-**	**-**
2007	**-**	**-**	**-**
2006	**5.5%**	**8.0%**	**5.0%**
2005	**5.0%**	**-**	**2.0%**
2004	**-**	**-**	**7.0%**
2003	**-**	**7.0%**	**8.0%**

FOOTNOTE

Inside City residential rate decreases in the water/wastewater systems went into effect March 1, 2007.

Electric residential customer service charge reduction went into effect October 1, 2007.

Debt Capacity

DEBT CAPACITY

COMPUTATION OF DEBT SERVICE COVERAGE - LAST TEN YEARS[1]

	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
OPERATING INCOME	$32,747,013	$27,225,798	$31,287,495	$22,931,849	$37,916,668
ADD:					
Depreciation Expense	22,739,173	27,407,627	24,695,565	23,805,841	22,832,955
Investment & Other Income	654,057	611,866	829,400	1,789,499	4,054,857
LESS:					
Interest on Construction Funds	(13,501)	(41,141)	(54,790)	(211,610)	(896,336)
NET AVAILABLE INCOME	$56,126,742	$55,204,150	$56,757,670	$48,315,579	$63,908,144
DEBT SERVICE:					
Revenue Bonds Payable Current	$8,277,000	$7,856,000	$7,530,000	$6,779,000	$7,903,000
Total Interest Expense	14,399,174	14,829,065	15,186,316	15,216,696	13,681,885
Operating Reserve	-	-	-	-	-
Commercial Paper Interest Expense	39,891	36,668	34,755	-	814,654
Capital Improvement Charges	-	-	-	-	-
NET CASH DEBT SERVICE	$22,716,065	$22,721,733	$22,751,071	$21,995,696	$22,399,539
DEBT SERVICE COVERAGE (TIMES)	2.47	2.43	2.49	2.20	2.85

	FY 2007	FY 2006	FY 2005	2004	FY 2003
OPERATING INCOME	$27,381,991	$31,872,668	$27,390,709	$20,325,194	$24,314,026
ADD:					
Depreciation Expense	21,902,616	25,689,086	19,328,651	15,838,462	15,160,033
Investment & Other Income	6,732,065	6,350,658	2,915,441	1,183,453	986,808
LESS:					
Interest on Construction Funds	(2,436,113)	(2,816,523)	(1,372,665)	(286,492)	(309,736)
NET AVAILABLE INCOME	$53,580,559	$61,095,889	$48,262,136	$37,060,617	$40,151,131
DEBT SERVICE:					
Revenue Bonds Payable Current	$8,099,000	$7,775,000	$7,485,000	$9,365,000	$9,230,000
Total Interest Expense	13,468,041	14,114,646	6,471,355	10,202,372	10,976,634
Operating Reserve	-	-	-	-	-
Commercial Paper Interest Expense	1,520,835	1,398,188	929,059	143,134	-
Capital Improvement Charges	-	-	440,806	182,603	1,495,528
NET CASH DEBT SERVICE	$23,087,876	$23,287,834	$15,326,220	$19,893,109	$21,702,162
DEBT SERVICE COVERAGE (TIMES)	2.32	2.62	3.15	1.86	1.85

[1]Excludes Southmost Regional Water Authority

DEBT CAPACITY

PRINCIPAL PAYMENTS PAYABLE ON ALL DEBT ISSUES

THROUGH FY 2039

Year End Sep 30,	Pub Revenue Improvement Refunding Bonds 2005A	Pub Revenue Improvement Refunding Bonds 2005B	Pub Revenue Refunding Bonds 2008	Pub Revenue Refunding Bonds 2011	Pub Junion Lien Revenue Bonds 2007	SRWA Water Supply Contract Revenue Bonds 2002	SRWA Water Supply Contract Refunding Bonds 2006	SRWA Water Supply Contract Refunding Bonds 2009A	SRWA Water Supply Contract Refunding Bonds 2009B	Total
2013	$ 585,000	$ 4,125,000	$ 2,555,000	$ 1,360,000	$ 24,000	$ 755,000	$ 20,000	$ 310,000	$ 145,000	$ 9,879,000
2014	690,000	4,255,000	2,690,000	1,415,000	25,000	785,000	20,000	310,000	150,000	10,340,000
2015	795,000	5,910,000	2,820,000	1,470,000	26,000	820,000	20,000	310,000	155,000	12,326,000
2016	760,000	6,210,000	2,960,000	1,520,000	28,000	855,000	25,000	310,000	160,000	12,828,000
2017	710,000	6,535,000	3,110,000	1,585,000	29,000	890,000	25,000	310,000	165,000	13,359,000
2018	670,000	6,880,000	3,270,000	1,630,000	31,000	930,000	25,000	310,000	175,000	13,921,000
2019	625,000	8,190,000	3,430,000	745,000	32,000	70,000	935,000	310,000	180,000	14,517,000
2020	10,055,000	-	3,600,000	-	34,000	1,035,000	30,000	310,000	190,000	15,254,000
2021	10,490,000	-	3,785,000	-	36,000	1,085,000	30,000	310,000	195,000	15,931,000
2022	10,955,000	-	3,970,000	-	37,000	1,140,000	30,000	310,000	205,000	16,647,000
2023	11,445,000	-	4,165,000	-	39,000	1,200,000	30,000	310,000	210,000	17,399,000
2024	11,950,000	-	4,375,000	-	41,000	1,260,000	35,000	310,000	220,000	18,191,000
2025	12,485,000	-	4,595,000	-	44,000	1,320,000	35,000	310,000	230,000	19,019,000
2026	13,050,000	-	4,825,000	-	46,000	1,390,000	35,000	310,000	240,000	19,896,000
2027	13,735,000	-	5,065,000	-	-	1,455,000	35,000	310,000	250,000	20,850,000
2028	14,540,000	-	2,115,000	-	-	-	1,570,000	310,000	260,000	18,795,000
2029	15,195,000	-	2,220,000	-	-	-	1,635,000	310,000	270,000	19,630,000
2030	15,880,000	-	2,330,000	-	-	-	1,700,000	310,000	-	20,220,000
2031	16,600,000	-	2,445,000	-	-	-	1,770,000	310,000	-	21,125,000
2032	-	-	2,570,000	-	-	-	1,845,000	310,000	-	4,725,000
2033	-	-	2,700,000	-	-	-	-	310,000	-	3,010,000
2034	-	-	-	-	-	-	-	310,000	-	310,000
2035	-	-	-	-	-	-	-	310,000	-	310,000
2036	-	-	-	-	-	-	-	310,000	-	310,000
2037	-	-	-	-	-	-	-	310,000	-	310,000
2038	-	-	-	-	-	-	-	310,000	-	310,000
2039	-	-	-	-	-	-	-	305,000	-	305,000
	$ 161,215,000	$ 42,105,000	$ 69,595,000	$ 9,725,000	$ 472,000	$ 14,990,000	$ 9,850,000	$ 8,365,000	$ 3,400,000	$ 319,717,000

Debt Allocation By Utility	
Electric	$ 199,099,211
Water	75,875,942
Wastewater	44,741,848
Total Debt Capacity	319,717,000

Debt per Rate Payor	
Electric	$ 4,276
Water	$ 1,591
Wastewater	$ 945

NOTE: Ten years of data are not readily available.

Demographic and Economic Information

DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population*	(1) Per Capita Income	(Thousand's of Dollars) Personal Income	O/S Debt as Percentage of Personal Income	Total Debt Per Capita	Median Age	Education Level in Years of Formal Schooling	Public School Enrollment	(1) Unemployment Rate
2012	175,023	$ 12,900	$ 2,257,797	14.16%	$ 1,827	29.5	60.3% - High School 15.0% - Bachelor's Degree	49,271	10.50%
2011	175,023	$ 12,917	$ 2,260,772	14.56%	$ 1,881	29.5	60.2% - High School 15.6% - Bachelor's Degree	49,587	12.40%
2010	175,023	$ 11,824	$ 2,069,472	16.34%	$ 1,932	27.0	59.5% - High School 15.2% - Bachelor's Degree	49,835	11.60%
2009	176,859	$ 11,623	$ 2,055,632	16.24%	$ 1,887	27.6	58.5%-High School 15.8%-Bachelor's Degree	49,605	10.90%
2008	172,806	$ 11,685	$ 2,019,238	16.90%	$ 1,974	26.9	57.9%-High School 15.2%-Bachelor's Degree	49,082	7.50%
2007	172,437	$ 11,161	$ 1,924,569	16.15%	$ 1,803	26.9	57.9%-High School 15.2%-Bachelor's Degree	48,799	5.90%
2006	172,437	$ 11,161	$ 1,924,569	16.54%	$ 1,846	26.7	60%-High School 16.2%-Bachelor's Degree	48,123	6.50%
2005	167,493	$ 11,161	$ 1,869,389	17.48%	$ 1,951	25.4	60%-High School 14.4%-Bachelor's Degree	48,236	7.35%
2004	161,225	$ 9,762	$ 1,573,878	19.99%	$ 1,952	-	-	47,040	11.22%
2003	156,178	$ 9,762	$ 1,524,610	21.29%	$ 2,078	-	-	45,994	12.28%

* Population Estimates U.S. Census Bureau

SOURCES:

City of Brownsville, Texas

Brownsville Independent School District

Texas Workforce Commission

U.S. Census Bureau

U.S. Bureau of Economic Analysis

(1) Information is for the City of Brownsville, Texas.

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

	2012			2011			2010		
Employer	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.	7,708	1	10.73%	7,708	1	11.24%	7,434	1	6.03%
Keppel Amfels	2,900	2	4.04%	1,600	4	2.33%	1,695	4	1.37%
University of Texas at Brownsville	2,343	4	3.26%	2,343	2	3.42%	2,386	2	1.94%
Cameron County	2,040	5	2.84%	2,040	3	2.97%	2,076	3	1.68%
Wal-Mart	1,055	8	1.47%	1,174	6	1.71%	1,174	6	0.95%
City of Brownsville	1,200	6	1.67%	1,200	5	1.75%	1,178	5	0.96%
Convergys Corp.	-	-	-	623	7	0.91%	1,000	7	0.81%
H.E.B. Food Stores	975	9	1.36%	975	8	1.42%	975	8	0.79%
Valley Regional Medical Center	786	10	1.09%	786	9	1.15%	757	9	0.61%
Caring For You Home Health	2,635	3	3.67%	-	-	-	-	-	-
Abundant Life Home Health	1,200	7	1.67%	-	-	-	-	-	-
Valley Baptist Medical Center	-	-	-	738	10	1.08%	717	10	0.58%
Trico Technologies	-	-	-	-	-	-	-	-	-
National Electric Coil	-	-	-	-	-	-	-	-	-
Allison Manufacturing	-	-	-	-	-	-	-	-	-
Brownsville Medical Center	-	-	-	-	-	-	-	-	-
Fort Brown Manufacturing	-	-	-	-	-	-	-	-	-
Horace Small Apparel	-	-	-	-	-	-	-	-	-
Johnson Intermediate Materials	-	-	-	-	-	-	-	-	-
Levi Strauss	-	-	-	-	-	-	-	-	-
Mercantile Bank	-	-	-	-	-	-	-	-	-
Norton Company	-	-	-	-	-	-	-	-	-
Public Utilities Board	-	-	-	-	-	-	-	-	-
Rich Sea Pak	-	-	-	-	-	-	-	-	-
Texas Visiting Nurses	-	-	-	-	-	-	-	-	-
Titan Tire Company	-	-	-	-	-	-	-	-	-
VF Workwear	-	-	-	-	-	-	-	-	-
Total	22,842		31.80%	19,187		27.98%	19,392		15.73%

Source:
Brownsville Economic Development Council

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

2009			2008			2007			2006		
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
7,080	1	5.69%	7,080	1	5.61%	7,080	1	5.71%	7,080	1	5.83%
2,273	2	1.83%	2,273	2	1.80%	2,273	2	1.83%	2,273	2	1.87%
2,077	3	1.67%	2,077	3	1.64%	2,077	3	1.67%	2,077	3	1.71%
1,838	4	1.48%	1,838	4	1.46%	1,838	4	1.48%	1,608	4	1.32%
1,174	5	0.94%	1,174	5	0.93%	1,174	5	0.95%	1,174	5	0.97%
1,114	6	0.90%	1,114	6	0.88%	1,114	6	0.90%	1,114	6	0.92%
800	7	0.64%	800	7	0.63%	800	7	0.64%	1,000	7	0.82%
760	8	0.61%	760	8	0.60%	760	8	0.61%	760	8	0.63%
757	9	0.61%	757	9	0.60%	757	9	0.61%	757	9	0.62%
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
717	10	0.58%	717	10	0.57%	717	10	0.58%	717	10	0.59%
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
18,590		14.94%	18,590		14.72%	18,590		14.98%	18,560		15.29%

Source:
Brownsville Economic Development Council

Continued

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

	2005			2004			2003		
Employer	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.	6,926	1	5.95%	6,125	1	5.30%	6,830	1	5.93%
AMFELS	1,185	4	1.02%	706	9	0.61%	706	8	0.61%
University of Texas at Brownsville	1,828	2	1.57%	1,628	2	1.41%	1,674	2	1.45%
Cameron County	1,714	3	1.47%	1,550	3	1.34%	1,600	3	1.39%
Wal-Mart	1,119	5	0.96%	885	5	0.77%	862	5	0.75%
City of Brownsville	1,072	6	0.92%	1,155	4	1.00%	1,044	4	0.91%
Convergys Corp.	875	7	0.75%	850	6	0.74%	-	-	-
H.E.B. Food Stores	760	9	0.65%	755	8	0.65%	755	7	0.66%
Valley Regional Medical Center	737	10	0.63%	703	10	0.61%	703	9	0.61%
Caring For You Home Health	-	-	-	-	-	-	-	-	-
Abundant Life Home Health	-	-	-	-	-	-	-	-	-
Valley Baptist Medical Center	808	8	0.69%	808	7	0.70%	-	-	-
Trico Technologies	-	-	-	-	-	-	675	10	0.59%
National Electric Coil	-	-	-	-	-	-	-	-	-
Allison Manufacturing	-	-	-	-	-	-	-	-	-
Brownsville Medical Center	-	-	-	-	-	-	800	6	0.70%
Fort Brown Manufacturing	-	-	-	-	-	-	-	-	-
Horace Small Apparel	-	-	-	-	-	-	-	-	-
Johnson Intermediate Materials	-	-	-	-	-	-	-	-	-
Levi Strauss	-	-	-	-	-	-	-	-	-
Mercantile Bank	-	-	-	-	-	-	-	-	-
Norton Company	-	-	-	-	-	-	-	-	-
Public Utilities Board	-	-	-	-	-	-	-	-	-
Rich Sea Pak	-	-	-	-	-	-	-	-	-
Texas Visiting Nurses	-	-	-	-	-	-	-	-	-
Titan Tire Company	-	-	-	-	-	-	-	-	-
VF Workwear	-	-	-	-	-	-	-	-	-
Total	17,024		14.61%	15,165		13.12%	15,649		13.60%

Source:
Brownsville Economic Development Council

Operating Information

OPERATING INFORMATION
EXPENSES BY UTILITY - LAST TEN YEARS

	2012	2011	2010	FY 2009
ELECTRIC				
Generation and Purchases for Resale	$ 54,353,235	$ 60,519,100	$ 64,165,188	$ 67,454,789
Transmission and Distribution	6,347,120	5,464,375	4,624,680	4,611,675
Administrative and General	18,697,201	16,918,463	16,366,264	16,376,681
Depreciation	13,373,507	16,331,733	14,662,285	13,961,232
Total Electric Operating Expenses	$ 92,771,063	$ 99,233,671	$ 99,818,417	$ 102,404,377
WATER				
Plant Operations	$ 4,993,739	$ 4,707,258	$ 3,432,591	$ 3,870,958
Transmission and Distribution	2,514,676	2,655,300	2,426,368	2,584,580
Administrative and General	4,081,484	3,961,827	3,875,983	3,916,202
Depreciation	3,766,336	3,941,128	4,286,330	4,420,121
Total Water Operating Expenses	$ 15,356,235	$ 15,265,513	$ 14,021,272	$ 14,791,861
WASTEWATER				
Plant Operations	$ 5,967,684	$ 6,117,905	$ 5,539,157	$ 5,586,811
Transmission and Distribution	804,846	967,001	1,382,386	1,103,481
Administrative and General	4,696,229	4,703,383	4,536,291	4,505,516
Depreciation	5,599,330	7,134,766	5,746,950	5,424,488
Total Wastewater Operating Expenses	$ 17,068,089	$ 18,923,055	$ 17,204,784	$ 16,620,296
SOUTHMOST REGIONAL WATER AUTHORITY				
Administration and General	$ 2,587,656	$ 2,437,963	$ 2,322,669	$ 2,727,667
Depreciation	862,649	862,355	859,740	857,645
Total SRWA Operating Expenses	$ 3,450,305	$ 3,300,318	$ 3,182,409	$ 3,585,312
TOTAL OPERATING EXPENSES	$ 128,645,692	$ 136,722,557	$ 134,226,882	$ 137,401,846
OTHER NONOPERATING REVENUES (EXPENSES)[1]	$ (16,906,771)	$ (18,019,030)	$ (4,728,236)	$ (14,641,424)

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
$ 101,176,542	$ 67,165,042	$ 89,266,558	$ 70,509,676	$ 58,070,829	$ 46,725,352
3,920,988	3,486,094	2,497,172	2,661,484	2,374,079	2,458,638
13,236,701	12,397,626	12,030,998	10,959,383	10,706,644	12,258,274
13,622,466	12,647,117	16,357,921	10,885,513	8,740,532	8,380,351
$ 131,956,697	$ 95,695,879	$ 120,152,649	$ 95,016,056	$ 79,892,084	$ 69,822,615
$ 3,122,381	$ 2,782,802	$ 2,730,596	$ 2,681,328	$ 2,641,700	$ 2,656,946
2,110,791	1,897,290	1,652,982	1,595,306	1,714,461	1,575,510
5,438,548	5,131,917	4,801,385	4,595,069	4,564,226	2,897,309
4,138,811	3,791,008	3,605,668	3,769,817	2,851,589	2,682,159
$ 14,810,531	$ 13,603,017	$ 12,790,631	$ 12,641,520	$ 11,771,976	$ 9,811,924
$ 5,039,214	$ 4,116,603	$ 3,439,993	$ 3,183,812	$ 3,164,908	$ 3,010,242
1,117,675	930,871	862,280	748,237	984,555	945,477
5,962,321	5,305,607	5,040,621	4,677,346	4,622,636	4,794,497
5,071,678	5,464,491	5,725,496	4,673,321	4,246,341	4,097,523
$ 17,190,888	$ 15,817,572	$ 15,068,390	$ 13,282,716	$ 13,018,440	$ 12,847,739
$ 2,461,614	$ 2,325,001	$ 2,303,829	$ 1,399,347	$ 632,071	$ 34,619
858,151	868,275	774,124	337,156	-	-
$ 3,319,765	$ 3,193,276	$ 3,077,953	$ 1,736,503	$ 632,071	$ 34,619
$ 167,277,881	$ 128,309,744	$ 151,089,623	$ 122,676,795	$ 105,314,571	$ 92,516,897
$ (12,416,165)	$ (10,778,680)	$ (13,050,339)	$ (6,290,197)	$ (11,824,323)	$ (11,903,736)

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

	FY 2012	FY 2011	FY 2010	FY 2009
SOURCES OF ENERGY (kWh)				
Total Net Energy Generated	830,108,370	1,353,750,565	1,577,510,000	1,120,083,000
Total Energy Purchased	704,742,700	429,383,640	378,317,000	528,558,000
TOTAL SOURCES OF ENERGY	1,534,851,070	1,783,134,205	1,955,827,000	1,648,641,000
Less: System Losses and Inadvertent Energy (kWh)	-	-	(69,693,000)	(82,039,000)
Net Available for Sale (kWh)	1,534,851,070	1,783,134,205	1,886,134,000	1,566,602,000
Sales for Resale (kWh)	(48,313,210)	(245,366,425)	(366,669,000)	(250,127,000)
NET ENERGY FOR LOAD	1,486,537,860	1,537,767,779	1,519,465,000	1,316,475,000
WATER STATISTICS				
Water Production - 1,000 Gallons				
Raw Water Treated	6,742,810	7,502,790	7,073,522	8,217,557
Raw Water Used in Plant	(515,470)	(791,199)	(845,261)	(439,663)
Surface Water Treated	6,227,340	6,711,591	6,228,261	7,777,894
SRWA (Purchased Water)*	2,025,507	1,929,481	1,947,011	1,617,101
Water Pumped to City	8,252,847	8,641,072	8,175,272	9,394,995
Water Sales	7,259,778	7,417,175	6,321,717	7,062,104
Other Unmetered Usage	98,519	68,577	88,719	44,915
Losses and Unaccounted for Gallonage	894,550	1,155,320	1,764,836	2,287,976
Thousand Gallons to System	8,252,847	8,641,072	8,175,272	9,394,995
Unaccounted For	10.84%	13.37%	21.59%	24.35%
Average Daily Consumption	22,541	23,674	22,398	25,740
Peak Maximum Demand (MG)	29	30	29	39
Date	6/18/2012	6/17/2011	4/5/2010	6/16/2009
WASTEWATER STATISTICS				
Annual Demand (1,000 Gals.)	4,885,625	4,992,236	5,522,605	5,052,595
Maximum Day (MG)	25.9	32.6	38.5	25.5

* FY 2006 through FY 2012 Water Production includes Southmost Regional Water Authority Production.

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
1,304,850,000	1,174,655,000	1,041,227,000	1,037,312,000	920,715,000	922,828,000
181,698,000	224,840,000	374,198,000	351,910,000	392,789,000	325,495,000
1,486,548,000	1,399,495,000	1,415,425,000	1,389,222,000	1,313,504,000	1,248,323,000
(67,321,000)	(34,606,000)	(45,282,000)	(34,500,000)	(15,703,000)	(10,505,000)
1,419,227,000	1,364,889,000	1,370,143,000	1,354,722,000	1,297,801,000	1,237,818,000
(84,279,000)	(50,295,000)	(125,884,000)	(123,245,000)	(20,643,000)	(51,530,000)
1,334,948,000	1,314,594,000	1,244,259,000	1,231,477,000	1,277,158,000	1,186,288,000
7,427,578	6,572,379	7,173,000	7,660,000	7,526,428	7,444,109
(290,178)	(250,170)	(734,543)	(512,000)	(706,428)	(573,109)
7,137,400	6,322,209	6,438,457	7,148,000	6,820,000	6,871,000
1,649,267	1,762,984	1,545,520	-	-	-
8,786,667	8,085,193	7,983,977	7,148,000	6,820,000	6,871,000
	6,245,897	6,621,000	6,411,000	6,084,000	6,169,000
21,809	29,067	222,013	142,354	6,210	-
2,140,368	1,810,229	1,140,964	594,646	729,790	702,000
8,786,667	8,085,193	7,983,977	7,148,000	6,820,000	6,871,000
24.61%	22.39%	14.29%	8.32%	10.70%	10.22%
24,007	22,151	21,874	19,584	18,685	18,825
33	31	31	30	25	25
6/19/2008	06/19/07	05/02/06	07/08/05	07/24/04	05/20/03
5,154,241	4,966,233	4,574,090	4,544,000	4,599,000	4,525,000
19.7	26.6	19.7	18.4	26.1	37.4

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

	DEPARTMENT	Budget FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
1110	General Manager	5	5	4	4	5
1120	Internal Audit	3	3	3	2	3
1125	Key Account Marketing	3	3	3	3	3
1130	Communications & Adm. Services	2	4	3	3	4
1135	Communications & PUB Relations	3	3	2	2	2
1140	Organizational Development	3	3	3	3	4
1145	Energy Risk Management	1	1	1	1	1
1150	Board of Directors	0	0	0	0	0
1165	Records Management	2	0	0	0	0
1410	Environmental Services	3	3	6	6	8
1440	Health & Safety	5	5	4	4	4
5110	Finance	6	6	6	6	5
5120	Accounting	12	12	11	11	12
5130	Purchasing & Central Stores	6	6	6	6	6
5140	Revenue Recovery	3	3	2	2	1
6105	Customer & Information Services	3	3	4	4	4
6110	Customer Service	11	11	10	10	9
6115	Collections	4	4	4	4	4
6120	Billing	7	7	6	6	7
6125	Call Center	10	10	8	8	7
6130	Meter Services	9	9	9	9	10
6135	CIS Support	3	3	3	3	3
6145	Energy Efficiency & Conservation	1	1	1	1	1
6150	Meter Reading	15	15	15	15	15
6160	Cashiers	8	8	8	8	9
7120	Risk/Insurance Management	2	2	1	1	2
7130	Information Services	16	16	16	16	14
7135	GIS	11	11	8	8	9
7140	Human Resources	7	7	5	5	5
7150	Fleet Management	9	9	8	7	8
7160	Facility Maintenance	4	4	4	4	5
7170	Warehouse	6	6	6	6	7
	TOTAL ADMINISTRATIVE	183	183	170	168	177
1420	Environmental Compliance	6	6	3	3	3
2120	Substation & Relaying	9	9	9	9	9
2130	Elec Trans & Dist New Const	30	30	29	29	31
2140	Elec Trans & Dist Maintenance	28	28	27	27	29
2150	Energy Control Center Operations	13	13	13	13	12
2210	Fuel & Energy/SCADA	23	23	20	19	19
2220	Power Plant	25	25	23	23	23
2310	Electric Meter Shop	7	7	7	7	9
2410	Electric Engineering	15	15	16	16	17
	TOTAL ELECTRIC	156	156	147	146	152
1422	Analytical Lab	14	14	12	12	13
1430	Pre-treatment	9	9	9	9	11
3110	W & WW Eng. & Operations	4	4	4	4	4
3120	Water Plant I	9	9	8	9	9
3130	Water Plant II	8	8	8	8	9
3140	Raw Water Supply	3	3	2	2	3
3135	Resaca Maintenance	10	1	0	0	0
3145	W/WW Plant Maintenance	15	15	12	12	13
3150	W/WW Operations & Const.	64	64	58	58	82
3210	South W/WW Treat Plant	9	9	11	11	9
3220	Robindale W/W Treat Plant	13	13	8	9	10
3230	Lift Stations	28	28	23	23	14
3310	Water & W/W Engineering	22	22	22	21	15
	TOTAL WATER/WASTEWATER	208	199	177	178	192
	OVERALL TOTAL NO. OF POSITION	547	538	494	492	521

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
4	4	4	4	4	4
1	1	1	1	1	1
3	3	3	3	5	5
3	3	3	3	5	5
1	0	0	0	5	5
3	4	4	3	2	2
1	1	1	1	1	1
0	0	0	0	0	0
0	0	0	0	0	0
5	4	4	4	7	7
3	2	2	2	2	2
5	4	4	4	4	4
11	11	11	11	11	11
12	13	13	13	13	14
0	0	0	0	0	0
4	3	3	3	3	3
10	9	9	10	9	20
4	3	3	3	4	4
9	9	9	9	7	11
7	10	10	9	10	0
9	9	9	9	8	8
3	3	3	3	2	0
1	0	0	0	0	0
15	13	13	13	12	12
8	8	8	8	10	7
1	2	2	2	1	1
14	14	14	14	14	14
8	9	7	7	5	5
5	5	5	5	4	4
7	7	7	7	8	7
4	4	4	4	4	4
0	0	0	0	0	0
161	158	156	155	161	161
3	3	3	3	3	3
9	9	9	9	9	9
28	28	28	36	36	36
26	26	26	18	18	18
12	12	11	11	4	4
16	11	10	10	15	15
24	25	26	26	32	32
7	7	7	7	6	6
17	17	16	17	19	19
142	138	136	137	142	142
13	14	14	14	14	14
11	11	9	9	9	9
4	4	3	3	5	5
9	9	9	9	11	9
8	8	7	8	7	8
14	14	14	11	14	10
0	0	0	0	0	0
0	0	0	0	0	0
69	69	72	70	74	74
8	9	8	9	9	11
9	9	9	8	9	11
12	13	13	13	13	13
14	16	12	16	12	13
171	176	170	170	177	177
474	472	462	462	480	480

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS

		FY 2012		
	Electric Services	Annual Consumption	Annual Sales	Percent of Annual Sales
	Customer Name	(kWh)	Revenue	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	13,695,074	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	263,519,089	$ 18,206,018	17.44%
	Water Services	Annual	Annual	Percent of Annual Sales
	Customer Name	Consumption	Revenue	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	Annual	Annual	Percent of Annual Sales
	Customer Name	Consumption	Revenue	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	465,805	$ 1,891,695	8.69%

Note: Largest customer information prior to fiscal year 2002 is not readily available.

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		FY 2011		
	Electric Services	Annual Consumption	Annual Sales	Percent of Annual Sales
	Customer Name	(kWh)	Revenue	Revenue
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 Consumption	Annual Revenue	Percent of Annual Sales Revenue
	Customer Name			
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.	Buena Vista Burial Park	28,886	62,770	0.31%
	TOTAL	1,286,299	$ 2,815,925	13.82%
	Wastewater Services	Annual Consumption	Annual Revenue	Percent of Annual Sales Revenue
	Customer Name			
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%

Note: Largest customer information prior to fiscal year 2002 is not readily available.

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

Electric Services

	Customer Name	FY 2010 Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
1.	Brownsville I S D	77,585,754	$ 6,423,373	6.15%
2.	UTB/TSC	43,733,114	2,955,062	2.83%
3.	Trico	24,573,894	1,642,113	1.57%
4.	Amfels	17,001,900	1,466,243	1.40%
5.	H E B Stores	18,450,423	1,270,378	1.22%
6.	Rich Product Corp	15,417,600	1,038,765	0.99%
7.	Stripes Stores	14,061,942	999,134	0.96%
8.	Valley Baptist Medical Center	13,674,493	947,901	0.91%
9.	Cameron County	12,650,159	946,451	0.91%
10.	Sunrise Mall	12,042,184	914,143	0.88%
	TOTAL	249,191,463	$ 18,603,563	17.82%

Water Services

	Customer Name	Annual Consumption	Annual Revenue	Percent of Annual Sales Revenue
1.	El Jardin Water Supply Corp.	365,968	$ 698,988	3.87%
2.	Brownsville I S D	193,782	545,473	3.02%
3.	Brownsville Navigation District	158,331	300,651	1.66%
4.	UTB/TSC	116,777	300,164	1.66%
5.	Cameron County	71,284	162,110	0.90%
6.	Rich Sea Pak Corp	48,664	104,149	0.58%
7.	Brownsville Housing Authority	34,041	81,882	0.45%
8.	Valley Regional Medical Center	34,378	77,683	0.43%
9.	Valley Baptist Medical Center	31,708	72,205	0.40%
10.	Sunrise Mall	25,716	59,316	0.33%
	TOTAL	1,080,649	$ 2,402,621	13.30%

Wastewater Services

	Customer Name	Annual Consumption	Annual Revenue	Percent of Annual Sales Revenue
1.	Brownsville I S D	143,618	$ 582,475	3.05%
2.	Cameron County	65,658	232,266	1.21%
3.	Rich Sea Pak Corp.	40,735	221,020	1.16%
4.	UTB/TSC	55,274	216,770	1.13%
5.	Valley Baptist Medical Center	30,253	106,381	0.56%
6.	Brownsville Housing Authority	28,366	103,923	0.54%
7.	Valley Regional Medical Center	28,673	100,064	0.52%
8.	Trico Technologies Corp	21,543	75,779	0.40%
9.	Skill care of America	18,440	63,084	0.33%
10.	Sunrise Mall	14,958	57,530	0.30%
	TOTAL	447,518	$ 1,759,292	9.20%

Note: Largest customer information prior to fiscal year 2002 is not readily available.

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		FY 2009		
	Electric Services	Annual Consumption	Annual Sales	Percent of Annual Sales
	Customer Name	(kWh)	Revenue	Revenue
1.	Brownsville I S D	62,944,497	$ 5,646,038	5.33%
2.	University of Texas at Brownsville/TSC	39,383,714	2,823,929	2.66%
3.	Trico Technologies Corporation	26,090,987	1,852,516	1.75%
4.	Amfels	20,688,792	1,703,691	1.61%
5.	H E B Stores	18,285,563	1,368,088	1.29%
6.	Rich Sea Pak Corporation	15,240,000	1,093,928	1.03%
7.	Cameron County	12,912,796	1,035,349	0.98%
8.	Stripes Stores	13,385,749	1,008,156	0.95%
9.	Sunrise Mall	12,297,166	982,571	0.93%
10.	Valley Baptist Medical Center	13,023,639	980,843	0.93%
	TOTAL	234,252,903	$ 18,495,109	17.46%
	Water Services	Annual	Annual	Percent of Annual Sales
	Customer Name	Consumption	Revenue	Revenue
1.	El Jardin Water Supply Corp.	467,463	$ 896,238	4.58%
2.	Brownsville I S D	226,752	600,783	3.07%
3.	University of Texas at Brownsville/TSC	129,053	314,805	1.61%
4.	Brownsville Navigation District	136,800	261,034	1.33%
5.	Cameron County	64,165	141,437	0.72%
6.	Rich Sea Pak Corporation	54,938	117,377	0.60%
7.	Brownsville Housing Authority	36,880	87,866	0.45%
8.	Valley Baptist Medical Center	43,436	86,382	0.44%
9.	Valley Regional Medical Center	37,822	84,900	0.43%
10.	H E B Stores	26,876	64,790	0.33%
	TOTAL	1,224,185	$ 2,655,612	13.56%
	Wastewater Services	Annual	Annual	Percent of Annual Sales
	Customer Name	Consumption	Revenue	Revenue
1.	Brownsville I S D	180,188	$ 710,138	3.50%
2.	Rich Sea Pak Corporation	35,960	291,695	1.44%
3.	University of Texas at Brownsville/TSC	57,034	219,035	1.08%
4.	Cameron County	57,680	201,585	0.99%
5.	Valley Baptist Medical Center	40,882	142,522	0.70%
6.	Valley Regional Medical Center	29,579	103,144	0.51%
7.	Trico Technologies Corporation	23,938	83,923	0.41%
8.	Skill Care of America	15,453	52,929	0.26%
9.	Sunrise Mall	14,144	50,896	0.25%
10.	Stripes Stores	12,712	49,009	0.24%
	TOTAL	467,570	$ 1,904,876	9.38%

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		FY 2008		
	Electric Services	Annual Consumption	Annual Sales	Percent of Annual Sales
	Customer Name	(kWh)	Revenue	Revenue
1.	Brownsville I S D	67,726,085	$ 7,215,316	5.78%
2.	University of Texas at Brownsville/TSC	43,455,340	3,797,925	3.04%
3.	Trico	31,835,551	2,735,142	2.19%
4.	Amfels	26,377,018	2,477,832	1.98%
5.	H E B Stores	18,723,400	1,602,207	1.28%
6.	Sunrise Mall	13,913,263	1,322,048	1.06%
7.	Rich Sea-Pak Corporation	14,827,200	1,297,420	1.04%
8.	Cameron County	13,217,779	1,266,588	1.01%
9.	Valley Baptist Medical Center	13,103,033	1,134,766	0.91%
10.	Stripes Stores	13,337,357	1,217,241	0.97%
	TOTAL	256,516,026	$ 24,066,483	19.27%

	Water Services	Annual Consumption	Annual Sales	Percent of Annual Sales
	Customer Name	(1,000 Gallons)	Revenue	Revenue
1.	El Jardin Water Supply Corp.	394,698	$ 753,873	4.03%
2.	Brownsville I S D	189,262	512,461	2.74%
3.	Brownsville Navigation District	176,364	333,832	1.78%
4.	University of Texas at Brownsville/TSC	100,521	240,266	1.28%
5.	Rich Sea-Pak Corporation	62,689	134,363	0.72%
6.	Cameron County	45,007	101,163	0.54%
7.	Valley Regional Medical Center	42,189	93,479	0.50%
8.	Valley Baptist Medical Center	36,481	81,643	0.44%
9.	Brownsville Housing Authority	34,301	82,415	0.44%
10.	Trico Technologies Corp	33,218	76,410	0.41%
	TOTAL	1,114,730	$ 2,409,905	12.88%

	Wastewater Services	Annual Treatment	Annual Sales	Percent of Annual Sales
	Customer Name	(1,000 Gallons)	Revenue	Revenues
1.	Brownsville I S D	150,403	$ 601,834	3.10%
2.	Rich Sea-Pak Corporation	31,101	325,342	1.67%
3.	University of Texas at Brownsville/TSC	49,182	183,531	0.94%
4.	Cameron County	38,090	134,137	0.69%
5.	Valley Baptist Medical Center	33,389	116,801	0.60%
6.	Trico Technologies Corp	31,757	110,619	0.57%
7.	Valley Regional Medical Center	31,332	109,105	0.56%
8.	Brownsville Housing Authority	28,467	104,724	0.54%
9.	The Border Apts.	26,110	90,149	0.46%
10.	Stripes Stores	14,704	55,994	0.29%
	TOTAL	434,535	$ 1,832,236	9.43%

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		FY 2007	
Electric Services	Annual Consumption	Annual Sales	Percent of Annual Sales
Customer Name	(kWh)	Revenue	Revenue
1. Brownsville I S D	81,825,956	$ 7,810,009	7.11%
2. University of Texas at Brownsville/TSC	38,533,400	3,070,698	2.79%
3. Trico	32,529,232	2,389,346	2.17%
4. Amfels	29,010,000	2,386,076	2.17%
5. H E B Stores	19,295,855	1,472,740	1.34%
6. Rich Sea-Pak Corporation	18,177,600	1,322,701	1.20%
7. Sunrise Mall	13,309,881	1,101,713	1.00%
8. Cameron County	12,802,447	1,100,549	1.00%
9. Stripes Stores	12,244,821	984,559	0.90%
10. Valley Regional Medical Center	11,742,428	909,085	0.83%
TOTAL	269,471,620	$ 22,547,476	20.51%

Water Services	Annual Consumption	Annual Sales	Percent of Annual Sales
Customer Name	(1,000 Gallons)	Revenue	Revenue
1. El Jardin Water Supply Corp.	330,334	$ 630,938	3.61%
2. Brownsville I S D	227,140	459,475	2.63%
3. Brownsville Navigation District	169,340	311,586	1.78%
4. University of Texas at Brownsville/TSC	95,518	190,895	1.09%
5. Rich Sea-Pak Corporation	65,473	131,278	0.75%
6. Valley Regional Medical Center	43,231	84,758	0.48%
7. The Border Apts.	36,880	73,769	0.42%
8. Cameron County	36,699	73,240	0.42%
9. Trico Technologies Corp	35,180	70,226	0.40%
10. Brownsville Housing Authority	33,780	67,489	0.39%
TOTAL	1,073,575	$ 2,093,654	11.97%

Wastewater Services	Annual Treatment	Annual Sales	Percent of Annual Sales
Customer Name	(1,000 Gallons)	Revenue	Revenues
1. Brownsville I S D	189,585	$ 734,904	3.98%
2. Rich Sea-Pak Corporation	54,008	539,690	2.92%
3. University of Texas at Brownsville/TSC	51,520	200,768	1.09%
4. Trico Technologies Corp	32,365	112,572	0.61%
5. The Border Apts.	34,026	111,637	0.60%
6. Cameron County	30,421	108,268	0.59%
7. Valley Regional Medical Center	30,561	106,483	0.58%
8. Brownsville Housing Authority	28,103	103,715	0.56%
9. Valley Baptist Medical Center	24,987	86,860	0.47%
10. Tex-Mex Cold Storage	13,913	52,707	0.29%
TOTAL	489,489	$ 2,157,604	11.69%

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		FY 2006		
	Electric Services	Annual Consumption	Annual Sales	Percent of Annual Sales
	Customer Name	(kWh)	Revenue	Revenue
1.	Brownsville Independent School District	59,720,772	$ 6,891,793	5.43%
2.	Trico Technologies Corporation	32,472,987	2,981,892	2.35%
3.	University of Texas at Brownsville/T.S.C.	28,718,571	2,732,360	2.15%
4.	Amfels	25,224,085	2,469,933	1.95%
5.	H E B Stores	19,993,495	1,912,188	1.51%
6.	Rich Sea-Pak Corporation	15,928,800	1,492,700	1.18%
7.	Sunrise Mall	13,358,380	1,361,958	1.07%
8.	Valley Regional Medical Center	12,319,452	1,156,406	0.91%
9.	SSP Properties (DBA Circle K)	11,624,586	1,147,981	0.90%
10.	Valley Baptist Medical Center	11,710,497	1,112,532	0.88%
	TOTAL	231,071,625	$ 23,259,743	18.33%

	Water Services	Annual Consumption	Annual Sales	Percent of Annual Sales
	Customer Name	(1,000 Gallons)	Revenue	Revenue
1.	El Jardin Water Supply Corp.	398,922	$ 761,942	4.14%
2.	Brownsville Independent School District	204,822	518,763	2.82%
3.	Brownsville Navigation District	174,174	329,802	1.79%
4.	University of Texas at Brownsville/T.S.C.	95,144	229,885	1.25%
5.	Rich Sea-Pak Corporation	67,067	133,888	0.73%
6.	The Border Apartments	55,524	108,579	0.59%
7.	Brownsville Housing Authority	48,483	104,590	0.57%
8.	Valley Regional Medical Center	43,579	91,268	0.50%
9.	Cameron County	33,894	73,840	0.40%
10.	Trico Technologies Corporation	33,496	70,793	0.38%
	TOTAL	1,155,105	$ 2,423,350	13.17%

	Wastewater Services	Annual Treatment	Annual Sales	Percent of Annual Sales
	Customer Name	(1,000 Gallons)	Revenue	Revenues
1.	Brownsville Independent School District	180,250	$ 714,698	3.65%
2.	Rich Sea-Pak Corporation	52,619	539,615	2.76%
3.	University of Texas at Brownsville/T.S.C.	62,250	235,867	1.20%
4.	The Border Apartments	46,115	131,033	0.67%
5.	Brownsville Housing Authority	40,061	144,146	0.74%
6.	Valley Regional Medical Center	32,151	112,104	0.57%
7.	Cameron County	30,349	107,924	0.55%
8.	Trico Technologies Corporation	29,299	94,122	0.48%
9.	Valley Baptist Medical Center	26,202	91,023	0.46%
10.	Paseo Plaza	12,385	49,295	0.25%
	TOTAL	511,681	$ 2,219,827	11.33%

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

FY 2005

	Electric Services Customer Name	Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
1.	Brownsville I S D	59,539,687	$ 5,855,169	5.85%
2.	Trico	32,827,876	2,447,696	2.45%
3.	University of Texas at Brownsville/TSC	29,256,540	2,250,911	2.25%
4.	H E B Stores	27,119,270	1,874,241	1.87%
5.	Amfels	20,371,016	1,685,510	1.68%
6.	Rich Sea-Pak Corporation	16,492,800	1,223,841	1.22%
7.	Sunrise Mall	12,586,621	1,031,510	1.03%
8.	Valley Regional Medical Center	13,252,359	999,934	1.00%
9.	SSP Properties (DBA Circle K)	11,051,885	872,635	0.87%
10.	Valley Baptist Medical Center	11,461,000	828,569	0.83%
	TOTAL	233,959,054	$ 19,070,015	19.05%

	Water Services Customer Name	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
1.	El Jardin Water Supply Corp.	410,002	$ 725,703	4.38%
2.	Brownsville I S D	182,077	425,722	2.57%
3.	Brownsville Navigation District	126,880	225,018	1.36%
4.	University of Texas at Brownsville/TSC	87,914	178,248	1.08%
5.	Rich Sea-Pak Corporation	56,226	98,848	0.60%
6.	Brownsville Housing Authority	49,126	91,365	0.55%
7.	Trico Technologies Corp	38,575	69,825	0.42%
8.	Valley Regional Medical Center	36,065	67,846	0.41%
9.	The Border Apartments	35,620	61,814	0.37%
10.	Paseo Plaza	25,641	56,646	0.34%
	TOTAL	1,048,126	$ 2,001,034	12.08%

	Wastewater Services Customer Name	Annual Treatment (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenues
1.	Brownsville I S D	157,320	$ 586,842	3.37%
2.	Rich Sea-Pak Corporation	37,724	432,212	2.48%
3.	University of Texas at Brownsville/TSC	40,204	143,791	0.83%
4.	Trico Technologies Corp	28,064	91,939	0.53%
5.	Valley Regional Medical Center	27,060	89,010	0.51%
6.	The Border Apts.	29,739	88,255	0.51%
7.	LRBT Ltd. (Bonaventure Apartments)	16,737	56,641	0.33%
8.	Valley Baptist Medical Center	15,898	52,044	0.30%
9.	Brownsville Housing Authority	14,030	47,419	0.27%
10.	Paseo Plaza	12,549	47,054	0.27%
	TOTAL	379,325	$ 1,635,207	9.39%

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

		FY 2004		
	Electric Services	Annual Consumption	Annual Sales	Percent of Annual Sales
	Customer Name	(kWh)	Revenue	Revenue
1.	Brownsville I S D	52,166,256	$ 4,480,143	5.45%
2.	University of Texas at Brownsville/TSC	30,024,156	1,903,051	2.32%
3.	Trico	30,487,742	1,870,555	2.28%
4.	Amfels	23,142,236	1,624,052	1.98%
5.	H E B Stores	20,594,567	1,151,671	1.40%
6.	Rich Sea-Pak Corporation	16,728,000	1,031,027	1.25%
7.	Sunrise Mall	12,965,272	900,246	1.10%
8.	Valley Regional Medical Center	14,455,374	888,754	1.08%
9.	Cameron County	9,610,757	661,829	0.81%
10.	SSP Properties (DBA Circle K)	8,679,535	613,547	0.75%
	TOTAL	218,853,895	$ 15,124,874	18.40%

	Water Services	Annual Consumption	Annual Sales	Percent of Annual Sales
	Customer Name	(1,000 Gallons)	Revenue	Revenue
1.	El Jardin Water Supply Corp.	346,789	$ 613,817	4.03%
2.	Brownsville I S D	136,662	345,327	2.27%
3.	Brownsville Navigation District	121,106	214,643	1.41%
4.	University of Texas at Brownsville/TSC	85,879	174,225	1.14%
5.	Brownsville Housing Authority	54,246	102,636	0.67%
6.	Rich Sea-Pak Corporation	56,279	98,937	0.65%
7.	Trico Technologies Corp	37,839	68,375	0.45%
8.	Valley Regional Medical Center	34,191	64,698	0.42%
9.	Brownsville Medical Center	31,316	55,356	0.36%
10.	The Border Apartments	30,437	53,107	0.35%
	TOTAL	934,744	$ 1,791,120	11.76%

	Wastewater Services	Annual Treatment	Annual Sales	Percent of Annual Sales
	Customer Name	(1,000 Gallons)	Revenue	Revenues
1.	Rich Sea-Pak Corporation	37,593	$ 551,829	3.42%
2.	Brownsville I S D	118,945	449,922	2.79%
3.	Brownsville Housing Authority	44,687	144,472	0.90%
4.	University of Texas at Brownsville/TSC	38,156	132,116	0.82%
5.	Brownsville Medical Center	31,153	98,082	0.61%
6.	Valley Regional Medical Center	29,422	93,701	0.58%
7.	The Border Apartments	24,878	90,737	0.56%
8.	Trico Technologies Corp	28,521	90,402	0.56%
9.	Tex-Mex Cold Storage	18,575	71,008	0.44%
10.	LRBT Ltd. (Bonaventure Apartments)	17,032	53,709	0.33%
	TOTAL	388,962	$ 1,775,978	11.01%

Continued

OPERATING INFORMATION
TEN LARGEST CUSTOMERS
LAST TEN YEARS - continued

FY 2003

	Electric Services Customer Name	Annual Consumption (kWh)	Annual Sales Revenue	Percent of Annual Sales Revenue
1.	Brownsville I S D	52,652,805	$ 4,108,224	4.73%
2.	University of Texas at Brownsville/TSC	29,524,486	1,775,289	2.04%
3.	Trico	26,424,167	1,519,777	1.75%
4.	Amfels	22,841,197	1,458,140	1.68%
5.	H E B Stores	22,287,785	1,132,438	1.30%
6.	Rich Sea-Pak Corporation	16,356,000	956,441	1.10%
7.	Titan Tires Corp.	12,569,448	936,950	1.08%
8.	Sunrise Mall	12,728,750	802,368	0.92%
9.	Brownsville Medical Center	14,717,960	791,051	0.91%
10.	Valley Regional Medical Center	11,028,211	643,753	0.74%
	TOTAL	221,130,809	$ 14,124,430	16.26%

	Water Services Customer Name	Annual Consumption (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenue
1.	El Jardin Water Supply Corp.	380,159	$ 672,881	4.48%
2.	Brownsville I S D	133,572	334,760	2.23%
3.	Brownsville Navigation District	147,619	259,619	1.73%
4.	University of Texas at Brownsville/TSC	57,195	122,188	0.81%
5.	Rich Sea-Pak Corporation	58,558	101,480	0.68%
6.	Brownsville Housing Authority	47,390	92,411	0.62%
7.	Valley Regional Medical Center	36,085	67,047	0.45%
8.	Titan Tires Corp.	25,595	53,290	0.35%
9.	Brownsville Medical Center	29,785	51,882	0.35%
10.	The Border Apts.	29,991	51,464	0.34%
	TOTAL	945,949	$ 1,807,021	12.03%

	Wastewater Services Customer Name	Annual Treatment (1,000 Gallons)	Annual Sales Revenue	Percent of Annual Sales Revenues
1.	Brownsville I S D	112,946	$ 399,832	2.69%
2.	Rich Sea-Pak Corporation	41,218	355,740	2.39%
3.	Rich Sea-Pak Corporation	38,981	122,703	0.83%
4.	University of Texas at Brownsville/TSC	30,036	99,932	0.67%
5.	Brownsville Medical Center	29,458	86,278	0.58%
6.	Valley Regional Medical Center	27,893	82,773	0.56%
7.	Titan Tires Corp.	24,271	75,019	0.50%
8.	The Border Apts.	28,491	71,562	0.48%
9.	Trico Technologies Corp	18,916	56,339	0.38%
10.	LRBTD (DBA La Residencia)	18,567	55,205	0.37%
	TOTAL	370,777	$ 1,405,383	9.46%

OPERATING INFORMATION
CAPITAL ASSETS STATISTICS BY UTILITY
LAST EIGHT FISCAL YEARS

	FISCAL YEAR							
Electric	2012	2011	2010	2009	2008	2007	2006	2005
Number of Power Plants	3	3	3	3	3	3	3	3
Vehicles	128	115	114	108	98	83	79	70
Transmission Miles	328	328	328	320	308	308	308	303
Distribution Miles	3,484	3,408	3,408	3,361	3,239	3,236	3,202	2,893
Poles	112,298	112,001	111,706	111,158	110,369	110,041	109,892	106,066
Transformers	36,348	36,186	36,097	35,078	34,558	34,408	34,275	34,240
Substations	15	15	15	15	15	15	15	14
Meters	55,853	54,978	59,752	59,035	57,992	55,367	53,948	50,858
Water								
Vehicles	76	74	81	73	69	59	51	49
Water Treatment Plants	3	3	3	3	3	3	3	3
Miles of water mains	2,840	2,834	2,827	2,823	2,812	2,776	2,767	2,744
Meters	60,235	49,944	49,217	48,483	46,946	45,690	45,611	43,812
Fire Hydrants	37,695	37,664	37,524	37,475	37,360	37,069	36,981	36,711
Wastewater								
Vehicles	76	61	54	53	49	43	42	27
Wastewater Treatment Plants	2	2	2	2	2	2	2	2
Lift Stations	158	168	168	163	163	163	163	163
Miles of wastewater mains	802	799	797	793	787	741	730	712
General								
Vehicles	67	62	58	47	45	44	42	58

Source:
Microsoft Dynamics - GP System

Notes: Capital Asset information prior to Fiscal year 2005 is not readily available.

Single Audit Section

(This page intentionally left blank.)

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*

The Chairman and Members of
the Board of Directors
Public Utilities Board of
the City of Brownsville, Texas

We have audited the basic financial statements of the business-type activities of the Public Utilities Board of the City of Brownsville, Texas (the "Public Utilities Board"), a component unit of the City of Brownsville, Texas, and its blended component unit, as of and for the year ended September 30, 2012 and 2011, which collectively comprise the Public Utilities Board's basic financial statements and have issued our report thereon dated January 23, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Public Utilities Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Public Utilities Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Public Utilities Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Public Utilities Board's internal control over financial reporting.

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 control such that there is a reasonable possibility that a material misstatement of the Public Utilities Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

765 EAST 7TH STREET ■ BROWNSVILLE, TX 78520 ■ (956) 544-7778 ■ FAX: (956) 544-8465 ■ www.pbhcpa.com
AFFILIATE OFFICES: McALLEN, TX (956) 682-2853 ■ WACO, TX (254) 772-4901 ■ TEMPLE, TX (254) 791-3460
HILLSBORO, TX (254) 582-2583 ■ ALBUQUERQUE, NM (505) 266-5904

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Public Utilities Board's financial statements 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*.

This report is intended solely for the information and use of management, board of directors, the administration, and federal awarding agencies and pass-through entities, and is not intended to be used by anyone other than these specified parties.

Postlethwaite, Bonnell, LLP

January 23, 2013

PB&H
PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Chairman and Members of
the Board of Directors
Public Utilities Board of
the City of Brownsville, Texas

Compliance

We have audited the compliance of the Public Utilities Board of the City of Brownsville, Texas (the "Public Utilities Board"), a component unit of the City of Brownsville, Texas, and its blended component unit, with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012 and 2011. The Public Utilities Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Public Utilities Board's management. Our responsibility is to express an opinion on the Public Utilities Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Public Utilities Board's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Public Utilities Board's compliance with those requirements.

In our opinion, the Public Utilities Board complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012 and 2011.

765 EAST 7TH STREET ■ BROWNSVILLE, TX 78520 ■ (956) 544-7778 ■ FAX: (956) 544-8465 ■ www.pbhcpa.com
AFFILIATE OFFICES: McALLEN, TX (956) 682-2853 ■ WACO, TX (254) 772-4901 ■ TEMPLE, TX (254) 791-3460
HILLSBORO, TX (254) 582-2583 ■ ALBUQUERQUE, NM (505) 266-5904

Internal Control over Compliance

Management of the Public Utilities Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Public Utilities Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Public Utilities Board's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, board of directors, the administration, and federal awarding agencies and pass-through entities, and is not intended to be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

January 23, 2013

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
(A Component Unit of the City of Brownsville, Texas)
Schedule of Findings and Questioned Costs
For The Fiscal Year Ended September 30, 2012

A. SUMMARY OF AUDITORS' RESULTS

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to the financial statements	None
Internal control over major programs: Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Type of report on compliance with major programs	Unqualified
Findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	None
Dollar threshold considered between Type A and Type B federal programs	$359,710
Low risk auditee statement	The Public Utilities Board was classified as a low-risk auditee.
Major federal program	EPA – Brownsville Weir Project CFDA #66.606 ARRA Clean Water State Revolving Fund CFDA #66.458

B. FINANCIAL STATEMENT FINDINGS

None

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
(A Component Unit of the City of Brownsville, Texas)
Schedule of Prior Audit Year Findings
For The Fiscal Year Ended September 30, 2012

N/A – No prior findings

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
(A Component Unit of the City of Brownsville, Texas)
Corrective Action Plan
For The Fiscal Year Ended September 30, 2012

N/A – No prior findings

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
(A Component Unit of the City of Brownsville, Texas)
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended September 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through Disbursements and Expenditures
FEDERAL FINANCIAL ASSISTANCE			
ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs:			
Surveys, Studies, Investigations, and Special Purpose Grants - Brownsville Weir Project	66.606	X-98672001-7	$ 2,454,852
Total EPA			2,454,852
TEXAS WATER DEVELOPMENT BOARD			
Direct Programs:			
ARRA Clean Water State Revolving Fund Project	66.458	G100007	9,535,473
Total TWDB			9,535,473
Total Expenditures of Federal Awards			11,990,325
STATE FINANCIAL ASSISTANCE			
TEXAS WATER DEVELOPMENT BOARD			
Direct Programs:			
FM511 & 802 Project	N/A	G080007	273,056
Total Expenditures of State Awards			273,056
Total Expenditures of Federal and State Awards			$ 12,263,381

PUBLIC UTILITIES BOARD OF THE CITY OF BROWNSVILLE, TEXAS
(A Component Unit of the City of Brownsville, Texas)
Notes to the Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended September 30, 2012

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal grant activity of the Public Utilities Board and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

BROWNSVILLE
PUBLIC UTILITIES BOARD

1425 Robinhood Drive P.O. Box 3270 Brownsville, TX 78523-3270
(956) 983-6100 Fax: (956) 983-6175